



**PURCHASING ITEM
FOR
COUNCIL AGENDA**

1. Agenda Item Number:
18

2. Council Meeting Date:
September 15, 2016

TO: MAYOR AND COUNCIL

THROUGH: CITY MANAGER

3. Date Prepared: August 31, 2016

4. Requesting Department: Administrative Services

5. SUBJECT: Amendment to Agreement for Medical and Pharmacy Benefits

6. RECOMMENDATION: Staff recommends City Council approve Amendment No. 1 to Agreement No. HR5-948-3502, with Blue Cross Blue Shield of Arizona (BCBS), for group medical benefits, group pharmacy benefits, and stop loss insurance, in an amount not to exceed \$900,000, for one year, January 1, 2017, through December 31, 2017.

7. BACKGROUND/DISCUSSION: The City's medical benefit is reviewed throughout the year by staff with collaboration and input from the Citywide Healthcare Task Force (HCTF) and the City's benefit consultant. As part of the ongoing efforts to manage the increasing cost of healthcare, staff and the HCTF reviewed the City's utilization of pharmaceutical benefits. As a result, there are proposed changes to the prescription drug portion of the plan. There are slight increases in copayments for tiers two (2) and three (3). In addition, a fourth tier for the prescription drug plan will be added, which will include high cost drugs that have a lower cost equivalent in one of the lower tiers. The copayment for prescription drugs will change from \$10/\$20/\$40, to the proposed structure of \$10/\$30/\$50/\$100. The specialty drug component of the plan currently includes only injectable drugs. This component will be expanded to include other specialty drugs. This expansion will also result in improved safety and compliance measures with additional clinical resources working with each patient to ensure proper dosage, and monitoring of possible interactions with other prescriptions. Staff recommends the City continue to contract with BCBS to provide the administration of the City's group medical and pharmacy program to include customer service support, administrative services, network contracts, clinical programs, pharmacy benefit management services, and stop loss coverage. With the incorporation of the proposed pharmacy changes, there will be no increase in premiums for the 2017 plan year.

8. EVALUATION: City Council approved Agreement No. HR5-948-3502, with Blue Cross Blue Shield of Arizona (BCBS), for group medical benefits, group pharmacy benefits, and stop loss insurance, for a one-year period, with the option of up to six one-year extensions. This is the first one-year extension.

MEDICAL	RED PLAN				BLUE PLAN				WHITE PLAN			
	Monthly			Employee per pay period	Monthly			Employee per pay period	Monthly			Employee per pay period
	Total premium	Employer 80%	Employee 20%		Total premium	Employer 80%	Employee 20%		Total premium	Employer 100%	Employee 0%	
Employee only	\$765.74	\$612.58	\$153.16	\$76.58	\$643.54	\$514.84	\$128.70	\$64.35	\$514.84	\$514.84	\$0.00	\$0.00
Employee + spouse	\$1,278.70	\$1,022.96	\$255.74	\$127.87	\$1,074.66	\$859.72	\$214.94	\$107.47	\$859.74	\$859.74	\$0.00	\$0.00
Employee + child(ren)	\$1,133.18	\$906.54	\$226.64	\$113.32	\$952.34	\$761.88	\$190.46	\$95.23	\$761.90	\$761.90	\$0.00	\$0.00
Employee + family	\$1,860.58	\$1,488.46	\$372.12	\$186.06	\$1,563.70	\$1,250.96	\$312.74	\$156.37	\$1,250.98	\$1,250.98	\$0.00	\$0.00

Staff recommends extension of this Agreement for the term of January 1, 2017, through December 31, 2017.

9. FINANCIAL IMPLICATIONS:

Cost: \$900,000
Savings: N/A
Long Term Costs: N/A

<u>Acct. No.:</u>	<u>Fund:</u>	<u>Program Name:</u>	<u>Amount:</u>
741.1290.5219.0.0.0 (active)	Medical Self Ins. Fund	Employee Benefits	\$848,000
741.1290.5219.2SIR. (retiree)	Medical Self Ins. Fund	Employee Benefits	51,000
741.1290.5219.2COB (Cobra)	Medical Self Ins. Fund	Employee Benefits	<u>1,000</u>
Total:			\$900,000

10. PROPOSED MOTION: Move City Council approve Amendment No. 1 to Agreement No. HR5-948-3502, with Blue Cross Blue Shield of Arizona (BCBS), for group medical benefits, group pharmacy benefits, and stop loss insurance, in an amount not to exceed \$900,000, for one year, January 1, 2017, through December 31, 2017.

ATTACHMENTS: Amendment

APPROVALS

11. Requesting Department



Lynna Soller, Benefit Program Manager

13. Department Head



Debra Stapleton, Administrative Service Director

12. Purchasing Manager



Christina Pryor

14. City Manager



Marsha Reed

**CALENDAR YEAR 2017 AMENDMENT
TO THE ADMINISTRATIVE SERVICE AGREEMENT
BETWEEN THE CITY OF CHANDLER AND
BLUE CROSS BLUE SHIELD OF ARIZONA, INC.
AND MAXIMUM AGGREGATE AND SPECIFIC
LIABILITY GROUP CONTRACT**

This Amendment (“Calendar Year 2017 Amendment”) is made and entered into this _____ day of _____, 2016 to the *Administrative Service Agreement Between the City of Chandler and Blue Cross Blue Shield of Arizona, Inc.* Group Contract Number 28399 (“Administrative Service Agreement”) and the *Maximum Aggregate and Specific Liability Agreement Between Blue Cross Blue Shield of Arizona, Inc. and the City of Chandler* Group Contract Number 28399 (“Stop Loss Agreement”).

WHEREAS, the Chandler City Council approved the Administrative Service Agreement and the Maximum Aggregate and Specific Liability Agreement (“Stop Loss Agreement”) on September 24, 2015 and the parties executed both Agreements. The initial term of both Agreements is for a one-year period from January 1, 2016 through December 31, 2016; and

WHEREAS, the City and BCBSAZ want to amend both the Administrative Service Agreement and the Stop Loss Agreement to: 1) extend the term to include the period from January 1, 2017 through December 31, 2017; and 2) amend certain rates, terms and conditions set forth in the attached amendment; and

WHEREAS, the City and BCBSAZ now want to amend both the Administrative Service and Stop Loss Agreements.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the parties agree as follows:

- Section 1. The Term of the Administrative Service and Stop Loss Agreements is hereby amended to extend the term from January 1, 2017 through December 31, 2017.
- Section 2. The Administrative Service Agreement and Stop Loss Agreement are hereby amended by the attached executed amendment entitled, “Administrative Service Agreement and Maximum Aggregate and Specific Liability Agreement Amendment” (“Amendment”) Effective Date: 01/01/2017 – 12/31/2017.
- Section 3. The Attachment A to the Administrative Service Agreement is hereby amended as follows:
 - i) The existing “City of Chandler PPO Blue Medical Option Benefit Plan” (pages 1 through 78) shall be replaced with the

“City of Chandler PPO Blue Medical Option Benefit Plan” effective January 1, 2017 in the form attached hereto as Exhibit 1 to Attachment A of the Administrative Service Agreement and incorporated herein by this reference;

- ii) The existing “City of Chandler PPO Red Medical Option Benefit Plan” (pages 1 through 78) shall be replaced with the “City of Chandler PPO Red Medical Option Benefit Plan” effective January 1, 2017 in the form attached hereto as Exhibit 1 to Attachment A of the Administrative Service Agreement and incorporated herein by this reference;
- iii) The existing “City of Chandler HSA White Medical Option Benefit Plan” (pages 1 through 76) shall be replaced with the “City of Chandler HSA White Medical Option Benefit Plan” effective January 1, 2017 in the form attached hereto as Exhibit 1 to Attachment A of the Administrative Service Agreement and incorporated herein by this reference; and
- iv) Paragraph 2.6 of Attachment A to Administrative Service Agreement shall be amended to read as follows:

2.6 Booklets, Identification Cards and Certificates. The Benefit Plan Booklets for the Red Plan, the Blue Plan, and the White Plan are attached hereto as Exhibit 1 to Attachment A and incorporated herein by this reference. The parties acknowledge that these Exhibit 1 Benefit Plan Booklets are in near final form but may be changed after execution but before the Effective Date. If so, the new Benefit Plan Booklets will be amended, upon the acknowledgement of both parties’ legal counsel that the changes are insubstantial, and are accepted as substitutes in this Administrative Service Agreement. BCBSAZ shall provide Benefit Plan Booklets and identification cards to employees unless the City directs otherwise. BCBSAZ shall complete and issue certifications of Creditable Coverage, as required by federal or state law, for the coverage administered by BCBSAZ.

Section 4. The Stop Loss Agreement is hereby amended as follows:

- i) The existing “City of Chandler PPO Blue Medical Option Benefit Plan” (pages 1 through 78) shall be replaced with the “City of Chandler PPO Blue Medical Option Benefit Plan” effective January 1, 2017 in the form attached hereto as Exhibit B to Maximum Aggregate and Specific Liability Agreement and incorporated herein by this reference;

- ii) The existing "City of Chandler PPO Red Medical Option Benefit Plan" (pages 1 through 78) shall be replaced with the "City of Chandler PPO Red Medical Option Benefit Plan" effective January 1, 2017 in the form attached hereto as Exhibit B to Maximum Aggregate and Specific Liability Agreement and incorporated herein by this reference; and
- iii) The existing "City of Chandler HSA White Medical Option Benefit Plan" (pages 1 through 76) shall be replaced with the "City of Chandler HSA White Medical Option Benefit Plan" effective January 1, 2017 in the form attached hereto as Exhibit B to Maximum Aggregate and Specific Liability Agreement and incorporated herein by this reference.

Section 5. Except for the provisions amended by items 1 through 3, above, the *Administrative Service Agreement Between the City of Chandler and Blue Cross Blue Shield of Arizona, Inc.*, shall remain in full force and effect.

Section 6. Except for the provisions amended by items 1, 2 and 4 above, the *Maximum Aggregate and Specific Liability Agreement Between Blue Cross Blue Shield of Arizona, Inc.*, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this *Calendar Year 2017 Amendment* to be duly executed.

CITY OF CHANDLER,
an Arizona municipal corporation

BLUE CROSS BLUE SHIELD OF
ARIZONA, INC.

By: _____
Mayor
DATE: _____

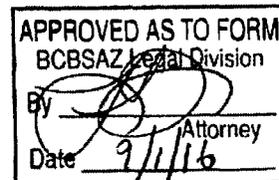
By: _____
Title: VP sales
DATE: 9/1/16
Michael Tilton

APPROVED AS TO FORM:

City Attorney *CF*

ATTEST:

City Clerk



Administrative Service Agreement & Maximum Aggregate and Specific Liability Agreement Amendment



This amendment is made and entered into this ____ day of _____, 2016, by and between the City of Chandler, a Municipal Corporation of the State of Arizona, hereinafter referred to as "City", and Blue Cross Blue Shield of Arizona, Inc., hereinafter referred to as "BCBSAZ".

Effective Date:	1/1/2017-12/31/2017	Date:	9/1/2016
Group / Bid ID:	28399	Bid/Renewal:	Renewal
Legal Name of Group:	City of Chandler	Days Notice:	210
Name of Group Health Plan:	City of Chandler Group Health Plan	SRE:	Ken Muth
Funding:	12/24 Incurred ASC, Medical and Pharmacy	Underwriter:	Anita Ortiz
Broker Paid:	Segal Company/Amy Girado	UW Code:	JO
Commission:	0.0%	Pooling / Specific Stop Loss:	\$300,000
Commission (% of Billed Rate):	0.0%	Aggregate Stop Loss:	110%
Total Enrollment:	1,632		

Definitions

- | | |
|---|--|
| 1. OOP Max - out-of-pocket maximum | 6. Admin - administration |
| 2. OV - office visit | 7. SSL - specific stop loss |
| 3. Spec - specialist | 8. ASL - aggregate stop loss |
| 4. UC - urgent care | 9. PEPM - per employee per month |
| 5. ded & coins - deductible & coinsurance | 10. Fixed Expenses - the amount BCBSAZ bills the City of Chandler each month for administration, specific stop loss, aggregate stop loss and broker commissions. |

SOLD Plan(s) Benefit Outline

	Deductible	Coinsurance	OOP Max	OV	Spec	UC	ER	RX
Red Medical Option								
IN:	\$250/\$500	90%	\$2,250/\$4,500	\$25	\$40	\$50	\$100	\$10/\$30/\$50/\$100, 2x MOD
OON:	\$500/\$1,000	70%	\$4,500/\$9,000					
Blue Medical Option								
IN:	\$500/\$1,000	85%	\$2,500/\$5,000	@ded & coins	@ded & coins	@ded & coins	\$100	\$10/\$30/\$50/\$100, 2x MOD
OON:	\$1,500/\$3,000	60%	\$6,000/\$12,000					
White Medical Option								
IN:	\$1,500/\$3,000	90%	\$3,000/\$6,000	@ded & coins	@ded & coins	@ded & coins	@ded & coins	\$10/\$30/\$50/\$100, 2x MOD
OON:	\$4,500/\$9,000	70%	\$8,000/\$16,000					

SOLD Rates (Includes Rates for Stop Loss Contract)

Red Medical Option	Enrollment	Admin	SSL	ASL	Commissions	Other	Total		Expected Liability	Maximum Liability
							Fixed Costs	ICAP		
Employee	216	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$703.83	\$721.30	\$785.28
Employee + Spouse	173	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$1,187.58	\$1,184.93	\$1,295.28
Employee + Child(ren)	108	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$1,069.21	\$1,053.46	\$1,150.66
Employee + Family	264	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$1,777.57	\$1,697.43	\$1,859.02
Total	761									

HCR Suite: N = Non-Grandfathered

Blue Medical Option	Enrollment	Admin	SSL	ASL	Commissions	Other	Total		Expected Liability	Maximum Liability
							Fixed Costs	ICAP		
Employee	31	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$688.61	\$707.46	\$770.06
Employee + Spouse	27	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$1,187.58	\$1,161.07	\$1,269.03
Employee + Child(ren)	8	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$1,046.09	\$1,032.44	\$1,127.54
Employee + Family	18	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$1,739.13	\$1,662.48	\$1,820.58
Total	84									

HCR Suite: N = Non-Grandfathered

White Medical Option	Enrollment	Admin	SSL	ASL	Commissions	Other	Total		Expected Liability	Maximum Liability
							Fixed Costs	ICAP		
Employee	239	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$529.75	\$563.04	\$611.20
Employee + Spouse	76	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$913.61	\$912.00	\$995.06
Employee + Child(ren)	101	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$804.76	\$813.05	\$886.21
Employee + Family	371	\$40.16	\$35.91	\$5.38	\$0.00	\$0.00	\$81.45	\$1,337.91	\$1,297.73	\$1,419.36
Total	787									

HCR Suite: N = Non-Grandfathered

Sold HealthEquity Account Pricing PEPM (not included above)

Health Savings Account

Plan	Billed by		Total
	BCBSAZ	HealthEquity	
White Medical Option	\$2.70	\$0.00	\$2.70
	<u><500 Accounts</u>	<u>500 - 2,999 Accounts</u>	<u>3,000+ Accounts</u>
	\$250	\$500	\$1,500

Annual Set Up Fee (based on number HRA and FSA accounts and billed by HealthEquity)

Groups selecting HealthEquity administration (including integration) services for HSA, HRA and/or FSA products hereby direct BCBSAZ to collect the HealthEquity administration fees reflected in the Administrative Service Agreement & Maximum Aggregate and Specific Liability Agreement Amendment and forward those fees to HealthEquity, along with the required personal health information. BCBSAZ is collect a courtesy and is not responsible for any reconciliation, recoupment or adjustments to payments received and forwarded to HealthEquity on behalf of the City. If the City and HealthEquity negotiate alternative fees, the City shall notify BCBSAZ.

The City agrees to pay charges for HealthEquity administration services. For HSAs and HRAs, those charges apply to all employees enrolled in a health plan the group has paired with a Health Equity account. For FSAs, those charges apply to any employees for whom an FSA selection has been sent to BCBSAZ by the employer.

Proposed administration assumes BCBSAZ will retain Rx Rebates. In exchange for retaining Rx Rebates, BCBSAZ has adjusted the Admin PEPM by the Rx Rebate Credit. Rx Rebate Credit (PEPM) = -\$13.56.

Premium tax is included in the specific and aggregate charges.

Minimum Monthly Attachment Level: based on 100% enrolled

Wellness \$s Sold: Yes
See Assumption for details
Network Discount Guarantees: Yes

Is Mayo Provider included in network? No

Rate Guarantee Sold: Yes
-Rate Guarantee Period: Multi Year through 2020
-Rate Guarantee Details: Administration Rate Guarantee

HealthEquity Integration: Yes

All information from the exhibit Assumptions #IASC-2017-28399-1, 100+ the City Application (Exhibit 1), Performance Guarantees (Exhibit 2), Resolution No. 4529 (Exhibit 1A), Eligible Indirect Compensation disclosure (Exhibit 3) and HMO and PPO Bluecard disclosure (Exhibit 4) are incorporated herein by reference. The City acknowledges electronic receipt of the Uniform Summaries of Benefits and Coverage (SBCs) for plans selected and the SBCs are incorporated herein by reference. As of the effective date on page 1, this amends and is made part of the City's Administrative Services Agreement (ASA) and Maximum Aggregate Specific Liability Agreement with BCBSAZ. All provisions in the ASA not modified by this Amendment remain in full force and effect.

BCBSAZ reserves the right to adjust these premium rates retroactive to the first day of any billing month in which enrollment varies by more than ten percent (+/-15%) from that listed above.

The health reform law provides for a transitional reinsurance program beginning in 2014. Self-insured plans are required to contribute to the reinsurance program.

The ACA prohibits waiting periods in excess of 90 days. By signing below you represent that you do not impose a waiting period which is longer than 90 days and that you have made all necessary changes to bring all waiting periods for your plan into compliance with the ACA requirements. You agree to promptly advise BCBSAZ of any change which may impact the accuracy of this representation. You agree to provide BCBSAZ with timely and accurate information regarding enrollee effective dates and shall ensure such effective dates comply with applicable laws.

This amendment must be signed and returned prior to BCBSAZ issuing ID Cards. The Agreement will terminate if this Amendment is not signed and returned prior to the end of your current term. If any information on this Form is inaccurate, please provide the correct information on this Form.



BCBS Representative

Date
9/1/2016

Group Representative

Date

Title

APPROVED AS TO FORM

CITY ATTORNEY 

City of Chandler

Effective Date: 1/1/2017-12/31/2017

#IASC-2017-28399-1



An Independent Licensee of the Blue Cross and Blue Shield Association

- * BCBSAZ may adjust rates if the following requirements are not met:
 Where the City contributes 100% of the employee cost, BCBSAZ requires 100% participation of all eligible employees, excluding those with other qualifying medical coverage.
 Where the City does not contribute 100%, BCBSAZ requires 70% of all eligible employees to participate.
 BCBSAZ requires a minimum of 50% of all full-time eligible employees in the group to be enrolled in the City's group plan.
 the City must contribute a minimum of 50% of the employee's health premium.
 Payroll deduction for employee contribution is required.
- * Rates assume Blue Cross Blue Shield of Arizona is the sole medical and rx carrier.
- * Rates assume Blue Cross Blue Shield of Arizona is the specific and aggregate stoploss carrier.
- * BCBSAZ agrees to an administrative rate guarantee for 1/1/2016 thru 12/31/2020. This guarantee is based on Gross administration rate. BCBSAZ reserves the right to change the rate guarantee due to legislative changes. Rate changes will only be made at renewal time.

	PEPM
1/1/2016 - 12/31/2016 Gross Administration Rate	\$ 52.16
1/1/2017 - 12/31/2017 Gross Administration Rate	\$ 53.72
1/1/2018 - 12/31/2018 Gross Administration Rate	\$ 55.33
1/1/2019 - 12/31/2019 Gross Administration Rate	\$ 58.10
1/1/2020 - 12/31/2020 Gross Administration Rate	\$ 61.01

Guarantee is contingent upon BCBSAZ being selected as the sole stop loss carrier (Specific and Aggregate) for policy periods: 1/2016 - 12/2016, 1/2017 - 12/2017, 1/2018 - 12/2018, 1/2019 - 12/2019 and 1/2020 - 12/2020 .

- * BlueCard fees are included in the Attachment Point rate and are charged on the monthly invoice as a claim expense.
- * BCBSAZ reserves the right to decline to provide coverage for residents of any state other than Arizona, if in BCBSAZ's sole opinion, such coverage would be inconsistent with state or federal law.
- * The group will be billed each month prospectively for the Fixed Expenses.
- * Biodyne Administrators are not included in the proposed plan(s).
 Currently, your employees and their dependents can receive outpatient behavioral and mental health services through the Behavioral Services Administrator (BSA), from PPO network providers or from providers that are not in your plan's network. While these services will continue to be offered through your group's PPO plan, they will only be available from PPO network providers and providers that are out-of-network. These services will not be available through the BSA after 1/1/17.
 BCBSAZ will assist members receiving outpatient mental health services through the BSA with finding a new PPO network mental health provider. In many cases, the provider may already be contracted with BCBSAZ as a PPO provider.
- * Costs for covered services provided by a chiropractor to PPO, EPO and indemnity members, including an allowance for BCBSAZ to maintain this arrangement, will be paid by the City to BCBSAZ on a per member per month (PMPM) basis. The PMPM rate each the City pays BCBSAZ will differ from the capitated fee BCBSAZ negotiated with the chiropractic administrator. BCBSAZ negotiated the fee that BCBSAZ pays the chiropractic administrator on the basis of BCBSAZ's entire book of business, without regard to any individual Plan. The PMPM rate BCBSAZ charges the City is subject to change by BCBSAZ upon 60 days prior written notice.

The PMPM rate(s) for chiropractic services applicable to this the City is/are:

1. Red Medical Option \$2.93 PMPM
2. Blue Medical Option \$2.93 PMPM
3. White Medical Option \$2.93 PMPM

The PMPM capitated fee(s) BCBSAZ pays the chiropractic provider is/are:

1. Red Medical Option \$2.62 PMPM
2. Blue Medical Option \$2.62 PMPM
3. White Medical Option \$2.62 PMPM

- * BCBSAZ and BCBSAZ's contracted pharmacy benefit manager enter into contracts with pharmaceutical manufacturers to receive rebate payments based on factors such as preferred drug list placement and the volume and/or market share of pharmaceutical products used by Participants in this Plan, participants in other group plans, and BCBSAZ subscribers ("rebate contracts"). BCBSAZ enters into rebate contracts on its own behalf, for its entire book of insured and administered business, and not on behalf of any specific individual or group benefit plan. BCBSAZ reserves the right to negotiate, enter into and terminate existing or future rebate contracts with pharmaceutical manufacturers at any time, and in its sole and absolute discretion.

At Employer's request, the parties have agreed that BCBSAZ will provide Employer with an administrative fee credit, in the amount specified below, in lieu of BCBSAZ remitting, to Employer, any rebates attributable to drug utilization by Employer's participants. If BCBSAZ receives any rebates attributable to pharmaceutical products covered under the terms and conditions of this Agreement, and used by Participants of Employer's Plan, BCBSAZ shall retain any such rebates in exchange for the administrative credit BCBSAZ has extended to Employer. BCBSAZ shall not remit any rebate payments to Employer.

Based on the amount of Rx rebates BCBSAZ received for its large group block of business for Calendar Year 2014, BCBSAZ calculates that the Rx rebates amount to approximately \$6.54 Per Employee Per Month (PEPM) for Calendar Year 2014. Based on this group's contract period, claims experience and/or demographics, the group's administrative fees reflect a credit for Rx rebates as reflected in the Agreement/Rate Acceptance Form. The parties agree to accept this credited amount regardless of the actual amount of rebates that BCBSAZ may receive for Participants' Rx utilization.

The actual Rx PEPM rebate amount for your group, for Subtotal 2014 Qtr 3 - 2015 Qtr 2, was \$18.37 PEPM.

- * BCBSAZ will create the Uniform Summaries of Coverage (SBC) for coverage provided by BCBSAZ. BCBSAZ will not create SBCs for any coverage the Group provides through a third-party or for health reimbursement arrangements, flexible spending accounts or health savings accounts provided by the Group. Unless directed by the Group, BCBSAZ will provide SBCs to Subscribers, as required by PPACA, except that the Group is solely responsible for delivering SBCs in accordance with PPACA: (i) to Subscribers during open enrollment; (ii) to newly eligible individuals; and (iii) to special enrollees.

- * Pharmacy Network discounts are negotiated between BCBSAZ and our pharmacy benefit manager (PBM) over BCBSAZ's entire book of business and not on behalf of any group customer. You have been given the choice between the following PBM pricing models and have selected the Pass Through model effective 1/1/2016.

Pass Through PBM pricing model: allows you to pay the same discounted prices for prescription drugs that the PBM actually pays the pharmacies. Prices for the same drug may differ at different pharmacies. The Pass Through PBM pricing model passes on to you 100% of the specific pharmacies' network discount. However, it does not allow the PBM to lower the prices for expensive drugs by applying savings realized elsewhere.

Traditional PBM pricing model: allows you to pay fixed discounted prices for prescription drugs regardless of the amount the PBM actually pays the pharmacies. This pricing model gives the PBM the flexibility to lower prices for more expensive drugs with savings realized elsewhere, but may not always result in the lowest price for every drug. The prices that the PBM actually pays the pharmacies for drugs may be higher or lower than the fixed price provided to you.

Any projected savings discussed with you that may result from choosing one pricing model over the other are only estimates. Your actual savings may vary from these estimates.

- * Beginning in 2015 the Affordable Care Act provides that certain large employers will be subject to a penalty if they fail to offer full-time employees and certain dependents health coverage which satisfies both a 60% minimum value standard and an affordability requirement and a full-time employee obtains a subsidy on the health insurance marketplace. Groups subject to these requirements and seeking to avoid a penalty are responsible for the ultimate determination of whether the minimum value and affordability requirements are satisfied.

Using the minimum value calculator made available by HHS and the IRS, BCBSAZ estimates that the minimum value of the Red Medical Plan, Blue Medical Plan and White Medical Plan meet the minimum value standard. It is important that you independently review and confirm these results as they may be impacted by information not available to us (for example, benefits not provided by BCBSAZ, non-standard benefits not suited for the calculator and certain HSA contributions or HRA funds). BCBSAZ has included its conclusion(s) about minimum value in the plan(s) SBC(s) that BCBSAZ provides to Group. Any changes that Group makes to that conclusion based on Group's independent analysis will also affect the minimum value statement(s) in the SBC.

- * BCBSAZ will provide funds to support the requested allotments amount under a self funding arrangement.

Policy Period	Amount	Fund
1/1/2016-12/31/2016	\$ 80,000	Misc. Trust & Wellness Expenses
1/1/2016-12/31/2016	\$ 100,000	On-site Wellness Consultant as requested
Total	\$ 180,000	

To monitor these allotments an available funds worksheet will be maintained by BCBSAZ.

- Requests for funds must be in writing.
- BCBSAZ will pay City approved vendors directly.
- Any unused funds will be carried over to the following policy period.
- Upon termination of the group contract, any portion of the Allotment Funds not already used will be retained by BCBSAZ.

- * Please reference the attached Performance Guarantees. Guarantees are effective for the 1/1/17-12/31/17 Policy Period.

- * Network Savings Guarantee is offered for policy period 1/1/2017 - 12/31/2017. Please see the attached amended Exhibit 2 for details.

- * BCBSAZ will pay run out claims (i.e., claims incurred but not paid during the term of the contract) as follows:

- Month 1 through month 24 following the effective date of termination with stop loss.

- * Rates and coverage are contingent upon BCBSAZ's right to: (1) assess an amount against the group for late payment of any premium, fee and/or other amounts due to BCBSAZ in an amount equal to one percent (1%) of the outstanding balance each month for which the payment or any portion of the payment is past due; and (2) require a \$2,473,019 deposit equal to one and a half month's claims expense prior to the effective date if two (2) or more payments received by BCBSAZ in the past 12 months are/were untimely.

* **VALUE BASED SERVICES**

1. LOCAL

BCBSAZ pays some of its contracted medical providers an amount to manage the medical care of members diagnosed with certain medical conditions if the provider demonstrates to BCBSAZ it has satisfied BCBSAZ's criteria for effectively managing the care ("Value Based Services").

With respect to a BCBSAZ group members residing and receiving Value Based Services in Arizona under a BCBSAZ value based program, BCBSAZ will estimate at the beginning of the contract year the amount BCBSAZ projects it will pay BCBSAZ's contracted providers for members who receive Value Based Services throughout the upcoming year in the form of a PMPM or PEPM charge ("PMPM Charge"). BCBSAZ will charge BCBSAZ's ASC Groups via the Group's Claims Invoice this PMPM Charge beginning January 1, 2016.

On an aggregate basis for the entire Value Based Program, the amounts used to calculate PMPM charge are fixed amounts estimated to be necessary to finance the cost of a particular Value-Based Program. Because amounts are estimates, there may be positive or negative differences based on actual experience, and such differences will be accounted for in a variance account maintained by BCBSAZ until the end of the applicable Value-Based Program payment and/or reconciliation measurement period. The amounts needed to fund a Value-Based Program may be changed before the end of the measurement period if it is determined that amounts being collected are projected to exceed the amount necessary to fund the program or if they are projected to be insufficient to fund the program.

On an aggregate basis for the entire Value Based Program, at the end of the Value-Based Program payment and/or reconciliation measurement period for these arrangements, BCBSAZ will take one of the following actions:

- Use any surplus in funds in the variance account to fund Value-Based Program payments or reconciliation amounts in the next measurement period.
- Address any deficit in funds in the variance account through an adjustment to the PMPM billing amount or the reconciliation billing amount for the next measurement period.

NOTE: If an ASC Group terminates its BCBSAZ contract, that Group will neither receive a refund nor a charge to reflect any variance between what BCBSAZ charged the Group in Value Based Charges and what BCBSAZ paid the providers for Value Based Services.

2. NATIONAL

Value Based Services will also apply to your members who reside in other states/geographical locations served by other Blue Cross Blue Shield Plans. A full description of these arrangements will be described in your contract.

EMPLOYER APPLICATION



An Independent Licensee of the Blue Cross and Blue Shield Association

REQUESTED EFFECTIVE DATE (MM/DD/YYYY)

01/01/2017

GROUP #

NEW

CHANGE TO EXISTING GROUP (PLEASE FULLY COMPLETE ALL SECTIONS OF THIS APPLICATION EVEN IF SPECIFIC PROVISIONS REMAIN UNCHANGED.)

SECTIONS OF FORM TO BE CHANGED: I II III

SECTION I - EMPLOYER GROUP INFORMATION

LEGAL COMPANY NAME City of Chandler		LEGAL ENTITY <input type="checkbox"/> CORP <input type="checkbox"/> LLC <input checked="" type="checkbox"/> MUNICIPALITY	
DBA City of Chandler, Arizona		<input type="checkbox"/> NON PROFIT <input type="checkbox"/> PARTNERSHIP	
GROUP HEALTH PLAN NAME (IF DIFFERENT THAN LEGAL COMPANY NAME) City of Chandler		<input type="checkbox"/> POLITICAL SUBDIVISION <input type="checkbox"/> TRUSTS <input type="checkbox"/> UNIONS	
ARIZONA LOCATION STREET ADDRESS 175 S. Arizona Avenue		CITY Chandler	ZIP CODE PLUS FOUR AZ 85225
BILLING ADDRESS <input type="checkbox"/> SAME AS STREET ADDRESS Mail Stop 703, P. O. Box 4008		CITY, STATE Chandler, AZ	ZIP CODE PLUS FOUR 85244
COUNTY Maricopa	FEDERAL TAX ID NUMBER 86-6000236	ARIZONA STATE TAX ID NUMBER 07004582	PLAN YEAR ANNIVERSARY MONTH January <small>IF BLANK, BCBSAZ WILL ASSUME MONTH OF EFFECTIVE DATE.</small>
HEADQUARTERS STATE (LEGAL ENTITY) Arizona	INCORPORATED STATE Arizona	TYPE OF BUSINESS Municipality	
GROUP EXECUTIVE Debra Stapleton		TITLE Director, Administrative Services	
E-MAIL debra.stapleton@chandleraz.gov	PHONE NUMBER 480-782-2351	FAX 480-782-2366	
CHIEF FINANCIAL OFFICER Dawn Lang		TITLE Management Services Director	
E-MAIL dawn.lang@chandleraz.gov	PHONE NUMBER 480-782-2255	FAX	
CHIEF EXECUTIVE OFFICER Marsha Reed		TITLE City Manager	
E-MAIL marsha.reed@chandleraz.gov	PHONE NUMBER 480-782-2210	FAX 480-782-2209	
GROUP BENEFIT ADMINISTRATOR <input type="checkbox"/> BILLING CONTACT Lynna Soller		TITLE Benefits Program Manager	
E-MAIL lynna.soller@chandleraz.gov	PHONE NUMBER 480-782-2359	FAX	
OTHER CONTACT PERSON <input type="checkbox"/> BILLING CONTACT ATTACHED SHEET FOR ADDITIONAL CONTACTS Carol Osterhaus		TITLE Benefits Analyst	
E-MAIL carol.osterhaus@chandleraz.gov	PHONE NUMBER 480-782-2371	FAX 480-782-2368	

SECTION II - ADDITIONAL INFORMATION

1) DOMESTIC PARTNERS TO BE COVERED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO		2) EMPLOYEE TERMINATION DATE <input checked="" type="checkbox"/> END OF BILLING MONTH <input type="checkbox"/> DATE OF LOSS OF ELIGIBILITY	
3) NEW GROUP ENROLLMENT REGULATIONS EMPLOYER'S ENROLLMENT WAITING PERIODS WILL BE WAIVED AT THE NEW GROUP'S INITIAL ENROLLMENT <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO			
4) RETIREE COVERAGE: DOES NOT APPLY TO GROUPS CONSIDERED SMALL FOR PURPOSES OF THE AFFORDABLE CARE ACT OR APPLICABLE STATE LAW (ACCOUNTABLE HEALTH PLAN).			
RETIREMENT ELIGIBILITY	RETIREES TO BE COVERED? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	IF YES: <input checked="" type="checkbox"/> UNDER 65 <input checked="" type="checkbox"/> 65 AND OLDER	RETIREES DEPENDENTS TO BE COVERED? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO OTHER THAN NEWBORNS, ETC. FOR WHICH COVERAGE MAY BE MANDATED UNDER APPLICABLE ARIZONA LAW
5) RETIREMENT PARTICIPATION REQUIREMENTS			
A) RETIREE MUST COMPLETE <u>5</u> YEARS OF SERVICE PRIOR TO RETIREMENT		B) RETIREE IS ELIGIBLE FOR COVERAGE ONLY THROUGH END OF BILLING PERIOD IN WHICH RETIREE REACHES AGE _____	
C) OTHER: SEE ATTACHED See Resolution No. 4529 attached herein as Exhibit 1A			

SECTION III – BROKER/CONSULTANT <input type="checkbox"/> BROKER <input checked="" type="checkbox"/> CONSULTANT				
LAST NAME Amy		FIRST NAME Girardo		MI
AGENCY NAME Segal Consulting			SUITE NO. 501	
STREET ADDRESS 1230 W. Washington		CITY, STATE Tempe, AZ		ZIP CODE PLUS FOUR 85281-1248
PHONE NUMBER 602-381-4065		FAX NUMBER 602-532-7654		
E-MAIL agirardo@segalco.com		BCBSAZ BROKER NUMBER		

SECTION IV – IMPORTANT - READ CAREFULLY

As the authorized representative of Company, I certify that the Company is the sole employer of the employees to be enrolled under this proposed contract for health insurance or services to administer the group health plan identified on this application. I also certify that the information provided on this Employer Application and all other applicable documents submitted in connection with this Application, is complete and accurate. I agree that Company shall promptly notify Blue Cross Blue Shield of Arizona (BCBSAZ) of any changes in this information that may affect the eligibility of employees or their dependents, including the addition of dependents, and the termination date of any enrolled employee or dependent.

I understand and agree that BCBSAZ may, in its sole discretion, verify information with or through outside sources, including third party investigative firms, as BCBSAZ deems necessary or appropriate for finalizing its decision on this Application. I agree that if the information contained in this Application or other supporting documentation is incomplete, inaccurate, materially misleading, false, or fraudulent, that BCBSAZ has the right to (a) retroactively adjust the Company's rates and/or administrative fees if such information would have affected the rate/fee calculation; and (b) invalidate, or withdraw any rate/fee proposal, or terminate coverage for any group to the extent permitted by law. I understand and agree that this Application is not accepted until approved by BCBSAZ and that BCBSAZ's acceptance shall be based on information supplied by the Group, the requested benefits, and any other information obtained from outside sources. BCBSAZ's acceptance shall be evidenced by the execution of this Application by an authorized representative of BCBSAZ, at which time this Application shall become binding upon BCBSAZ and the group. Upon acceptance, this Application shall be attached to and shall become a part of the Group Master Contract or Administrative Services Agreement With/ Without Stoploss (the "Contract"), as applicable. To the extent permitted by applicable law, BCBSAZ may terminate the Contract in accordance with the Contract terms, including the Group's failure to meet certain obligations under the Contract such as failure to pay premium/fees or comply with coverage requirements.

The Group agrees that it is solely responsible for: (i) determining employee and dependent eligibility for coverage and coverage effective and termination dates (including application of required open and special enrollment periods), (ii) complying with applicable laws in establishing eligibility and coverage effective and termination dates, and (iii) providing BCBSAZ with timely and accurate eligibility and coverage effective and termination date information. Additionally, Company represents and warrants that it does not impose a waiting period which exceeds 90 days. Company will promptly advise BCBSAZ of any change in this representation. Company understands and agrees that federal law requires Company to provide dependent coverage for children under age 26, and prohibits Company from imposing pre-existing condition waiting periods.

By including my e-mail address on the reverse side, I authorize BCBSAZ to send me information via e-mail. I also understand I may change my e-mail address or rescind this permission at any time by contacting BCBSAZ through azblue.com.

COMPANY AUTHORIZED OFFICER / OWNER / PARTNER				
SIGNATURE X		PRINT NAME		
TITLE			DATE	
STREET ADDRESS		CITY, STATE		ZIP CODE PLUS FOUR
BCBSAZ AUTHORIZED SIGNATURE X		PRINT NAME		
TITLE			DATE	

**Addendum to Employer Application
City of Chandler, #28399
Effective January 1, 2017**

Billing Contact

Stacey Finkelstein, Employee Services & HRMS Supervisor
Office: 480-782-2356, Fax: 480-782-2366
stacey.finkelstein@chandleraz.gov
P. O. Box 4008, Mail Stop 703
Chandler, Arizona 85244

Secondary Groups Benefits Administrator

Rae Lynn Nielsen, Benefits & Labor Relations Administrator
Office: 480-782-2353
raelynn.nielsen@chandleraz.gov

Other Contacts

Ruby Womack-Chappell, Human Resources Assistant
Office: 480-782-2346, Fax: 480-782-2345
ruby.womack-chapell@chandleraz.gov

Julia House, Human Resources Assistant
Office: 480-782-2358, Fax: 480-782-2366
julia.house@chandleraz.gov

Nichole Bombard, Human Resources Specialist
Office: 480-782-2376
nichole.bombard@chandleraz.gov

See Resolution 4529, attached.

RESOLUTION NO. 4529

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER
AUTHORIZING MODIFICATION OF THE CITY'S SURVIVOR BENEFITS
AND HEALTH CARE BENEFITS TO EXTEND ELIGIBILITY FOR GROUP
HEALTH INSURANCE COVERAGE TO THE SPOUSE AND ELIGIBLE
CHILDREN OF ANY EMPLOYEE KILLED IN THE LINE OF DUTY OR IN
THE COURSE AND SCOPE OF CITY EMPLOYMENT

WHEREAS, the City has historically allowed the spouse and eligible children of public safety employees who are killed in the line of duty to retain their group medical, dental, and vision insurance coverage through the City, with the beneficiaries bearing the full premium cost;

WHEREAS, under A.R.S. § 38-1103, as recently amended, the City is required to pay the full medical insurance premiums for the spouse and any eligible children of a law enforcement officer killed in the line of duty for the first 12 months after the officer's death;

WHEREAS, the City Council wishes to extend, as a survivor benefit, the opportunity to retain group medical, dental, and vision insurance coverage through the City, at the regular employee cost for such coverage, to the spouse and eligible children of any employee of the City who is killed in the line of duty or in the course and scope of City employment beginning with benefit year 2012;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chandler, Arizona, as follows:

1. The City shall make the necessary modifications to the group medical, dental, and vision insurance programs for City employees to extend, as a survivor benefit, eligibility for coverage to the spouse and eligible children of any employee killed in the line of duty or in the course and scope of their City employment.
2. Except as required under A.R.S. § 38-1103, the medical, dental, and vision insurance coverage shall be made available to the surviving spouse and children at the cost that would normally be paid by the employee for the level of coverage elected.
3. Eligibility for participation in the City's group health insurance programs shall terminate upon the surviving spouse's remarriage or attainment of the age of Medicare eligibility or the surviving eligible children's attainment of age 26.
4. This change shall become effective at the beginning of Benefit Year 2012, and shall be included, with necessary Personnel Rule amendments, if any, at the time the benefits package for Benefit Year 2012 is presented to the City Council for approval.

PASSED AND ADOPTED by the Mayor and City Council of the City of Chandler, Arizona, this 28th day of July 2011.

ATTEST:


CITY CLERK




MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4529 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the 28th day of July 2011, and that a quorum was present thereat.


CITY CLERK

APPROVED AS TO FORM:


CITY ATTORNEY



MEMORANDUM

DATE: JULY 18, 2011

TO: MAYOR AND CITY COUNCIL

THROUGH: RICH DLUGAS, CITY MANAGER *R. Dlugas*
DEBRA STAPLETON, HUMAN RESOURCES DIRECTOR *DS*

FROM: VALERIE F. HERNANDEZ, BENEFIT PROGRAMS SUPERVISOR *VFH*

SUBJECT: ADOPTION OF RESOLUTION NO. 4529 AUTHORIZING CITY
STAFF TO PROVIDE SURVIVOR HEALTH CARE BENEFITS

RECOMMENDATION: Staff recommends that City Council pass and adopt Resolution No. 4529 authorizing City staff to provide survivor health care benefits.

BACKGROUND/DISCUSSION: The City Council has previously taken action to allow spouse and eligible children of public safety employees who are killed in the line of duty to retain their health care benefits through the City at the beneficiaries' full cost.

City Council has expressed interest in allowing a spouse and eligible children of any City employee who is killed in the course and scope of their employment to retain their group medical, dental, vision benefits at the regular employee's cost for the specific benefits elected.

PROPOSED MOTION: Move to pass and adopt Resolution No. 4529 authorizing City staff to provide survivor health care benefits.

PERFORMANCE GUARANTEES

Please fill in your proposed penalty amount to each of the following performance guarantees. Performance guarantees should total an equivalent of a minimum aggregate total of \$100,000 per year. Should you not be able to commit to any of the following, please identify each exception in the Deviation section of your proposal response, referencing the comment by letter and proposing an alternative commitment with your penalty amount. Please note performance guarantees are to be in place not only during the initial term of the contract, but for each subsequent renewal term(s).

	Description of Service Performance Standards	Required Performance Guarantee	Describe the Method of Reporting Performance to the CITY	List the Frequency for which you will Report Status on each Measurement	Annual Dollar Value of Administrative Fees at Risk Paid to the CITY
Customer/ Member Service					
1	Customer/Member overall satisfaction - the satisfaction level conveyed by CITY members.	95% or greater in year one; 98% or greater in subsequent years	See Deviations		
Implementation					
2	Group Structure and Benefit Plan Design	The initial group structure and benefit plan design will be entered into the system 60 business days prior to the implementation date. This guarantee is dependent on receiving final sign-off from the City on the benefit plan design and summary documents 75 business days prior to the start date.	Measured group specific	N/A	\$20,000

	Description of Service Performance Standards	Required Performance Guarantee	Describe the Method of Reporting Performance to the CITY	List the Frequency for which you will Report Status on each Measurement	Annual Dollar Value of Administrative Fees at Risk Paid to the CITY
3	Client's Overall Satisfaction With Implementation Process	All deadlines are met, cards are distributed to the correct addresses on time, communication materials are created and distributed as indicated and agreed to, the benefit is set up to adjudicate claims according to the documentation provided to and agreed upon by the City.	Measured group specific We will work with the City to develop a mutually agreed upon implementation plan.	N/A	\$20,000
Client Services and Account Management					
4	Monthly Eligibility Reconciliation	60 business days or less	Measured group specific	Quarterly	\$20,000
5	Claims Processing Accuracy: Accurate processing includes payment amount; communication to claimant or provider; data entry errors affecting current or future benefit determinations and management reports.	97% of all claims will be processed accurately.	Measured non-group specific Percentage of claims processed incorrectly vs. correctly, based on BCBSAZ standard auditing procedures. ¹	Quarterly	\$20,000

BCBSAZ Notes:

- Total of all risk measures cannot exceed \$100,000.
- The above stated performance guarantees will be effective for the contract period 1/1/2017-12/31/2017.
- The Performance Guarantee payout does not include stop loss premiums, claims reimbursement amounts, vendor interface fees, capitated claim payments, etc.
- BCBSAZ will determine the sample size of audited claims.
- BCBSAZ will evaluate performance 90 days after the end of the 4th quarter of the performance period. Any penalties due to the group would be payable annually on the 15th of the month following the 90-day period. BCBSAZ will not be required to pay a penalty for Performance Guarantees if the group is in default of its contract with BCBSAZ and/or has not paid all claims and premiums by the date due.

¹ If BCBSAZ fails to perform in accordance with these Guarantee(s) for two (2) consecutive reporting periods after the Guarantee(s) are effective, BCBSAZ will refund or credit the group up to the amount at risk per measure during the time period which BCBSAZ did not meet the performance guarantee(s).

Performance Guarantees

The City will require specific performance guarantees. All guarantees shall be set and measured annually, and must have the ability to measure performance separately based on its experiences with the chosen PBM. Measurement of performance guarantees may be based on internal self-reporting, subject to independent audit.

Performance guarantees offered below are for the first contract year. For each subsequent year, BCBSAZ will verify the performance guarantees and amounts at-risk as part of the renewal process. Generally, we can offer initial guarantees for the entire multi-year duration of a client's contract. However, our current contract with our PBM, Catamaran, ends 12/31/17 and certain guarantees are passed directly through this contract. Should any modifications be required, BCBSAZ will work with the City to offer mutually-agreeable standards.

BCBSAZ is submitting a bundled quote including medical and pharmacy administration. As such, many of our performance guarantees are based on overall performance (including medical and pharmacy).

Measurement of performance guarantees is based on internal self-reporting. BCBSAZ does not offer independent audit of reporting results at this time. BCBSAZ wishes to note that, while we are unable to offer independent auditing for performance guarantees, we offer clients robust audit rights in other areas, as detailed within the Audit Rights section of the sample contract in Section 10A.

1. The City is looking for flat dollar (\$) performance guarantee amounts. Indicate the amount you are willing to place at risk for each item listed in the table below. In addition, you may provide other guarantees designed to differentiate your program.

Implementation		Standard	Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
Clean Implementation	No systems errors, ID card delays, and the City online access to all tools prior to effective date		Not proposed separately. BCBSAZ agrees as part of overall implementation, provided clean pharmacy benefits and eligibility are received by the BCBSAZ	Please see Medical performance guarantees. BCBSAZ is not placing a separate amount at-risk for PBM.	n/a

Standard		Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
		Pharmacy department at least 45 days prior to the effective date. BCBSAZ will discuss and mutually agree upon tools for online access.		
Implementation Timeline	Implementation team will be assigned and introduced to the City at least 3 months in advance of effective date	Not proposed separately. BCBSAZ agrees as part of overall implementation. After award, Client Implementation Managers Scott Salisbury and Trisha Honaker will meet with the City to develop a mutually agreed upon implementation plan.	Please see Medical performance guarantees. BCBSAZ is not placing a separate amount at-risk for PBM.	n/a
Implementation Team	Implementation team members will not change and will be responsible for the accurate installation of all administrative, clinical and financial parameters for the City's program	Not proposed separately. Client Implementation Managers Scott Salisbury and Trisha Posser will oversee	Please see Medical performance guarantees. BCBSAZ is not placing a separate	n/a

Standard		Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
Implementation Satisfaction Scorecard	Assigned Account Executive will work with the City prior to the start of implementation to agree on terms of a satisfaction scorecard to be issued to the City after effective date for completion	implementation. Not proposed separately.	amount at-risk for PBM. Please see Medical performance guarantees. BCBSAZ is not placing a separate amount at-risk for PBM.	n/a
Payment Accuracy & System Performance				
Protected Health Information	PBM guarantees no incidents in violation of HIPAA Security Rules which results in a transmission of electronic PHI for the City's covered members	Not proposed. We have standards and monitoring in place to comply with government rules and regulations.	n/a	n/a
Plan Administration Accuracy	Implementation of all plan design changes will be 100% accurate	Not proposed.	n/a	n/a
Pricing Change Accuracy	Implementation of all pricing changes will be 100% accurate	Not proposed.	n/a	n/a
Financial accuracy (electronic and paper claims)	Percentage of claim payments made without error relative to the total dollars paid will be at least 99%	Not proposed. Pricing guaranteed are offered instead, as documented in PBM	n/a	n/a

Standard		Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
		RFP response.		
Mail Service Non-Financial Accuracy	The mail service pharmacy shall guarantee dispensing accuracy of at least 99.995% (correct participant name, correct participant address, correct drug, correct dosage form, and correct strength)	Book of Business Modification offered: At least 99.95% prescription dispensing accuracy.	\$500 per quarter	Measured quarterly Paid annually
System Downtime	At least 99.5% access to its systems by all the retail pharmacies in PBM's network 24 hours a day, 7 days a week, 365 days a year	Book of Business Modification offered: Average of at least 98% availability (excluding scheduled downtimes).	\$500 per quarter	Measured quarterly Paid annually
Invoicing Errors	All invoicing errors will be credits back to the City by next billing cycle or PBM will pay interest	Not proposed.	n/a	n/a
Claims Eligibility Data	Eligibility loads not to exceed 24-hours after receipt	Book of Business	\$500 per quarter	Measured quarterly Paid annually
Eligibility Data Error Reporting	Eligibility file error reporting on all eligibility file updates will be provided to the City within 2 business days	City-specific	\$2,000 per year	Measured annually Paid annually
Eligibility Error Rate Audits	Error rate identified through quarterly audits shall not exceed, on an average basis, 2%	Not proposed.	n/a	n/a
Retail Pharmacy Audit	PBM will perform an on-site audit of 3% or more	City-specific	\$500 per year	Measured

Standard		Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
	of their retail pharmacies which dispense greater than 500 claims a year	Results will be provided within 90 days of the close of the calendar year.		annually Paid annually
Retail Pharmacy Turnover	Less than 5% of retail pharmacies will leave the retail network	Not proposed.	n/a	n/a
Claims Detail File	All claims detail files sent to external vendors will be provided within 8 days of request or scheduled delivery date	Not applicable. Our pharmacy benefit management program is only offered when medical administration is selected.	n/a	n/a
Account Management				
City Approval of Member Communications	100% of all member communications will be approved by the City – exceptions for drug recalls and urgent patient safety communications	Not proposed.	n/a	n/a
Delivery of Standard Reports	Within 30 days of end of reporting quarter	City-specific Our clients can obtain pharmacy reporting through BlueInsight SM . BlueInsight, our online reporting tool, is available 24 hours a day, seven days a week. It is updated on	\$2,000 per year	Measured annually Paid annually

Standard		Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
Accuracy of Standard Reports	All standard reports provided will be 100% accurate	the 20 th of each month. City-specific Our clients can obtain pharmacy reporting through BlueInsight SM . BlueInsight is an integrated reporting tool, with information aggregated directly from our claims and eligibility system.	\$2,000 per year	Measured annually Paid annually
Pharmacy Audit Resolution	48 hours after receipt of findings	Not proposed.	n/a	n/a
PBM Account Team's Performance	The City may assess a penalty after the first Contract Year and each successive Contract Year, the City's benefits staff do not rate PBM account team's performance for such Contract Year an average of 3 or better on a scale of 1 to 5 (5 being the best based on a range of performance criteria agreed to between the City and PBM at the beginning of such Contract Year)	City-specific Overall score of 3 (satisfied) or better on the annual BCBSAZ medical Account Management Score Card (annual Group Benefit Administrator survey). Categories include: effective support for open enrollment events, timely client notification of issues	\$5,000 per year	Measured annually Paid annually

Standard	Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
	<p>impacting members, response to client issues and questions in timely, comprehensive manner, effective coordination to resolve open issues, accessibility, and delivery of agreed-upon reports on time.</p> <p>BCBSAZ Account Management Score Card (annual) – see attached.</p>		
Account Management Turnover	<p>Account team members will remain constant for at least the first 18 months of the contract period, unless a change in account management staff is requested by the City</p>	n/a	n/a
Member Services			
Mail Turnaround – Prescriptions not requiring intervention	95% of prescriptions dispensed within average of 2 business days and 100% within average of 3 business days	\$500 per quarter	Measured quarterly Paid annually
	<p>Book of Business Modification offered: Average of 90% of prescriptions not</p>		

Standard	Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
	subject to intervention will be dispensed within two (2) business days and prescription subject to intervention within two business days after resolution of intervention.		
Mail Turnaround – Prescriptions requiring intervention	95% of prescriptions dispensed within average of 4 business days and 100% within average of 5 business days	n/a	n/a
Paper Claims Turnaround	95% of prescriptions reimbursed within average of 10 business days and 100% within average of 14 business days	\$500 per quarter	Measured quarterly Paid annually
ID Cards Mailing	98% of all ID cards are sent within 5 business days of receipt of eligibility. 100% mailed within 10 business days.	\$5,000 per year	Measured annually Paid annually

Standard		Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
Mailing Member Materials	All applicable member materials (for example, mail order forms) will be mailed at least 10 days prior to the effective date and will be 100% accurate (provided that eligibility file was received at least 30 days prior to the effective date).	information in a format agreed upon between the City and BCBSAZ. Not proposed.	n/a	n/a
Phone Average Speed of Answer	100% of calls to the City-specific toll free line shall be answered within 20 seconds (excluding IVR)	Book of Business Modification offered: Average of 30 seconds or less.	\$500 per quarter	Measured quarterly Paid annually
Phone Abandonment Rate	100% of calls to the City-specific toll free line shall be answered with an abandonment rate of 3% or less	Book of Business Modification offered: Equal to or less than 3% after 30 seconds.	\$500 per quarter	Measured quarterly Paid annually
Written Inquiry Answer Time	95% of inquiries responded to in 5 business days – 100% in 20 business days	Not proposed.	n/a	n/a
Member Satisfaction Survey	The PBM agrees to conduct a Member Satisfaction Survey for each contract year and that the Satisfaction Rate will be 90% or greater. A penalty may be assessed against the PBM for failure to meet this standard. "Member Satisfaction Rate" means (i) the number of Eligible Persons responding to PBM annual standard Patient Satisfaction Survey as	Not proposed separately. BCBSAZ's pharmacy benefits administration (PBM) quote is contingent upon selection of BCBSAZ	Please see Medical performance guarantees. BCBSAZ is not placing a separate	n/a

Standard	Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
	<p>being satisfied with the overall performance under the Integrated Program divided by (ii) the number of Eligible Persons responding to such annual Patient Satisfaction Survey; the City must provide timely approvals and responses, and a minimum of 20% of surveys must be returned for the Performance standard to be applicable.</p>	<p>medical coverage. This performance guarantee is addressed within the medical performance guarantees.</p>	
Issue Resolution: Verbal Inquiries	<p>PBM will resolve 99% of all telephone issues at the first point of contact (the number of telephone inquiries completely resolved at the time of initial contact divided by the total number of calls)</p>	<p>Book of Business Modification offered: First call resolution: 93% or greater of calls related to pharmacy matters will be resolved on first call.</p>	<p>amount at-risk for PBM.</p> <p>\$500 per quarter</p> <p>Measured quarterly Paid annually</p>
Issue Resolution: Written Inquiries	<p>PBM will resolve 98% of all written inquiries within 10 business days of receipt of inquiry</p>	<p>Not proposed.</p>	<p>n/a</p>
Issue Resolution: the City Staff Involvement / Escalation	<p>When the City contacts you with an elevated claim issue via phone, email or through their Consultant, you will respond within 24 hours and provide progress reports every 48 hours until the issue is resolved.</p>	<p>Not proposed separately. Responsiveness measure will be included in annual medical Account Management Scorecard, as proposed in the "PBM Account Team's Performance"</p>	<p>n/a</p>

Standard	Measurement Criteria (BOB or City specific)	Penalty Dollars at Risk	Timing of Payments
	guarantee, above.		

BCBSAZ Notes:

- Total of all risk measures cannot exceed \$100,000.
- The above stated performance guarantees will be effective for the contract period 1/1/2017-12/31/2017.
- The Performance Guarantee payout does not include stop loss premiums, claims reimbursement amounts, vendor interface fees, capitated claim payments, etc.
- BCBSAZ will determine the sample size of audited claims.
- BCBSAZ will evaluate performance 90 days after the end of the 4th quarter of the performance period. Any penalties due to the group would be payable annually on the 15th of the month following the 90-day period. BCBSAZ will not be required to pay a penalty for Performance Guarantees if the group is in default of its contract with BCBSAZ and/or has not paid all claims and premiums by the date due.
- ¹ If BCBSAZ fails to perform in accordance with these Guarantee(s) for two (2) consecutive reporting periods after the Guarantee(s) are effective, BCBSAZ will refund or credit the group up to the amount at risk per measure during the time period which BCBSAZ did not meet the performance guarantee(s).

Group Name: City of Chandler

Group Number: 28399

NETWORK SAVINGS GUARANTEE

***Guaranteed Period: 1/1/2017 - 12/31/2017**

I. In-Network Medical only

Total Savings %*	Administrative Charge at Risk PEPM	Administrative Charge at Risk Annual
57.0% or more	\$0.00	\$ -
55.0% - 56.9%	\$1.00	\$ 19,584
53.0% - 54.9%	\$2.00	\$ 39,168
51.0% - 52.9%	\$3.00	\$ 58,752
less than 52.0%	\$4.00	\$ 78,336

Network Savings Guarantee:

***Savings % will be based on incurred claims 1/01/17-12/31/17 (paid through 3/31/2018)**

- BCBSAZ has agreed to put a portion of the administrative fees at risk based on actual network savings (**Eligible Billed Charges minus Eligible Allowed Charges**) realized by group.
- Enroll Assumption (Employees): **1,632**
- This discount applies only to the following policy period: **01/01/2017-12/31/2017**
At the end of said contract period the savings percentage will be calculated to determine if any money will be returned to group. If money is due, the final amount will be calculated using actual enrollment during the applicable policy period.
- The incurred claims used for the contract period will include In-Network Medical only claims. The discount does not apply to out-of-network Medical claims nor to pharmacy claims.
- The proposed Network Savings Guarantee does NOT include Mayo as an in-network provider.
- The proposed Network Savings Guarantee is subject to re-rate retroactive to the first day of any billing month in which the enrollment varies by more than +/- 10% from the enrollment as of: **April-16**
- Notwithstanding any other provisions in this rate proposal, if the government imposes a new tax or fee on insurers the rates set forth in this rate proposal may be adjusted to include, even retroactively, such taxes and fees. BCBSAZ reserves the right to change its rate if a change in administration is required due to legislative or regulatory change.
- This agreement is null and void if group terminates prior to the end of the guaranteed policy period.

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Re: 2016 Form 5500 Schedule C Service Provider Information – Disclosure of “Eligible Indirect Compensation” -

Dear Sir or Madam:

Blue Cross Blue Shield of Arizona (“BCBSAZ”) is required to provide Employers with information regarding certain indirect compensation (“Eligible Indirect Compensation” or “EIC”) paid by BCBSAZ to other Service Providers during 2016.

Under your contract with BCBSAZ, one of the benefits your employees and their dependents (“Participants”) receive is access to healthcare services outside the geographic area BCBSAZ serves under a program known as BlueCard. Typically in that situation, Participants obtain care from healthcare providers that have a contractual agreement with the local Blue Cross and/or Blue Shield Licensee in that other geographic area (the “Host Blue”). Within that arrangement, BCBSAZ is referred to as the “Home Blue.” The BlueCard Program is established and operated pursuant to policies established and enforced by the Blue Cross and Blue Shield Association.

A plan sponsor’s reporting requirements for a self-funded plan on Schedule C are significantly streamlined for EIC about which a service provider has shared certain information. As such, below is a list of EIC that has been and/or is likely to be received in connection with the BlueCard Program. Note that the fees and compensation subject to disclosure under the Department of Labor rules include amounts that are not necessarily passed on to your ERISA Plan or your Participants. The financial terms of the BlueCard Program passed on to your ERISA plan, and additional details about the BlueCard Program, are described in your Agreement with BCBSAZ.

The following is a list of EIC:

1. **BlueCard Access Fees:** The Access Fee is charged by the Host Blue to us for making its applicable provider network available to your members. The Access Fee will not apply to nonparticipating provider claims. The Access Fee is charged on a per-claim basis and is charged as a percentage of the discount/differential we receive from the applicable Host Blue subject to a maximum of \$2,000 per claim. When charged, we pass the Access Fee directly on to you.
2. **Administrative Expense Allowances (AEA):** The AEA is a fixed per-claim dollar amount charged by the Host Blue to us for administrative services the Host Blue provides in processing claims for your members. The dollar amount is normally based on the type of claim (e.g. institutional, professional, international, etc.) and can also be based on the size of your group enrollment. When charged, we pass the AEA fee directly on to you.
Note: To be considered for reduced BlueCard PPO fees, the claim must be for an account whose total Blue PPO enrollment exceeds 1,000 contracts
3. **Use of Estimated or Average Pricing by Host Blues.** As described in your administrative service agreement, some Host Blues use estimated or average prices to determine the negotiated price that is made available to BCBSAZ when plan participants access the Host Blue’s participating provider network. This may result in a difference (positive or negative) between the price you pay on a specific claim and the actual amount paid to the provider by the Host Blue.

The following describes the formulas used for determining an estimated or average price:

Estimated: A percentage is used to modify the claim price for covered services. This percentage (either positive or negative) allows Host Blues to incorporate

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adjustments and actuarial projections prospectively into the final price. The percentage is determined by calculating the aggregate cost to the Host Blue over a look-back period less any initial payments made to providers divided by the total payments initially made to providers. The aggregate cost in the numerator includes all provider retrospective settlements, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, performance-related bonuses or incentives, interest, other non-claim transactions and any positive or negative balance in the variance account. The percentage is then actuarially adjusted for anticipated changes in claims expenses for the prospective period. As of December 31, 2015 the modifying percentage applied to claims from those Host Blues that use estimated pricing ranged from -8.0% to +12.36% the rate of payment to the provider at the point of the claims. The modifying percentages applied to claims from those Host Blues that will be used for estimated pricing have not been calculated as of the date of this letter.

Average: An average price is determined for a defined category of provider (e.g., institutional, professional, etc.) of a Host Blue in a given geographic area. The average is determined as follows:

Total amount paid to such providers over a look-back period, including initial payments as well as applicable claim and non-claim related transactions, which may include but are not limited to provider retrospective settlements, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, performance-related bonuses or incentives, interest, etc., and any positive or negative balance in the variance account

divided by

Total amount of such providers' corresponding charges for covered services over the same look-back period (claims for non-covered services are not included in the calculation)

This result is an average price that is applied to each claim for the defined category of provider of the Host Blue in the geographic area and presented as the negotiated price.

The Host Blue determines whether it will use an actual, estimated or average price. The use of estimated or average pricing may result in a difference (positive or negative) between the price you pay on a specific claim and the amount the Host Blue pays to the provider. However, the BlueCard Program requires that the amount paid by the member and you is the final price; no future price adjustment will result in increases or decreases to the pricing of past claims.

Any positive or negative differences in estimated or average pricing are accounted for through variance accounts maintained by the Host Blue and are incorporated into future claim prices. As a result, the amounts charged to you will be adjusted in a following year, as necessary, to account for over- or underestimation of the past years' prices. The Host Blue will not receive compensation from how the estimated price or average price methods, described above, are calculated. Because all amounts paid are final, neither positive variance account amounts (funds available to be paid in the following year), nor negative variance amounts (the funds needed to be received in the following year), are due to or from [you/account name]. If [you/account name] terminate, you will not receive a refund or charge from the variance account.

Variance account balances are small amounts relative to the overall paid claims amounts and will be [liquidated/drawn down] over time. The timeframe for their liquidation depends

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on variables, including, but not limited to, overall volume/number of claims processed and variance account balance. Variance account balances may earn interest at the [federal funds or similar rate]. Host Blues may retain interest earned on funds held in variance accounts.

4. BlueCard Worldwide Program. The BlueCard Worldwide Program provides members with access to an international network of inpatient, outpatient and professional providers. The Blue Cross and Blue Shield Association has contracted with AXA Assistance USA, an independent company, to gain access to AXA's network for the program. Medical assistance and claims support services are also provided under the program by AXA Assistance USA. AXA Assistance USA's fees paid by the Home Blue are as follows:

Medical Assistance	Fee (in dollars)
General Inbound Calls (questions related to the BlueCard Worldwide Program and related processes; requests for provider information for non-medical situations, etc.)	\$8.04 / Call
Provider Inquiry/Referral (non-medical situation)	\$10.07 / Call
Cashless access	\$19.21 / Call
Phone Translation	\$28.00 / Call
Fulfillment	\$7.28 / Mailing
Provider Referral/visitation (medical situation)	\$31.82 / Referral
Misrouted Calls	\$3.21 / Call

Medical Monitoring	Fee (in dollars)
Medical Monitoring < 3 Days	\$195.12 / Case
Medical Monitoring 3 – 10 Days	\$353.97 / Case
Medical Monitoring > 10 days	\$545.31 / Case

Claims Support Services	Fee (in dollars)
Claim Preparation – (Image claim, route claim, verify eligibility, conduct provider follow-ups; excluding translation and currency conversion)	\$3.70 / Bill
Claim Preparation and Currency Conversation	\$3.70 / Bill
Claim Preparation and Translation	\$4.08 / Bill
Claim Preparation, Translation and Currency Conversion	\$4.08 / Bill
Claim coding (code claim to ICD standards)	\$4.20 / Bill
Misrouted claim (for example, domestic)	\$1.50 / Claim
Claim Status inquiry	4.15 / Claim
Other Document Translation (for example, medical records)	\$28.00 / Page
Outside Translation Costs	At Cost

Claims Payment	Fee (in dollars)
Payment Issuance (receive funds, match to file, purchase currency, issue check)	\$2.22 / Payment
Currency Conversion gains/losses	At Cost
Void check requests	\$1.13 / payment

Additional Services	Fee (in dollars)
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Medical Evacuation coordination	\$739.47 / Case
Medical Repatriation coordination	\$657.97 / Case
Repatriation of Remains coordination	\$446.91 / Case
Medical Travel - case	\$602.17 / Case
Medical Travel – Travel assistance	\$47.40 / Case

5. **Negotiated Arrangements:** With respect to one or more Host Plans, instead of using the BlueCard Program, BCBSAZ may process your Participant claims for Covered Services through Negotiated Arrangements.

Non-Standard negotiated AEA fees for 2015 and 2016

Non-standard negotiated fees can range from either \$5.48 to \$18.22 per claim, or \$10.00 to \$16.75 per contract per month depending on the negotiated arrangement and/or the health plan product

Under new regulations related to the 2009 Form 5500 Schedule C - Service Provider Information, BCBSAZ is required to provide information regarding certain indirect compensation (referred to in this letter as "Eligible Indirect Compensation" or "EIC") paid by BCBSAZ to other Service Providers during 2016 related to your contract with BCBSAZ.

The following Service Providers received EIC from BCBSAZ during 2016:

Name of Service Provider Receiving EIC from BCBSAZ: SourceHOV LLC.

Address: 369 Inverness Parkway, Suite 300, Englewood, CO 80112

Service Provided: Claims Processing (Certain Specialty Type Claims) and Claims Edit Resolution

Basis of Compensation: \$0.41 to \$0.90 per Institutional Claim Processed (UB04); \$0.28 to \$0.55 per Professional Claim Processed (CMS1500); \$0.31 to \$0.32 per Dental Claim Processed; \$1.019 - \$2.038 per claim edit resolution

Name of Service Provider Receiving EIC from BCBSAZ: Sutherland Global Services, Inc.

Address: 2 Brighton Rd., Suite 300 Clifton, NJ 07012

Service Provided: Data entry for provider data, assistance with credentialing

Basis of Compensation: \$4.23 - \$34.35 per provider record completed and \$28.04 per credentialing unit completed

Name of Service Provider Receiving EIC from BCBSAZ: EquiClaim Inc.

Address: P.O. Box 572490, Murray Utah 84157-2490

Service Provided: Fee for the Recovery of Overpayments

Basis of Compensation: 21.5% of the Recovered Amount

Name of Service Provider Receiving EIC from BCBSAZ: OptumRx.¹

Address: 1600 McConnor Parkway, Schaumburg, IL 60173-6801

Service Provided: Pharmacy Claims Processing and select PBM services

Basis of Compensation: for electronic claims only

Traditional Pricing Model = \$0.50 per net paid claim dispensed by Walgreens Mail Service

Pass-Thru Pricing Model = \$0.75 per net paid claim

¹ BCBSAZ paid compensation to OptumRx only for groups who used BCBSAZ to manage their pharmacy benefits.

Pharmacy Rebates – BCBSAZ receives rebates from certain Pharmaceutical Manufacturers for certain drugs. Subject to the terms of your BCBSAZ Administrative Services Agreement your Group may be eligible for a Pharmacy Rebate. The current Rebate estimate for 100-plus member Groups is \$5.74 per employee per month. BCBSAZ may earn interest income on Pharmacy Rebates during the period after the Rebate is paid to BCBSAZ and prior to payment to your Group.

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Name of Service Provider Receiving EIC from BCBSAZ: KJB Health Care

Address: 5935 E. Kings Avenue, Scottsdale, AZ 85254

Service Provided: Clinical review of medication prior authorization and non-formulary requests

Basis of Compensation: Hourly, \$100/hr

Name of Service Provider Receiving EIC from BCBSAZ: Inpharmative

Address: 8717 W. 110th St., Overland Park, KS 66210

Service Provided: Pharmacy Rebate Processing

Basis of Compensation: \$0.04 per Claim Processed

Name of Service Provider Receiving EIC from BCBSAZ: Convergys

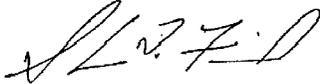
Address: 110 Hawkwatch Drive, Montgomery TX 77316

Service Provided: Provider Assistance Call Center

Basis of Compensation: \$4.32 per call

BCBSAZ's list of affiliated Service Providers receiving EIC will be updated as necessary.
If you have any questions, please contact your BCBSAZ Account Manager.

Sincerely,



Shawn A. Fried

Supervisor, Large Group Underwriting

cc:
Report File

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Exhibit A to Supplemental Terms and Conditions to Administrative Services Agreement HMO BlueCard Disclosure

I. Out-of-Area Services

Overview

BCBSAZ has a variety of relationships with other Blue Cross and/or Blue Shield Licensees referred to generally as "Inter-Plan Arrangements." These Inter-Plan Arrangements operate under rules and procedures issued by the Blue Cross Blue Shield Association ("Association"). Whenever Participants access healthcare services outside the geographic area BCBSAZ serves, the claim for those services may be processed through one of these Inter-Plan Arrangements. The Inter-Plan Arrangements are described generally below.

Typically, when accessing care outside the geographic area BCBSAZ serves, Participants obtain care from healthcare providers that have a contractual agreement ("participating providers") with the local Blue Cross and/or Blue Shield Licensee in that other geographic area ("Host Blue"). In some instances, Participants may obtain care from healthcare providers in the Host Blue geographic area that do not have a contractual agreement ("nonparticipating providers") with the Host Blue. BCBSAZ remain responsible for fulfilling its contractual obligations to Employer. BCBSAZ payment practices in both instances are described below.

- BCBSAZ Narrow Network Benefit Plan - BCBSAZ covers only limited healthcare services received outside of BCBSAZ's service area ("Out-of-Area Covered Healthcare Services"). Emergency services and EGID and Medical Foods formulas are covered when provided by providers contracted with a Host Blue and when provided by non-contracted providers. All other covered services must be obtained from providers contracted with a Host Blue.
- BCBSAZ Statewide Benefit Plan - BCBSAZ covers healthcare services received outside of our service area ("Out-of-Area Covered Healthcare Services"). Emergency services and EGID and Medical Foods formulas are covered when provided by providers contracted with a Host Blue and when provided by non-contracted providers. All other covered services must be obtained from providers contracted with a Host Blue.

Inter-Plan Arrangements Eligibility – Claim Types

All claim types are eligible to be processed through Inter-Plan Arrangements, as described above, except for all dental care benefits (except when paid as medical claims/benefits), and those prescription drug benefits or vision care benefits that may be administered by a third party contracted by BCBSAZ to provide the specific service or services.

A. BlueCard[®] Program

The BlueCard[®] Program is an Inter-Plan Arrangement. Under this Arrangement, when Participants access Out-of-Area Covered Services within the geographic area served by a Host Blue the Host Blue will be responsible for contracting and handling all interactions with its participating healthcare providers. The financial terms of the BlueCard Program are described generally below.

Liability Calculation Method Per Claim

1. Participant Liability Calculation

Unless subject to a fixed-dollar copayment, the calculation of Participant liability on claims for Out-of-Area Covered Services processed through the BlueCard Program will be based on the lower of the participating provider's billed charges for Out-of-Area Covered Services or the negotiated price made available to BCBSAZ by the Host Blue.

2. Employer Liability Calculation

The calculation of Employer liability on claims for Covered Services processed through the BlueCard Program will be based on the negotiated price made available to BCBSAZ by the Host Blue. Sometimes, this negotiated price may be greater for a given service or services than the billed charge in accordance with how the Host Blue has negotiated with its participating provider(s) for specific healthcare services. In cases where the negotiated price exceeds the billed charge, Employer may be liable for the excess amount even when

the Participant's deductible has not been satisfied. This excess amount reflects an amount that is necessary to secure (a) the provider's participation in the network, and (b) the overall discount negotiated by the Host Blue. The entire contracted price is paid to the provider even when the contracted price is greater than the billed charge.

Claims Pricing

Host Blues determine a negotiated price, which is reflected in the terms of each Host Blue's provider contracts. The negotiated price made available to BCBSAZ by the Host Blue may be represented by one of the following:

- (i) An actual price. An actual price is a negotiated rate of payment in effect at the time a claim is processed without any other increases or decreases; or
- (ii) An estimated price. An estimated price is a negotiated rate of payment in effect at the time a claim is processed, reduced or increased by a percentage to take into account certain payments negotiated with the provider and other claim- and non-claim-related transactions. Such transactions may include, but are not limited to, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, retrospective settlements and performance-related bonuses or incentives; or
- (iii) An average price. An average price is a percentage of billed charges for Out-of-Area Covered Healthcare Services in effect at the time a claim is processed representing the aggregate payments negotiated by the Host Blue with all of its providers or a similar classification of its providers and other claim- and non-claim-related transactions. Such transactions may include the same ones as noted above for an estimated price.

The Host Blue determines whether or not it will use an actual price, an estimated price or an average price. The use of estimated or average pricing may result in a difference (positive or negative) between the price the Employer pays on a specific claim and the actual amount the Host Blue pays to the provider.

However, the BlueCard Program requires that the amount paid by the Participant and Employer is a final price; no future price adjustment will result in increases or decreases to the pricing of past claims. Any positive or negative differences in estimated or average pricing are accounted for through variance accounts maintained by the Host Blue and are incorporated into future claim prices. As a result, the amounts charged to Employer will be adjusted in a following year, as necessary, to account for over- or underestimation of past years' prices. The Host Blue will not receive compensation from how the estimated price or average price methods, described above, are calculated.

Because all amounts paid are final, neither positive variance account amounts (funds available to be paid in the following year), nor negative variance amounts (the funds needed to be received in the following year), are due to or from Employer. If Employer terminates, Employer will not receive a refund or charge from the variance account.

Variance account balances are small amounts relative to the overall paid claims amounts and will be drawn down over time. The timeframe for their liquidation depends on variables, including, but not limited to, overall volume/number of claims processed and variance account balance. Variance account balances may earn interest at the federal funds or similar rate. Host Blues may retain interest earned on funds held in variance accounts.

Federal/State Taxes/Surcharges/Fees

In some instances, federal or state laws or regulations may impose a surcharge, tax, or other fee that applies to self-funded accounts. If applicable, BCBSAZ will disclose any such surcharge, tax or other fee to Employer, which will be Employer liability.

Return of Overpayments

Recoveries of overpayments from a Host Blue or its participating and nonparticipating providers can arise in several ways, including, but not limited to, anti-fraud and abuse recoveries, provider/hospital bill audits, credit balance audits, utilization review refunds and unsolicited refunds. Recovery amounts determined in the ways noted above will be applied so that corrections will be made, in general, on a claim-by-claim or prospective basis. If recovery amounts are passed on a claim-by-claim basis from a Host Blue to BCBSAZ, they will be credited to Employer's account. In some cases, the Host Blue will engage a third party to assist in identification or collection of overpayments. The fees of such a third party may be charged to Employer as a percentage of the recovery.

Unless otherwise agreed to by the Host Blue, BCBSAZ will request adjustments from the Host Blue for full refunds from providers due to the retroactive cancellation of membership but only for one year after the date of the Inter-Plan financial settlement process for the original claim. In some cases, recovery of claim payments associated with a retroactive cancellation may not be possible if, as an example, the recovery conflicts with the Host Blue's state law or provider contracts or would jeopardize the Host Blue's relationship with its providers.

BlueCard Fees and Compensation

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under the BlueCard Program to pay to the Host Blues, to the Association and/or to vendors of BlueCard Program-related services, as described below. BlueCard Program Fees and compensation may be revised from time to time as described in section I.D below. BCBSAZ will charge these fees as follows:

Only the BlueCard Program Access Fee and the BlueCard Program Administrative Expense Allowance (AEA) fee may be charged separately each time a claim is processed through the BlueCard Program. All other BlueCard Program-related fees are included in the Administrative Charges.

The Access Fee is charged by the Host Blue to BCBSAZ for making the applicable Host Blue's provider network available to Employer's Participants. The Access Fee will not apply if the provider does not participate in the applicable Host Blue's network. The Access Fee is charged on a per-claim basis and is charged as a percentage of the discount/differential BCBSAZ receives from the applicable Host Blue subject to a maximum of \$2,000 per claim. When charged, BCBSAZ passes the Access Fee directly on to Employer.

The AEA Fee is a fixed per-claim dollar amount charged by the Host Blue to BCBSAZ for administrative services that the Host Blue provides in processing claims for Employer's Participants. The dollar amount is normally based on the type of claim (e.g. institutional, professional, international, etc.) and can also be based on the size of your group enrollment. When charged, BCBSAZ passes the AEA Fee directly on to Employer.

See Administrative Service Agreement, Caveats) for the BlueCard Program Access Fee and AEA Fee and for Employer's general administrative fee.

BlueCard Program Access Fees

A BlueCard Program Access Fee may be charged only if the Host Blue's arrangement with its provider prohibits billing Participants for amounts in excess of the negotiated payment. However, a provider may bill Participants for non-covered healthcare services and for cost sharing (for example, deductibles, copayments and/or coinsurance) related to a particular claim.

How the BlueCard Program Access Fee Affects Employer

Sometimes the Access Fee is a negative amount, which is known as an Access Fee Credit. Any Access Fee Credits will be credited to BCBSAZ, and BCBSAZ will pass the entire Access Fee Credit on to Employer.

Instances may occur in which the claim payment is zero or BCBSAZ pays only a small amount because the amounts eligible for payment were applied to patient cost sharing (such as a deductible or coinsurance). In these instances, BCBSAZ will pay the Host Blue's Access Fee and pass it along to BCBSAZ as stated above even though Employer paid little or had no claim liability.

B. Nonparticipating Providers Outside BCBSAZ Service Area

Participant Liability Calculation

In General

When Out-of-Area Covered Healthcare Services are provided outside of BCBSAZ service area by nonparticipating providers, the amount(s) a Participant pays for such services will generally be based on either the Host Blue's nonparticipating provider local payment or the pricing arrangements required by applicable state law. Payments for out-of-network emergency services will be governed by applicable federal and state law.

Exceptions

In some exception cases, BCBSAZ may pay claims from nonparticipating providers for Out-of-Area Covered Healthcare Services based on the provider's billed charge. This may occur in situations where a Participant did not have reasonable access to a participating provider, as determined by BCBSAZ in BCBSAZ's sole and absolute discretion or by applicable state law. In other exception cases, BCBSAZ may pay such claims based on the payment BCBSAZ would make if BCBSAZ were paying a nonparticipating provider for the same covered healthcare services inside BCBSAZ's service area, as described elsewhere in this Agreement. This may occur where the Host Blue's corresponding payment would be more than BCBSAZ in-service area nonparticipating provider payment. BCBSAZ may choose to negotiate a payment with such a provider on an exception basis.

Fees and Compensation

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under applicable Inter-Plan Arrangement requirements to pay to the Host Blues, to the Blue Cross Blue Shield Association and/or to vendors of Inter-Plan Arrangement-related services. Fees and compensation under applicable Inter-Plan Arrangements may be revised from time to time as provided for in section I.D below.

Specifically, BCBSAZ must pay an administrative fee to the Host Blue, and Employer further agrees to reimburse BCBSAZ for any such administrative fee as set forth below.

BCBSAZ will charge these fees as follows:

C. BlueCard Worldwide[®] Program

General Information

If Participants are outside the United States (hereinafter: "BlueCard service area"), they may be able to take advantage of the BlueCard Worldwide[®] Program when accessing Covered Services. The BlueCard Worldwide Program is unlike the BlueCard Program available in the BlueCard service area in certain ways. For instance, although the BlueCard Worldwide Program assists Participants with accessing a network of inpatient, outpatient and professional providers, the network is not served by a Host Blue. As such, when Participants receive care from providers outside the BlueCard service area, the Participants will typically have to pay the providers and submit the claims themselves to obtain reimbursement for these services.

Inpatient Services

In most cases, if Participants contact the BlueCard Worldwide Service Center for assistance, hospitals will not require Participants to pay for covered inpatient services, except for their cost-share amounts. In such cases, the hospital will submit Participant claims to the BlueCard Worldwide Service Center to initiate claims processing. However, if the Participant paid in full at the time of service, the Participant must submit a claim to obtain reimbursement for Covered Services. **Participants must contact BCBSAZ to obtain precertification for non-emergency inpatient services.**

Outpatient Services

Physicians, urgent care centers and other outpatient providers located outside the BlueCard service area will typically require Participants to pay in full at the time of service. Participants must submit a claim to obtain reimbursement for Covered Services.

Submitting a BlueCard Worldwide Claim

When Participants pay for Covered Services outside the BlueCard service area, they must submit a claim to obtain reimbursement. For institutional and professional claims, Participants should complete a BlueCard Worldwide International claim form and send the claim form with the provider's itemized bill(s) to the BlueCard Worldwide Service Center (the address is on the form) to initiate claims processing. The claim form is available from BCBSAZ, the BlueCard Worldwide Service Center or online at www.bluecardworldwide.com. If Participants need assistance with their claim submissions, they should call the BlueCard Worldwide Service Center at 1.800.810.BLUE (2583) or call collect at 1.804.673.1177, 24 hours a day, seven days a week.

D. Modifications or Changes to Inter-Plan Arrangement Fees or Compensation

Modifications or changes to Inter-Plan Arrangement fees are generally made effective Jan. 1 of the calendar year, but they may occur at any time during the year. In the case of any such modifications or changes, BCBSAZ shall provide Employer with at least thirty (30) days' advance written notice of any modification or change to such Inter-Plan Arrangement fees or compensation describing the change and the effective date thereof and Employer's right to terminate this Agreement without penalty by giving written notice of termination before the effective date of the change. If Employer fails to respond to the notice and does not terminate this Agreement during the notice period, Employer will be deemed to have approved the proposed changes, and BCBSAZ will then allow such modifications to become part of this Agreement.

II. BlueCard Program Fees and Compensation

The Employer's General Administrative Fee, as set forth on the first page of the Administrative Service Agreement, encompasses fees BCBSAZ charges to Employer for administering Employer's benefit plan. They may include both local BCBSAZ service area and Inter-Plan fees. For purposes of this Agreement, they include the following BlueCard Program-related fees other than the BlueCard Program Access Fee and AEA Fee: namely, Central Financial Agency Fee, ITS Transaction Fee, Toll-Free Number Fee, PPO Provider Directory Fee and BlueCard Worldwide Program Fees, if applicable.

BCBSAZ Value-Based Programs

Value-Based Program (VBP) is outcome-based payment arrangement and/or a coordinated care model facilitated with one or more local providers that is evaluated against cost and quality metrics/factors and is reflected in provider payment.

LOCAL - BCBSAZ pays some of its contracted medical providers an amount to manage the medical care of members diagnosed with certain medical conditions if the provider demonstrates to BCBSAZ it has satisfied BCBSAZ's criteria for effectively managing the care ("Value Based Services")

With respect to BCBSAZ group members residing and receiving Value Based Services in Arizona under a BCBSAZ value based program, BCBSAZ will estimate at the beginning of the contract year the amount BCBSAZ projects it will pay BCBSAZ's contracted providers for members who receive Value Based Services throughout the upcoming year in the form of a PMPM or PEPM charge ("PMPM Charge"). BCBSAZ will charge BCBSAZ's self-insured ("ASC") Groups via the Employer's Claims Invoice this PMPM Charge beginning January 1, 2016.

On an aggregate basis for the entire Value Based Program, the amounts used to calculate PMPM charge are fixed amounts estimated to be necessary to finance the cost of a particular Value-Based Program. Because amounts are estimates, there may be positive or negative differences based on actual experience, and such differences will be accounted for in a variance account maintained by BCBSAZ until the end of the applicable Value-Based Program payment and/or reconciliation measurement period. The amounts needed to fund a Value-Based Program may be changed before the end of the measurement period if it is determined that amounts being collected are projected to exceed the amount necessary to fund the program or if they are projected to be insufficient to fund the program.

On an aggregate basis for the entire Value Based Program. at the end of the Value-Based Program payment and/or reconciliation measurement period for these arrangements, BCBSAZ do one of the following:

- a. Use any surplus in funds in the variance account to fund Value-Based Program payments or reconciliation amounts in the next measurement period.
- b. Address any deficit in funds in the variance account through an adjustment to the PMPM billing amount or the reconciliation billing amount for the next measurement period.

NOTE: If an ASC Group terminates its BCBSAZ contract, that Employer will neither receive a refund nor a charge to reflect any variance between what BCBSAZ charged the Employer in Value Based Charges and what BCBSAZ paid the providers for Value Based Services.

**Exhibit A to Supplemental Terms and Conditions to Administrative Services Agreement
PPO BlueCard Disclosure**

I. Out-of-Area Services

Overview

BCBSAZ has a variety of relationships with other Blue Cross and/or Blue Shield Licensees referred to generally as "Inter-Plan Arrangements." These Inter-Plan Arrangements operate under rules and procedures issued by the Blue Cross Blue Shield Association ("Association"). Whenever Participants access healthcare services outside the geographic area BCBSAZ serves, the claim for those services may be processed through one of these Inter-Plan Arrangements. The Inter-Plan Arrangements are described generally below.

Typically, when accessing care outside the geographic area BCBSAZ serves, Participants obtain care from healthcare providers that have a contractual agreement ("participating providers") with the local Blue Cross and/or Blue Shield Licensee in that other geographic area ("Host Blue"). In some instances, Participants may obtain care from healthcare providers in the Host Blue geographic area that do not have a contractual agreement ("nonparticipating providers") with the Host Blue. B C B S A Z remains responsible for fulfilling its contractual obligations to Employer. BCBSAZ payment practices in both instances are described below.

This disclosure describes how claims are administered for Inter-Plan Arrangements and the fees that are charged in connection with Inter-Plan Arrangements. Note that dental care benefits (except when not paid as medical claims/benefits), and those prescription drug benefits or vision care benefits that may be administered by a third party contracted by BCBSAZ to provide the specific service or services are not processed through Inter-Plan Arrangements.

A. BlueCard[®] Program

The BlueCard[®] Program is an Inter-Plan Arrangement. Under this Arrangement, when Participants access Covered Services within the geographic area served by a Host Blue, the Host Blue will be responsible for contracting and handling all interactions with its participating healthcare providers. The financial terms of the BlueCard Program are described generally below.

1. Liability Calculation Method Per Claim – In General

a. Participant Liability Calculation

Unless subject to a fixed dollar copayment, the calculation of the Participant liability on claims for Covered Services will be based on the lower of the participating provider's billed charges for Covered Services or the negotiated price made available to BCBSAZ by the Host Blue.

b. Employer Liability Calculation

The calculation of Employer liability on claims for Covered Services processed through the BlueCard Program will be based on the negotiated price made available to BCBSAZ by the Host Blue. Sometimes, this negotiated price may be greater for a given service or services than the billed charge in accordance with how the Host Blue has negotiated with its participating healthcare provider(s) for specific healthcare services. In cases where the negotiated price exceeds the billed charge, Employer may be liable for the excess amount even when the Participant's deductible has not been satisfied. This excess amount reflects an amount that may be necessary to secure (a) the provider's participation in the network and/or (b) the overall discount negotiated by the Host Blue. In such a case, the entire contracted price is paid to the provider, even when the contracted price is greater than the billed charge.

2. Claims Pricing

Host Blues determine a negotiated price, which is reflected in the terms of each Host Blue's provider contracts. The negotiated price made available to BCBSAZ by the Host Blue may be represented by one of the following:

- (i) An actual price. An actual price is a negotiated rate of payment in effect at the time a

claim is processed without any other increases or decreases; or

- (ii) An estimated price. An estimated price is a negotiated rate of payment in effect at the time a claim is processed, reduced or increased by a percentage to take into account certain payments negotiated with the provider and other claim- and non-claim-related transactions. Such transactions may include, but are not limited to, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, retrospective settlements and performance-related bonuses or incentives; or
- (iii) An average price. An average price is a percentage of billed charges for Covered Services in effect at the time a claim is processed representing the aggregate payments negotiated by the Host Blue with all of its healthcare providers or a similar classification of its providers and other claim- and non-claim-related transactions. Such transactions may include the same ones as noted above for an estimated price.

The Host Blue determines whether it will use an actual, estimated or average price. The use of estimated or average pricing may result in a difference (positive or negative) between the price Employer pays on a specific claim and the actual amount the Host Blue pays to the provider. However, the BlueCard Program requires that the amount paid by the Participant and Employer is a final price; no future price adjustment will result in increases or decreases to the pricing of past claims.

Any positive or negative differences in estimated or average pricing are accounted for through variance accounts maintained by the Host Blue and are incorporated into future claim prices. As a result, the amounts charged to Employer will be adjusted in a following year, as necessary, to account for over- or underestimation of the past years' prices. The Host Blue will not receive compensation from how the estimated price or average price methods, described above, are calculated. Because all amounts paid are final, neither positive variance account amounts (funds available to be paid in the following year), nor negative variance amounts (the funds needed to be received in the following year), are due to or from Employer. If Employer terminates, Employer will not receive a refund or charge from the variance account.

Variance account balances are small amounts relative to the overall paid claims amounts and will be drawn down over time. The timeframe for their liquidation depends on variables, including, but not limited to, overall volume/number of claims processed and variance account balance. Variance account balances may earn interest at the federal funds rate or similar rate. Host Blues may retain interest earned on funds held in variance accounts.

3. BlueCard Program Fees and Compensation

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under the BlueCard Program to pay to the Host Blues, to the Association and/or to vendors of BlueCard Program-related services. The specific BlueCard Program fees and compensation that are charged to Employer are set forth in Administrative Service Agreement, Caveat. BlueCard Program Fees and compensation may be revised from time to time as described in section I.H below.

B. Negotiated Arrangements

With respect to one or more Host Plans, instead of using the BlueCard Program, BCBSAZ may process your Participant claims for Covered Services through Negotiated Arrangements.

In addition, if BCBSAZ and Employer have agreed that (a) Host Blue(s) shall make available (a) custom healthcare provider network(s) in connection with this Agreement, then the terms and conditions set forth in BCBSAZ's Negotiated Arrangement(s) for National Accounts with such Host Blue(s) shall apply. These include the provisions governing the processing and payment of claims when Participants access such network(s). In negotiating such arrangement(s), BCBSAZ is not acting on behalf of or as an agent for Employer, Employer's group health plan or Employer Participants.

Participant Liability Calculation

Participant liability calculation will be based on the lower of either billed charges for Covered Services or negotiated price (refer to the description of negotiated price under Section A., BlueCard Program, as

stated above) that the Host Blue makes available to BCBSAZ and that allows Employer's Participants access to negotiated participation agreement networks of specified participating providers outside of the BCBSAZ service area.

Under certain circumstances, if BCBSAZ pays the Healthcare Provider amounts that are the responsibility of the Participant, BCBSAZ may collect such amounts from the Participant.

In situations where participating agreements allow for bulk settlement reconciliations for Episode-Based Payment/Bundled Payments, BCBSAZ may include a factor for such settlement reconciliations as part of the fees BCBSAZ charges to Employer.

Where Employer agrees to use reference-based benefits, if offered, which are service-specific benefit dollar limits for specific procedures, based on a Host Blue's local market rates, Participants will be responsible for the amount that the healthcare provider bills for a specified procedure above the reference benefit limit for that procedure. For a participating provider, that amount will be the difference between the negotiated price and the reference benefit limit. For a nonparticipating provider, that amount will be the difference between the provider's billed charge and the reference benefit limit. Where a reference benefit limit exceeds either a negotiated price or a provider's billed charge, the Participant will incur no liability, other than any applicable Participant cost sharing under this Agreement.

Fees and Compensation

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under applicable Inter-Plan Arrangement requirements to pay to the Host Blues, to the Association and/or to vendors of Inter-Plan Arrangement-related services. Fees and compensation under applicable Inter-Plan Arrangements may be revised from time to time as described in Section I.H below. In addition, the participation agreement with the Host Blue may provide that BCBSAZ must pay an administrative and/or a network access fee to the Host Blue, and Employer further agrees to reimburse BCBSAZ for any such applicable administrative and/or network access fees. The specific fees and compensation that are charged to Employer under Negotiated Arrangements are set forth in Administrative Service Agreement, Caveat.

C. Special Cases: Value-Based Programs

Value-Based Programs Overview

Employer's Participants may access Covered Services from providers that participate in a Host Blue's Value-Based Program. Value-Based Programs may be delivered either through the BlueCard Program or a Negotiated Arrangement. These Value-Based Programs may include, but are not limited to, Accountable Care Organizations, Global Payment/Total Cost of Care arrangements, Patient Centered Medical Homes and Shared Savings arrangements.

Value-Based Programs Definitions

- Accountable Care Organization (ACO): A group of healthcare providers who agree to deliver coordinated care and meet performance benchmarks for quality and affordability in order to manage the total cost of care for their member populations.
- Care Coordination: Organized, information-driven patient care activities intended to facilitate the appropriate responses to a Participant's healthcare needs across the continuum of care.
- Care Coordinator: An individual within a provider organization who facilitates Care Coordination for patients.
- Care Coordinator Fee: A fixed amount paid by a Blue Cross and/or Blue Shield Licensee to providers periodically for Care Coordination under a Value-Based Program.
- Global Payment/Total Cost of Care: A payment methodology that is defined at the patient level and accounts for either all patient care or for a specific group of services delivered to the patient such as outpatient, physician, ancillary, hospital services and prescription drugs.
- Negotiated Arrangement (a.k.a., Negotiated National Account Arrangement): An agreement negotiated between a Control/Home Licensee and one or more Par/Host Licensees for any National Account that is not delivered through the BlueCard Program.
- Patient-Centered Medical Home (PCMH): A model of care in which each patient has an ongoing relationship with a primary care physician who coordinates a team to take collective

responsibility for patient care and, when appropriate, arranges for care with other qualified physicians.

- **Provider Incentive:** An additional amount of compensation paid to a healthcare provider by a Blue Cross and/or Blue Shield Plan, based on the provider's compliance with agreed-upon procedural and/or outcome measures for a particular [group/population] of covered persons.
- **Shared Savings:** A payment mechanism in which the provider and payer share cost savings achieved against a target cost budget based upon agreed upon terms and may include downside risk.
- **Value-Based Program (VBP):** An outcomes-based payment arrangement and/or a coordinated care model facilitated with one or more local providers that is evaluated against cost and quality metrics/factors and is reflected in provider payment.

Value-Based Programs under the BlueCard Program

Value-Based Programs Administration

Under Value-Based Programs, a Host Blue may pay providers for reaching agreed-upon cost/quality goals in the following ways: *retrospective settlements, Provider Incentives, share of target savings, Care Coordinator Fees and/or other allowed amounts.*

The Host Blue may pass these provider payments to BCBSAZ, which BCBSAZ will pass directly on to Employer as either an amount included in the price of the claim or an amount charged separately in addition to the claim.

When such amounts are included in the price of the claim, the claim may be billed using one of the following pricing methods, as determined by the Host Blue:

- (i) **Actual Pricing:** The charge to accounts for Value-Based Programs incentives/Shared Savings settlements is part of the claim. These charges are passed to Employer via an enhanced provider fee schedule.
- (ii) **Supplemental Factor:** The charge to accounts for Value-Based Programs incentives/Shared Savings settlements is a supplemental amount that is included in the claim as an amount based on a specified supplemental factor (e.g., a small percentage increase in the claim amount). The supplemental factor may be adjusted from time to time.

When such amounts are billed separately from the price of the claim, they may be billed as follows:

- Per Member Per Month (PMPM) Billings:** Per Member Per Month billings for Value-Based Programs incentives/Shared Savings settlements to accounts are outside of the claim system. BCBSAZ will pass these Host Blue charges directly through to Employer as a separately identified amount on the group billings.

The amounts used to calculate either the supplemental factors for estimated pricing or PMPM billings are fixed amounts that are estimated to be necessary to finance the cost of a particular Value-Based Program. Because amounts are estimates, there may be positive or negative differences based on actual experience, and such differences will be accounted for in a variance account maintained by the Host Blue (in the same manner as described in the BlueCard claim pricing section above) until the end of the applicable Value-Based Program payment and/or reconciliation measurement period. The amounts needed to fund a Value-Based Program may be changed before the end of the measurement period if it is determined that amounts being collected are projected to exceed the amount necessary to fund the program or if they are projected to be insufficient to fund the program.

At the end of the Value-Based Program payment and/or reconciliation measurement period for these arrangements, Host Blues will do one of the following:

- Use any surplus in funds in the variance account to fund Value-Based Program payments or reconciliation amounts in the next measurement period.
- Address any deficit in funds in the variance account through an adjustment to the PMPM billing amount or the reconciliation billing amount for the next measurement period.

The Host Blue will not receive compensation resulting from how estimated, average or PMPM price methods, described above, are calculated. If Employer terminates, Employer will not receive a refund or charge from the variance account. This is because any resulting surpluses or deficits would be eventually exhausted through prospective adjustment to the settlement billings in the case of Value-Based Programs. The measurement period for determining these surpluses or deficits may differ from the term of this Agreement.

Variance account balances are small amounts relative to the overall paid claims amounts and will be drawn down over time. The timeframe for their liquidation depends on variables, including, but not limited to, overall volume/number of claims processed and variance account balance. Variance account balances may earn interest, and interest is earned at the federal funds or similar rate. Host Blues may retain interest earned on funds held in variance accounts.

Note: Participants will not bear any portion of the cost of Value-Based Programs except when a Host Blue uses either average pricing or actual pricing to pay providers under Value-Based Programs.

Care Coordinator Fees

Host Blues may also bill BCBSAZ for Care Coordinator Fees for provider services which we will pass on to Employer as follows:

1. PMPM billings; or
2. Individual claim billings through applicable care coordination codes from the most current editions of either Current Procedural Terminology (CPT) published by the American Medical Association (AMA) or Healthcare Common Procedure Coding System (HCPCS) published by the U.S. Centers for Medicare and Medicaid Services (CMS).

As part of this Agreement, BCBSAZ and Employer will not impose Participant cost sharing for Care Coordinator Fees.

Value-Based Programs under Negotiated Arrangements

If BCBSAZ has entered into a Negotiated National Account Arrangement with a Host Blue to provide Value-Based Programs to Employer's Participants, BCBSAZ will follow the same procedures for Value-Based Programs administration and Care Coordination Fees as noted in the BlueCard Program section.

Exception: For negotiated arrangements, if any, for Value-Based programs to the extent that BCBSAZ and Employer have agreed to waive Participant cost sharing for Care Coordinator Fees, such waiver shall be a part of this Agreement.

D. Return of Overpayments

Recoveries of overpayments from a Host Blue or its participating and nonparticipating providers can arise in several ways, including, but not limited to, anti-fraud and abuse recoveries, audits/healthcare provider/hospital bill audits, credit balance audits, utilization review refunds and unsolicited refunds. Recovery amounts determined in the ways noted above will be applied so that corrections will be made, in general, on either a claim-by-claim or prospective basis. If recovery amounts are passed on a claim-by-claim basis from a Host Blue to BCBSAZ they will be credited to Employer's account. In some cases, the Host Blue will engage a third party to assist in identification or collection of overpayments. The fees of such a third party may be charged to Employer as a percentage of the recovery.

Unless otherwise agreed to by the Host Blue, for retroactive cancellations of membership, BCBSAZ will request the Host Blue to provide full refunds from participating healthcare providers for a period of only one year after the date of the Inter-Plan financial settlement process for the original claim. For Care Coordinator Fees associated with Value-Based Programs, BCBSAZ will request such refunds for a period of only up to ninety (90) days from the termination notice transaction on the payment innovations delivery platform. In some cases, recovery of claim payments associated with a retroactive cancellation may not be possible if, as an example, the recovery (a) conflicts with the Host Blue's state law or healthcare provider contracts, (b) would result from Shared Savings and/or Provider Incentive arrangements or (c) would jeopardize the Host Blue's relationship with its

participating healthcare providers, notwithstanding to the contrary any other provision of this Agreement.

E. Inter-Plan Programs: Federal/State Taxes/Surcharges/Fees

In some instances federal or state laws or regulations may impose a surcharge, tax or other fee that applies to self-funded accounts. If applicable, BCBSAZ will disclose any such surcharge, tax or other fee to Employer, which will be Employer's liability.

F. Nonparticipating Providers Outside BCBSAZ's Service Area

1. Participant Liability Calculation

a. In General

When Covered Services are provided outside of BCBSAZ's service area by nonparticipating providers, the amount(s) a Participant pays for such services will be based on either the Host Blue's nonparticipating healthcare provider local payment or the pricing arrangements required by applicable state law. In these situations, the Participant may be responsible for the difference between the amount that the nonparticipating provider bills and the payment will make for the covered services as set forth in this paragraph. Payments for out-of-network emergency services will be governed by applicable federal and state law.

b. Exceptions

In some exception cases, BCBSAZ may pay claims from nonparticipating healthcare providers outside of BCBSAZ's service area based on the provider's billed charge. This may occur in situations where a Participant did not have reasonable access to a participating provider, as determined by BCBSAZ in BCBSAZ's sole and absolute discretion or by applicable state law. In other exception cases, BCBSAZ may pay such claims based on the payment BCBSAZ would make if BCBSAZ were paying a nonparticipating provider inside of BCBSAZ's service area, as described elsewhere in this Agreement. This may occur where the Host Blue's corresponding payment would be more than BCBSAZ in-service area nonparticipating provider payment. BCBSAZ may choose to negotiate a payment with such a provider on an exception basis.

Unless otherwise stated, in any of these exception situations, the Participant may be responsible for the difference between the amount that the nonparticipating healthcare provider bills and the payment will make for the covered services as set forth in this paragraph.

2. Fees and Compensation

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under applicable Inter-Plan Arrangement requirements to pay to the Host Blues, to the Association and/or to vendors of Inter-Plan Arrangement-related services. The specific fees and compensation that are charged to Employer are set forth in Administrative Service Agreement, Caveat. Fees and compensation under applicable Inter-Plan Arrangements may be revised from time to time as provided for in section I.H below.

G. BlueCard Worldwide[®] Program

1. General Information

If Participants are outside the United States (hereinafter: "BlueCard service area"), they may be able to take advantage of the BlueCard Worldwide Program when accessing Covered Services. The BlueCard Worldwide Program is unlike the BlueCard Program available in the BlueCard service area in certain ways. For instance, although the BlueCard Worldwide Program assists Participants with accessing a network of inpatient, outpatient and professional providers, the network is not served by a Host Blue. As such, when Participants receive care from providers outside the BlueCard service area, the Participants will typically have to pay the providers and

submit the claims themselves to obtain reimbursement for these services.

Inpatient Services

In most cases, if Participants contact the BlueCard Worldwide Service Center for assistance, hospitals will not require Participants to pay for covered inpatient services, except for their cost-share amounts. In such cases, the hospital will submit Participant claims to the BlueCard Worldwide Service Center to initiate claims processing. However, if the Participant paid in full at the time of service, the Participant must submit a claim to obtain reimbursement for Covered Services. **Participants must contact BCBSAZ to obtain precertification for non-emergency inpatient services.**

Outpatient Services

Physicians, urgent care centers and other outpatient providers located outside the BlueCard service area will typically require Participants to pay in full at the time of service. Participants must submit a claim to obtain reimbursement for Covered Services.

Submitting a BlueCard Worldwide Claim

When Participants pay for Covered Services outside the BlueCard service area, they must submit a claim to obtain reimbursement. For institutional and professional claims, Participants should complete a BlueCard Worldwide International claim form and send the claim form with the provider's itemized bill(s) to the BlueCard Worldwide Service Center address on the form to initiate claims processing. The claim form is available from BCBSAZ, the BlueCard Worldwide Service Center, or online at www.bluecardworldwide.com. If Participants need assistance with their claim submissions, they should call the BlueCard Worldwide Service Center at 1.800.810.BLUE (2583) or call collect at 1.804.673.1177, 24 hours a day, seven days a week.

2. BlueCard Worldwide Program-Related Fees

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under applicable Inter-Plan Arrangement requirements to pay to the Host Blues, to the Association and/or to vendors of Inter-Plan Arrangement-related services. The specific fees and compensation that are charged to Employer under the BlueCard Worldwide Program are set forth in Administrative Service Agreement, Caveat. Fees and compensation under applicable Inter-Plan Arrangements may be revised from time to time as provided for in section I.H below.

H. Modifications or Changes to Inter-Plan Arrangement Fees or Compensation

Modifications or changes to Inter-Plan Arrangement fees are generally made effective Jan. 1 of the calendar year, but they may occur at any time during the year. In the case of any such modifications or changes, BCBSAZ shall provide Employer with at least thirty (30) days' advance written notice of any modification or change to such Inter-Plan Arrangement fees or compensation describing the change and the effective date thereof and Employer right to terminate this Agreement without penalty by giving written notice of termination before the effective date of the change. If Employer fails to respond to the notice and does not terminate this Agreement during the notice period, Employer will be deemed to have approved the proposed changes, and BCBSAZ will then allow such modifications to become part of this Agreement.

II. BlueCard Program Fees and Compensation

Only the BlueCard Program Access Fee and the BlueCard Program Administrative Expense Allowance (AEA) fee may be charged separately each time a claim is processed through the BlueCard Program. All other BlueCard Program-related fees are included in the Administrative Charges.

The Access Fee is charged by the Host Blue to BCBSAZ for making the applicable Host Blue's provider network available to Employer's Participants. The Access Fee will not apply if the provider does not participate in the applicable Host Blue's network. The Access Fee is charged on a per-claim basis and is charged as a percentage of the discount/differential BCBSAZ receives from the applicable Host Blue subject to a maximum of \$2,000 per claim. When charged, BCBSAZ passes the Access Fee directly on to the Employer.

BlueCard Program Access Fees: A BlueCard Program Access Fee may be charged only if the Host Blue's arrangement with its healthcare provider prohibits billing Participants for amounts in excess of the negotiated payment. However, a healthcare provider may bill Participants for non-covered healthcare services and for cost sharing (for example, deductibles, copayments and/or coinsurance) related to a particular claim.

How the Blue Card Program Access Fee Affects Employer: Sometimes the Access Fee is a negative amount, which is known as an Access Fee Credit. Any Access Fee Credits will be credited to BCBSAZ and BCBSAZ will pass the entire Access Fee Credit onto Employer.

Instances may occur in which the claim payment is zero or BCBSAZ pays only a small amount because the amounts eligible for payment were applied to patient cost sharing (such as a deductible or coinsurance). In these instances, BCBSAZ will pay the Host Blue's Access Fee and pass it along directly to Employer as stated above even though Employer paid little or had no claim liability.

The AEA Fee is a fixed per-claim dollar amount charged by the Host Blue to BCBSAZ for administrative services that the Host Blue provides in processing claims for Employer's Participants. The dollar amount is normally based on the type of claim (e.g. institutional, professional, international, etc.) and can also be based on the size of your group enrollment. When charged, BCBSAZ passes the AEA Fee directly on to Employer.

See the fee listing below for the BlueCard Program Access Fee and AEA Fee. The General Administrative Fee, are set forth in the Administrative Service Agreement, Caveat, includes all other fees relative to the BlueCard Program. These fees include the Central Financial Agency Fee, ITS Transaction Fee, Toll-Free Number Fee, PPO Provider Directory Fee and BlueCard Worldwide Program Fees, if applicable.

A General Administrative Fee encompasses fees BCBSAZ charges to Employer for administering Employer's benefit plan. They may include both local BCBSAZ service area and Inter-Plan fees. For purposes of this Agreement, they include the following BlueCard Program-related fees other than the BlueCard Program Access Fee and AEA Fee: namely, Central Financial Agency Fee, ITS Transaction Fee, Toll-Free Number Fee, PPO Provider Directory Fee and BlueCard Worldwide Program Fees, if applicable.

Inter-Plan Arrangements Fees:
BlueCard Program Fees

Access Fees:

- 4.79% in 2015 for fewer than 1,000 PPO or traditional enrolled Blue contracts
- 2.67% in 2015 for 1,000–9,999 Blue PPO enrolled contracts
- 2.48% in 2015 for 10,000–49,999 Blue PPO enrolled contracts of network savings, capped at \$2,000.00 per claim

Standard Administrative Expense Allowances (AEAs) - For fewer than 1,000 PPO or traditional enrolled Blue contracts:

- Professional - \$5.00 per claim
- Institutional - \$11.00 per claim
- Non-Participating Provider \$3.00 per claim
- Medicare related claims \$1.00 per claim

Reduced Administrative Expense Allowances (AEAs) – To be considered for reduced fees, the Employer must exceed 1,000 PPO or traditional enrolled Blue contracts:

- Professional - \$4.00 per claim
- Institutional - \$9.75 per claim
- Non-Participating Provider \$3.00 per claim
- Medicare related claims \$1.00 per claim

Negotiated Arrangement: Non-standard negotiated fees can range from either \$5.48 to \$18.22 per claim or \$10.00 to \$16.75 per contract per month depending on the negotiated arrangement and/or the health plan product.

BCBSAZ Value-Based Programs

1. LOCAL

BCBSAZ pays some of its contracted medical providers an amount to manage the medical care of members diagnosed with certain medical conditions if the provider demonstrates to BCBSAZ it has satisfied BCBSAZ's criteria for effectively managing the care ("Value Based Services")

With respect to BCBSAZ group members residing and receiving Value Based Services in Arizona under a BCBSAZ value based program, BCBSAZ will estimate at the beginning of the contract year the amount BCBSAZ projects it will pay BCBSAZ's contracted providers for members who receive Value Based Services throughout the upcoming year in the form of a PMPM or PEPM charge ("PMPM Charge"). BCBSAZ will charge BCBSAZ's self-insured ("ASC") Groups via the Employer's Claims Invoice this PMPM Charge beginning January 1, 2016.

On an aggregate basis for the entire Value Based Program, the amounts used to calculate PMPM charge are fixed amounts estimated to be necessary to finance the cost of a particular Value-Based Program. Because amounts are estimates, there may be positive or negative differences based on actual experience, and such differences will be accounted for in a variance account maintained by BCBSAZ until the end of the applicable Value-Based Program payment and/or reconciliation measurement period. The amounts needed to fund a Value-Based Program may be changed before the end of the measurement period if it is determined that amounts being collected are projected to exceed the amount necessary to fund the program or if they are projected to be insufficient to fund the program.

On an aggregate basis for the entire Value Based Program, at the end of the Value-Based Program payment and/or reconciliation measurement period for these arrangements, BCBSAZ do one of the following:

- a. Use any surplus in funds in the variance account to fund Value-Based Program payments or reconciliation amounts in the next measurement period.
- b. Address any deficit in funds in the variance account through an adjustment to the PMPM billing amount or the reconciliation billing amount for the next measurement period.

NOTE: If an ASC Group terminates its BCBSAZ contract, that Employer will neither receive a refund nor a charge to reflect any variance between what BCBSAZ charged the Employer in Value Based Charges and what BCBSAZ paid the providers for Value Based Services.

2. NATIONAL

Value Based Services will also apply to your members who reside in other states/geographical locations served by other Blue Cross Blue Shield Plans. A full description of these arrangements will be described in your contract.