

AGREEMENT WITH MEDIMPACT HEALTHCARE SYSTEMS, INC.,  
FOR PRESCRIPTION BENEFIT MANAGEMENT SERVICES

THIS AGREEMENT, entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, by and between the COUNTY OF SAN MATEO, hereinafter called "County," and MEDIMPACT HEALTHCARE SYSTEMS, INC., hereinafter called "Contractor";

W I T N E S S E T H:

WHEREAS, it is necessary and desirable that Contractor be retained for the purpose of performing the professional services hereinafter described for the Health Services Agency, Mental Health Services Division; and

WHEREAS, pursuant to Government Code, Section 31000, County may contract with independent contractors for the furnishing of such services to or for County or any Department thereof;

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Services to be Performed by Contractor

In consideration of the payments hereinafter set forth, Contractor, under the general direction of the Director of Health Services, or her authorized designee, with respect to the product or result of Contractor's services, shall provide prescription benefit management services for clients of the Health Services Agency as described in Schedule A, attached hereto and incorporated by reference herein. Such services shall be provided in a professional and diligent manner.

2. Payments

A. Maximum Amount. In full consideration of Contractor's performance of the services described in Schedule A, the amount that County shall be obligated to pay for services rendered under this Agreement shall not exceed Quarterly reconciliation SIXTY-ONE MILLION FIFTY-FIVE THOUSAND NINE HUNDRED SEVENTY-EIGHT DOLLARS (\$61,055,978) for the contract term.

B. Rate of Payment. The rate and terms of payment shall be as specified in Schedule B, attached hereto and incorporated herein. Any rate increase is subject to the approval of the Director of Health Services or her authorized designee, and shall not be binding on County unless so approved in writing. In no event may the rates established in Schedule B be increased to the extent that the maximum County obligation shall exceed the total specified in paragraph 2A above. Each payment shall be conditioned on the performance of the services described in Schedule A to the full satisfaction of the Director of Health Services or her designee.

C. Time Limit for Submitting Invoices. Contractor shall submit an invoice for services to County for payment in accordance with the provisions of Schedule B. County shall not be obligated to pay Contractor for the services covered by any invoice if Contractor presents the invoice to County more than one hundred eighty (180) days after the date Contractor renders the services, or more than ninety (90) days after this Agreement terminates, whichever is earlier.

3. Relationship of Parties

It is expressly understood that this is an agreement between two (2) independent contractors and that no agency, employee, partnership, joint venture or other relationship is established by this Agreement. The intent by both County and Contractor is to create an

independent contractor relationship. Contractor expressly acknowledges and accepts his/her tax status and the tax consequences of an independent contractor. Further, as an independent contractor, Contractor expressly acknowledges and accepts that he/she has no rights, benefits, privileges and/or claims in any form whatsoever under, from, through and/or pursuant to the San Mateo County Civil Service Rules.

4. Mutual Hold Harmless

Contractor shall indemnify and save harmless County, its officers, agents, employees, and servants from all claims, suits, or actions of every name, kind and description, brought for, or on account of (A) injuries to or death of any person, including Contractor, or (B) damages to any property of any kind whatsoever and to whomsoever belonging, (C) any failure to withhold and/or pay to the government income and/or employment taxes from earnings under this Agreement as made necessary by Section 530 of the Revenue Act of 1978, or (D) or any other loss or cost, including but not limited to that caused by the concurrent active or passive negligence of County, its officers, agents, employees, or servants, resulting from the performance of any work required of Contractor or payments made pursuant to this Agreement, provided that this shall not apply to injuries or damage for which County has been found in a court of competent jurisdiction to be solely liable by reason of its own negligence or willful misconduct.

The duty of Contractor to indemnify and save harmless as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

County shall indemnify and hold harmless Contractor, its officers, agents, employees and servants from all claims, suits or actions of every name, kind and description, brought for, or on account of injuries to or death of any person, including County, or damages to property of any kind whatsoever and to whomsoever belonging, including but not limited to the concurrent active or passive negligence of Contractor, its officers, agents, employees and servants, resulting from the performance of any work required of County, provided that this shall

not apply to injuries or damage for which Contractor has been found in a court of competent jurisdiction to be solely liable by reason of its own negligence or willful misconduct.

The duty of County to indemnify and save harmless as set forth herein shall include the duty to defend as set forth in Section 2778 of the California Code.

5. Insurance

Contractor shall not commence work under this Agreement until all insurance required under this section has been obtained and such insurance has been approved by the Director of Health Services. Contractor shall furnish the Health Services Agency with Certificates of Insurance evidencing the required coverage and there shall be a specific contractual liability endorsement extending Contractor's coverage to include the contractual liability assumed by Contractor pursuant to this Agreement. These Certificates shall specify or be endorsed to provide that thirty (30) days' notice must be given, in writing, to the Health Services Agency of any pending change in the limits of liability or of any cancellation or modification of the policy.

In the event of the breach of any provision of this section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, the County at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately suspend all further work pursuant to this Agreement.

A. Workers' Compensation and Employer Liability Insurance. Contractor shall have in effect during the entire life of this Agreement, Workers' Compensation and Employer Liability Insurance providing full statutory coverage. In signing this Agreement, Contractor makes the following certification, required by Section 1861 of the California Labor Code:

I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of the work of this Agreement.

B. Liability Insurance. Contractor shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect him while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims for property damage which may arise from Contractor's operations under this Agreement, whether such operations be by himself or by any subcontractor or by anyone directly or indirectly employed by either of them. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall not be less than the amounts specified below.

Such insurance shall include:

- (1) Comprehensive General Liability - single occurrence . . . . . \$1,000,000  
Comprehensive General Liability - aggregate . . . . . \$2,000,000
- (2) Motor Vehicle Liability Insurance . . . . . \$0
- (3) Professional Liability . . . . . \$2,000,000

If this Agreement remains in effect more than one (1) year from the date of its original execution, County may, at its sole discretion, require an increase in the amount of liability insurance to the level then customary in similar County agreements by giving sixty (60) days' notice to Contractor.

6. Non-Discrimination

Contractor shall comply with the non-discrimination requirements described in Schedule C, which is attached hereto, and incorporated herein.

Contractor shall comply with County admission and treatment policies which shall provide that patients are accepted for care without discrimination on the basis of race, color, religion, sex, sexual orientation, national origin, age, handicap, or political affiliation.

Violation of the non-discrimination provisions of this Agreement shall be considered a breach of this Agreement and subject Contractor to penalties, to be determined by the County Manager, including, but not limited to:

- i. termination of this Agreement;
- ii. disqualification of Contractor from bidding on or being awarded a County contract for a period of up to three (3) years;
- iii. liquidated damages of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500) per violation;
- iv. imposition of other appropriate contractual and civil remedies and sanctions, as determined by the County Manager.

To effectuate the provisions of this paragraph, the County Manager shall have the authority to:

- i. examine Contractor's employment records with respect to compliance with this paragraph;
- ii. set off all or any portion of the amount described in this paragraph against amounts due to Contractor under the Contract or any other contractor between Contractor and County.

Contractor shall report to the County Manager the filing by any person in any court of any complaint of discrimination or the filing by any person of any and all charges with the Equal Employment Opportunity Commission, the Fair Employment and Housing Commission or any other entity charged with the investigation of allegations within thirty (30) days of such filing, provided that within such thirty (30) days such entity has not notified Contractor that such charges are dismissed or otherwise unfounded. Such notification shall include the name of the complain-

ant, a copy of such complaint, and a description of the circumstance. Contractor shall provide County with a copy of its response to the complaint when filed.

With respect to the provision of employee benefits, Contractor shall comply with the County Ordinance which prohibits contractors from discriminating in the provision of employee benefits between an employee with a domestic partner and an employee with a spouse.

7. Assignments and Subcontracts

A. Without the written consent of the Director of Health Services or her designee, this Agreement is not assignable in whole or in part. Any assignment by Contractor without the written consent of the Director of Health Services or her designee is a breach of this Agreement and shall automatically terminate this Agreement.

B. Contractor shall not employ subcontractors or consultants to carry out the responsibilities undertaken pursuant to this contract without the written consent of the Director of Health Services or her designee.

C. All assignees, subcontractors, or consultants approved by the Director of Health Services or her designee shall be subject to the same terms and conditions applicable to Contractor under this Agreement, and Contractor shall be liable for the assignee's, subcontractor's or consultant's acts and/or omissions.

D. All agreements between Contractor and subcontractor and/or assignee for services pursuant to this Agreement shall be in writing and shall be provided to County.

8. Amendment of Agreement

This Agreement is complete and contains all the terms and conditions agreed upon by the parties. No amendment shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement shall be binding on the parties hereto.

9. Records

A. Contractor agrees to provide to County, to any federal or state department having monitoring or reviewing authority, to County's authorized representatives and/or their appropriate audit agencies upon reasonable notice, access to and the right to examine and audit all records and documents necessary to determine compliance with relevant federal, state, and local statutes, rules and regulations, and this Agreement, and to evaluate the quality, appropriateness and timeliness of services performed.

B. Contractor shall maintain and preserve all financial records relating to this Agreement for a period of four (4) years from the termination date of this Agreement, or until audit findings are resolved, whichever is greater.

C. The contracting parties shall be subject to the examination and audit of the Auditor General for a period of three (3) years after final payment under contract (Government Code Section 10532).

10. Compliance with Applicable Laws

All services to be performed by Contractor pursuant to this Agreement shall be performed in accordance with all applicable federal, state, county, and municipal laws, including, but not limited to, the Americans with Disabilities Act of 1990, as amended, and Section 504 of the Rehabilitation Act of 1973, as amended and attached hereto and incorporated by reference herein as Attachment I, which prohibits discrimination on the basis of handicap in programs and activities receiving any federal or county financial assistance. Such services shall also be performed in accordance with all applicable ordinances and regulations, including, but not limited to, appropriate licensure, certification regulations, provisions pertaining to confidentiality of records, and applicable quality assurance regulations.



11. Notices

A. Any notice, request, demand or other communication required or permitted hereunder shall be deemed to be properly given when deposited in the United States mail, postage prepaid, or when deposited with a public telegraph company for transmittal, charges prepaid, addressed:

1) In the case of County, to:

San Mateo County  
Mental Health Services Division  
225 West 37th Avenue  
San Mateo, CA 94403

or to such person or address as County may, from time to time furnish to Contractor.

2) In the case of Contractor, to:

MedImpact Healthcare Systems, Inc.  
10680 Trenea Street, Fifth Floor  
San Diego, CA 92131

B. Controlling Law. The validity of this Agreement and of its terms or provisions, as well as the rights and duties of the parties hereunder, the interpretation and performance of this Agreement shall be governed by the laws of the State of California.

12. Venue

In the event that suit shall be brought by either party to this contract, the parties agree that venue shall be exclusively vested in the state courts of San Mateo County, or where otherwise appropriate, exclusively in the United States District Court, Northern District of California, San Francisco, California.

13. Term of the Agreement

Subject to compliance with the terms and conditions of this Agreement, the term of this Agreement shall be from July 1, 2002 through June 30, 2005. This Agreement may be terminated by Contractor, Director of Health Services or her designee at any time upon sixty (60) days' written notice to the other party. This Agreement may be automatically renewed for one (1) year at the discretion of the County.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have affixed their hands.

COUNTY OF SAN MATEO

By: \_\_\_\_\_  
Jerry Hill, President  
Board of Supervisors, San Mateo County

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Clerk of Said Board

Date: \_\_\_\_\_

MEDIMPACT HEALTHCARE SYSTEMS, INC.

By: Stanley J. Heubinson

Date: 4-22-2002

Attachment I

(Required only from Contractors who provide services directly to the Public on County's behalf.)

Assurance of Compliance with Section 504 of the Rehabilitation Act of 1973, as Amended

The undersigned (hereinafter called the "Contractor(s)") hereby agrees that it will comply with Section 504 of the Rehabilitation Act of 1973, as amended, all requirements imposed by the applicable DHHS regulation, and all guidelines and interpretations issued pursuant thereto.

The Contractor(s) gives/give this assurance in consideration of and for the purpose of obtaining contracts after the date of this assurance. The Contractor(s) recognizes/recognize and agrees/agree that contracts will be extended in reliance on the representations and agreements made in this assurance. This assurance is binding on the Contractor(s), its successors, transferees, and assignees, and the person or persons whose signatures appear below are authorized to sign this assurance on behalf of the Contractor(s).

The Contractor(s): (Check a or b)

- a.  employs fewer than 15 persons.
- b.  employs 15 or more persons and, pursuant to Section 84.7 (a) of the regulation (45 C.F.R. 84.7 (a)), has designated the following person(s) to coordinate its efforts to comply with the DHHS regulation.

\_\_\_\_\_  
Name of 504 Person - Type or Print

MedImpact Healthcare Systems, Inc.  
Name of Contractor(s) - Type or Print

10680 Treena Street, Fifth Floor  
Street Address or P.O. Box

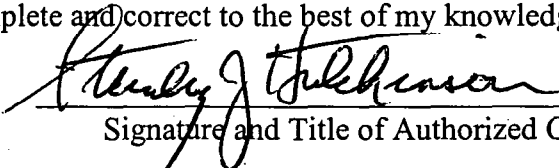
San Diego  
City

CA  
State

92131  
Zip Code

I certify that the above information is complete and correct to the best of my knowledge.

4-22-2002  
Date

  
Signature and Title of Authorized Official

\*Exception: DHHS regulations state that:

"If a recipient with fewer than 15 employees finds that, after consultation with a handicapped person seeking its services, there is no method of complying with (the facility accessibility regulations)...other than making a significant alteration in its existing facilities, the recipient may, as an alternative, refer the handicapped person to other providers of those services that are accessible."

## SCHEDULE A

### MEDIMPACT HEALTHCARE SYSTEMS, INC.: 2002-2005

#### SCOPE OF SERVICES

Contractor shall provide prescription benefit management services for clients of the Health Services Agency. Clients belong to one (1) of three (3) plans: the WELL Program for indigent physical health clients; the County Mental Health Services program for indigent mental health clients, and the Mental Health Managed Care Plan for MediCal clients. These services shall be provided in a manner prescribed by the laws of California and in accord with the applicable laws, titles, rules and regulations. All payments under this Agreement must directly support services specified in this Agreement. Contractor shall provide the following services:

#### I. CLAIMS PROCESSING

Contractor shall provide online electronic claims adjudication for prescriptions which includes, but is not limited to: verifying, at the point-of-service when a prescription is presented to the pharmacy, the eligibility of the client, prescriber, and medication; relaying approval or denial to the network pharmacies based on the eligibility screenings; and processing the claims data and payments accordingly.

- A. Contractor's online claims adjudication system is to operate and be available to County and network pharmacies twenty-four (24) hours, seven (7) days a week. The Contractor's downtime will be no more than 1% of total operating time within each month. Contractor will supply to County reports measuring and totaling the downtime based on system access data provided by the National Drug Code (NDC). These reports will be supplied on an annual basis within twenty (20) business days of the end of the period.

*Online claims adjudication system performance will be reconciled annually and reimbursement to the Contractor from County will be reduced by \$100 per percentage point if contractor's downtime is higher than 1%, up to a maximum penalty of \$1000 per year.*

- B. Contractor will process eligible, online claims submitted by the pharmacies in the network within 4 (four) seconds. Contractor will provide County with quarterly reports tracking and totaling the monthly amount of turnaround time for each online claim processing occurrence. These reports will be reconciled annually, within twenty (20) business days of the end of the period.

*If the monthly turnaround time for online claims processing falls below a 98% response rate of within 4 (four) seconds, the County will reduce reimbursement to contractor by*

*\$100 per incidence greater than 4 (four) seconds, up to an annual maximum penalty of \$5,000. This performance will be reconciled annually.*

- C. Contractor will accurately adjudicate claims submitted online by the network pharmacies. A percentage of claims, mutually determined by County and Contractor, will be audited for accuracy, with error percentage extrapolated to represent total claims volume. Contractor will provide County with quarterly reports accounting for all claims paid during the month, itemized and totaled by pharmacy. These reports will be reconciled annually within twenty (20) business days of the end of the period

*Reconciliation of claims will occur annually and the next reimbursement to the Contractor from County will be reduced by \$1,500 per month if the error rate exceeds one percent (1%), with a maximum annual penalty of \$4,500.*

- D. Contractor will accurately process eligible paper or manual claims within 30 (thirty) days of submittal by County eligible clients and pharmacies. Eligibility and payment of these claims must meet the criteria set forth by the County. A percentage of claims, mutually determined by County and Contractor, will be audited for accuracy, with error percentage extrapolated to represent total claims volume. Contractor will provide County with quarterly report tracking and totaling the amount of turnaround time and percentage error rate for manual claims processing. These reports will be reconciled annually within twenty (20) business days of the end of the period.

*If the turnaround time exceeds 30 days, the County will reduce reimbursement to Contractor by \$100 per day for each day beyond limit per incidence up to an annual maximum penalty of \$1,000.*

*If the error rate exceeds one percent (1%) of claims, the next reimbursement to Contractor from County will be reduced by \$1,500 per month, with a maximum annual penalty of \$4,500.*

## II. PHARMACY NETWORK

- A. Contractor shall ensure the availability of a network of community pharmacies in San Mateo County. Services shall be available seven (7) days a week, with at least three (3) regional stores offering twenty-four (24) hour services. At a minimum, services must be available in at least the following communities: Daly City, South San Francisco, San Bruno, San Mateo, Pacifica, Redwood City, Menlo Park, East Palo Alto, and Half Moon Bay. In addition, Contractor's customer service and pharmacy network must have multilingual capability, including at least Spanish and Tagalog in addition to English.
- B. Contractor shall include at least the following pharmacies:

San Mateo County General Hospital Pharmacy  
222 W. 39<sup>th</sup> Ave.  
San Mateo, CA 94403

Ted's Village Pharmacy  
29 West 25<sup>th</sup> Avenue  
San Mateo, CA 94403

Baneth's Willow Road Pharmacy  
900 Willow Road  
Menlo Park, CA 94025

Anchor Drugs  
481 Grand Ave.  
South San Francisco, CA 94080

Medicine Shoppe Pharmacy  
210 San Mateo Road  
Half Moon Bay, CA 94019

The Apothecary Pharmacy  
1500 Southgate Avenue, Suite 10  
Daly City, CA 94015

Exceptions to this requirement may be granted by the Director or her designee.

C. Each pharmacy in the network must:

1. Be an authorized California State Medi-Cal Provider.
2. Possess a State of California Pharmacy permit.
3. Possess an operating computerized patient profile system with which to monitor utilization, drug and food interactions, allergies, potential side effects, and physician prescribing patterns.
4. Dispense generic medications in place of name brands, unless the prescriber indicated "Do Not Substitute" (DNS) on the prescription and a brand name prior authorization is approved by the County through the Prior Authorization Process.
5. Cooperate fully with the County quality improvement activities, including reviews of all claim records, original prescriptions, and signature logs, as well as provide availability to pharmacy staff to answer questions related to quality of care concerns.
6. Assist County staff in resolving all complaints and grievances in a timely fashion.

7. Accept faxed prescriptions for eligible clients from authorized County prescribers and clinics, excluding Schedule II controlled substances where pharmacy has an available fax machine.
8. Treat all County clients in a courteous, professional manner, without regard to sex, race, or mental illness.

D. Member Services

Contractor shall ensure that delivery services are available as needed within the pharmacy network. Delivery shall include: delivery of medications to clients' homes or residential facilities; direct mail of medications as needed; and delivery of medications to County clinics.

Contractor shall ensure 80% network availability for the administration of Patient Assistance Programs from Pharmaceutical Companies. The Contractor shall maintain separate eligibility files for these clients, administer a differential dispensing fee of no more than \$5.21, and unique reporting requirements as determined by the County.

Contractor shall arrange for the purchase of stock medications and stock injectable medications as requested for use at the various County clinics and health centers. The Contractor shall also arrange for the packaging of medications in blisterpacks or medisets for specified clients as needed.

- E. The Contractor shall remove pharmacies from the network at County's discretion and/or when the County or the Contractor discovers that pharmacies no longer meet the criteria listed above. Contractor shall remove pharmacies within 10 (ten) business days of receipt of written notice by County requesting the removal.
- F. Complaints or requests made by the network pharmacies regarding the Contractor must be responded to by the Contractor within 24 hours to the County and to the pharmacy. An action plan must be developed within 5 business days, and complete follow through and resolution on all requests within 30 days, or longer if mutually agreed upon with the County.

*The next reimbursement to the Contractor from County will be reduced by \$500 per incidence, up to an annual maximum penalty of \$5,000. An incidence includes: a request not responded to within 24 hours, an action plan not developed within 5 business days or incomplete resolution in 30 days (unless mutually agreed upon with County).*

- G. County or client complaints about a particular network pharmacy must be responded to by the Contractor within 24 hours. An action plan must be developed within 5 business days, and complete follow through and resolution on all requests within 30 days, or longer if mutually agreed upon with the County.

*The next reimbursement to the Contractor from County will be reduced by \$500 per incidence, up to an annual maximum penalty of \$5,000. An incidence includes: a request not responded to within 24 hours, an action plan not developed within 5 business days, or incomplete resolution in 30 days (unless mutually agreed upon with County).*

- H. Contractor shall be responsible for sending on-line messages or POS messages to the pharmacies at County's request at no additional cost to the County. All mailings by the Contractor must have prior approval by County.

### III. MEMBER ELIGIBILITY

- A. Contractor shall maintain comprehensive up-to-date eligibility information for each plan. County shall provide daily eligibility updates, Monday through Friday. Contractor shall integrate these updates with existing eligibility files.

The eligibility files shall include, at a minimum, client name, unique identification number, and group or plan for which the client is eligible, and current address. Files shall be loaded, error free, by the Contractor within 24 hours or 1 business day if Contractor receives the files by 4 p.m. Pacific Time. Verification reports shall be faxed to the plan the following morning of the load.

In the event that the eligibility files and benefit parameters County has supplied to Contractor are incorrectly loaded or become damaged or modified without County's request due to Contractor's fault, Contractor shall rectify the situation within 24 hours at no expense to the County, including but not limited to all related reports and payments.

*The next reimbursement to the Contractor from County will be reduced by \$500 per eligibility file loaded beyond 24 hours or 1 business day as described above, or each eligibility file loaded incorrectly and not rectified within 24 hours upon notification, up to an annual maximum penalty of \$5,000. This will be reconciled annually.*

- B. Contractor shall obtain real-time MediCal eligibility via online access to MEDS file as soon as State MediCal is able to pass this data to the PBMs. The contractor shall monitor this new service and will interface with this system as soon as it becomes available.
- C. The Contractor shall link a client (member) with more than one identification numbers with an "Alternate Member" number that's attached to both profiles. The Alternate Member ID shall be determined between the Contractor and County. This linkage shall enable processing of Drug Utilization Review (DUR) edits and as well as generating detailed reports reflecting the two linked profiles.

### IV. PHYSICIAN ELIGIBILITY



- A Contractor shall maintain up-to-date physician eligibility information for each plan. County shall provide an initial file of the approved physician panel for each plan. County shall provide updates to Contractor either by fax or by email.
- B During normal business hours, all physician adds/changes/terminations shall be entered into the system by the Contractor within 24 hours or 1 business day if Contractor receives the files by 4 p.m. Pacific Time. Contractor shall respond by fax or email confirming completion of physician add, terminations or changes within 24 hours during normal business hours.

In the event that the eligibility files and benefit parameters County has supplied to Contractor are incorrectly loaded or become damaged or modified without County's request due to Contractor's fault, Contractor shall rectify the situation within 24 hours at no expense to the County, including but not limited to all related reports and payments.

*If physician update is not completed within 24 hours or 1 business day as described above, or each physician update file loaded incorrectly and not rectified within 24 hours, the next reimbursement to Contractor from County will be reduced by \$100 per day late, up to an annual maximum penalty of \$4,500. This will be reconciled annually.*

## V. FORMULARY MANAGEMENT

- A. Contractor shall implement specific formularies for the WELL Program and the Mental Health Programs. The initial formularies for the WELL Program and the Mental Health Programs shall be provided by County prior to the commencement of services. Changes or updates shall be provided as needed by County. Contractor shall maintain a current database of these formularies to determine which medications are covered. Contractor shall provide clinical consultation, at the request of County, to assist with formulary issues, and to ensure that the most cost-effective drug therapies are established.
- B. Contractor shall manage a prior authorization system for non-formulary or restricted medications, for the Mental Health Plans. All Prior Authorization Requests (PARs) are faxed to the Contractor, approvals or denials are based upon County protocol supplied to the Contractor. Contractor will assign a dedicated Prior Authorization Coordinator for County plans. PARs will be obtainable from Contractor between 8:00 am to 5:00 pm Monday through Fridays, except holidays. All PARs will be entered into the system, and a confirmation of approval or denial will be faxed to both physicians and pharmacies. Contractor shall also fax daily summary of PARs approvals or denials to the Mental Health Pharmacy Services Manager.

For PARs that do not require clinical or physician intervention, the Contractor will enter into the system, and fax approval/denial notification to pharmacy and

physician 95% within 1 business day of receipt and 100% within 2 business days of receipt. For PARs that require clinical intervention, 95% will be entered and faxed within 1 business day of resolution and 100% within 2 business days of resolution. The Contractor guarantees the accuracy of information provided by the Prior Authorization staff on 99% of the PARs.

*If the Contractor is unable to meet the above criteria, the next reimbursement to the Contractor by the County will be reduced by \$100 per day late on PAR fax notifications, or \$100 per error in excess of one percent (1%), up to an annual maximum of \$5,000. This will be reconciled annually.*

## VI. BENEFIT ADMINISTRATION

### A. WELL Program

Clients are responsible for a FIVE DOLLAR (\$5) co-pay for each prescription. Contractor shall work with the network pharmacies to collect the co-pays. If the client is unable to pay at the point of service, but all other requirements of the plan are met, Contractor shall ensure that the network pharmacies fill the prescription. The network pharmacies shall bill Contractor for any co-pays not remitted, and Contractor shall bill County.

Contractor shall provide a monthly remittance advice to County of any unpaid co-pays. The remittance advice shall include patient name, patient identifier, and the amount of the outstanding co-pays, and date of service.

Contractor shall ensure retro-billing of MediCal clients by the pharmacies. Contractor shall obtain a monthly Medi-Cal file from County to identify MediCal recipients, change the member record in MedImpact system to indicate Medi-Cal eligibility, then Contractor shall ask the pharmacy to bill MediCal and reimburse Contractor.

### B. Mental Health Indigent Program

Currently, there are no co-pays for the mental health benefit. However, if a co-pay is instituted at a later date, the Contractor shall follow the same procedures as for WELL Program, and provide a monthly remittance advice to County of any unpaid co-pays.

Contractor shall ensure 80% network availability for the administration of Patient Assistance Programs from Pharmaceutical Companies. The Contractor shall maintain separate eligibility files for these clients, administer a differential dispensing fee of no more than \$5.21, and unique reporting requirements as determined by the County.

C. Mental Health Managed Care Plan

Contractor shall ensure that the network pharmacies fill prescriptions that meet plan requirements for Share-of-Cost clients. Contractor shall ensure that costs data for filled prescriptions is keyed into Medi-Cal point-of-service devices at network pharmacies, as well as obtaining the actual share of cost that need to be applied to that client for a given month. Contractor shall also provide County with necessary reporting and Explanation of Benefits (EOB) claims information to facilitate County's accurate billing to the State of California.

D. Benefit Change Requests

Pharmacy Benefit Change Requests forms submitted by County shall be processed within a 7-business days turnaround time. If the 7-business day turnaround time cannot be met, the Contractor will contact the County and reach a mutually agreed upon due date.

*For each day delay beyond 7 business days, or a mutually agreed upon date between the County and Contractor, the next reimbursement to the Contractor from County will be reduced by \$100 per day, up to an annual maximum penalty of \$5,000. This will be reconciled annually.*

E. Coordination of Benefits (COB)

If members have private insurance, County serves as a secondary insurer. Contractor shall have a mechanism to coordinate claims processing with the pharmacies so that the pharmacy will submit to Contractor for claims not reimbursable by the primary insurers. Contractor shall provide a COB report to the County with each EOB cycle. Performance standards for online and manual claims processing listed in Section I shall apply.

VII. REPORTING

Contractor shall provide the following products to assist County with service data: MedAccess, MedManager, and MedFocus. In addition, standard reports, and user manuals will be provided.

A. MedAccess

The MedAccess Program shall be made available to up to thirty (30) users within San Mateo County Health Services. This program will provide County with the ability to add, update, and terminate member records and prior authorizations in an on-line, real time environment, as well as review adjudicated claims. Eight (8) concurrent users will be able to access MedAccess at any one time from County sites.

If MedAccess functions are not accessible during normal business hours, the Contractor shall remedy access problems either by fulfilling all requests County is unable to fulfill due to access problems or rectifying access problems within one (1) business day upon County's request and at no additional cost to the County.

*If terminal access is not provided for over one hour and is not due to the PC workstations, then the next reimbursement to the Contractor from the County will be reduced by \$100 for every hour beyond the first hour that access is not provided, up to an annual maximum penalty of \$4,500. This performance will be reconciled annually.*

**B. MedManager**

MedManager and MedManager On-Line reporting programs shall be made available to four (4) users within San Mateo County Health Services. Contractor shall install and maintain and support any software and required database management programs on the users' workstations in the County. The users of this ad hoc reporting tool shall have access to all data related to the three (3) County plans.

**C. Training**

Contractor shall provide telephone training, in the form of conference calls or Web based training, for the Contractor's claims software application and ad hoc reporting tool, as well as other necessary and related software and applications as needed. A total of four training sessions, each lasting a maximum of three (3) hours shall be offered and scheduled at mutually agreed to times. Contractor shall also provide and update, as needed, two hard copies of an electronic version of each of the Contractor's software application training manuals. If County system or personnel changes occur that necessitate additional training, training in an amount satisfactory to the County shall be supplied by Contractor at no cost to County.

Contractor shall provide technical support for the claims query tool accessed through terminal emulation and the ad hoc reporting tool being provided and this will include answering all users' questions pertaining to the use of the products and system capabilities. Technical support shall also include, but is not limited to, bug reporting, enhancement requests, and questions such as "How to construct a query...."

**D. MedFocus**

Quarterly MedFocus Reports shall be made available to San Mateo County Health Services. This outcome analysis reporting program shall relate to all data within the three (3) County plans. The program will provide retrospective DUR data.

E. Standard Reports

Contractor shall provide a standard report package consisting of ten (10) reports on at least a monthly basis. These include: Explanation of Benefits, Check-Run Control Totals, Claims Lag, Member Utilization by Paid Amount, Pharmacy Analysis, Rank Prescribing Physicians by Total Amount Paid Within Specialty, Top 100 Drugs by Number Written/Dollars Paid, Therapeutic Class, Utilization Summary, and 12-Month Cost. At County's request, other reports from Contractor's library may be substituted. Total reports provided are limited to ten (10) per reporting period.

F. EOB Reports for San Mateo General Hospital Pharmacy (NABP#546676)  
Contractor will send the County EOB reports for paid claims filled by San Mateo General Hospital Pharmacy (NABP#546676). These reports will be faxed or mailed to San Mateo General Hospital Pharmacy, no later than 10 business days after the end of the EOB cycle.

G. User Manuals

Contractor will produce and distribute provider/user manuals after receiving County edits and final approval. Contractor shall update the manual biannually, and distribute them to pharmacy providers at no cost to the County.

In the event that Contractor made revisions or errors in the Users Manual, different from the version approved and sent from the County, the Contractor shall rectify any error within 24 hours of notification, and redistribute the corrected version within twenty (20) business days, at Contractor's expense.

H. Timeliness and Accuracy of the reports

Standard reports, MedManger CD updates, and MedFocus reports will be delivered by the twentieth (20) of the month at the end of the reporting period. User Manuals will be printed and distributed to network pharmacy providers by the twentieth (20) of the month after receipt of biannual revisions from County.

*Guarantee to be measured monthly, reported quarterly, and reconciled annually. Reports will be produced from UPS tracking records. The next reimbursement to the Contractor from County will be reduced by \$100 per day delay per report or CD, up to an annual maximum penalty of \$1,000.*

VIII. MedDividend

Contractor shall negotiate on County's behalf with major pharmaceutical companies for maximum dividends and rebates. Contractor will specifically target rebates for atypical antipsychotic medications, and other high cost/volume items as specified by County. Contractor shall supply County with quarterly progress reports on targeted drugs. Rebates and dividends received shall be credited to County on a monthly basis.

IX. Customer Service

- A. Contractor shall provide a toll-free number dedicated to San Mateo County plans. A team of Customer Service Representatives (CSRs) shall be thoroughly trained on the County plans, to the satisfactions of the County Mental Health and Hospital Pharmacy Managers. Contractor will provide training updates and refreshers to the dedicated CSRs monthly, or as determined necessary by the County. CSRs' phone calls will be monitored for accuracy of information disseminated. This toll-free help desk shall be available from 5 a.m. to 10 p.m., Monday through Friday; 6 a.m. to 7 p.m. on Saturday; and 7 a.m. to 7 p.m. on Sunday, Pacific Standard Time.
- B. The Contractor will send County on a quarterly basis, within twenty (20) business days of the end of the period, reports that itemize and total the telephone account data for County's account and detail the number and types of calls, and shall note the percentage of calls abandoned.

*If the average speed of answer (ASA) for all customer service telephone calls for that month is greater than 60 (sixty) seconds, then a \$500 penalty per month shall be deducted from the next county reimbursement to the Contractor, with an annual maximum penalty of \$5,000. This will be reconciled annually.*

*If monthly call abandonment rates average over 5% of all calls for that month, then a \$500 penalty per month shall be deducted from the next County reimbursement to the Contractor, with an annual maximum penalty of \$5,000. This will be reconciled annually.*

*If the information disseminated by the Customer Service exceeds the error rate of 1%, then a \$100 penalty per incidence shall be deducted from the next the next county reimbursement to the Contractor, with an annual maximum penalty of \$5,000. This will be reconciled annually.*

X. Account Management

- A. A dedicated account manager, with thorough knowledge of the County's plans, will be assigned by the Contractor. The Account Manager shall respond to all issues or problems related to the County plans within twenty-four (24) hours of notification of the problem. These issues include pharmacy complaints listed in Schedule A, Section IIF and IIG, as well as all other plan related issues. An action plan to resolve the problem will be developed within 5 business days, to the satisfaction of the County. All issues will be followed through to completion by the Account Manager within thirty (30) days, or longer if mutually agreed upon with County.

*If the Account Manager is unable to meet the above performance criteria, the next reimbursement to Contractor by County will be deducted by \$500 per incidence, up to an annual maximum penalty of \$5,000. An incidence includes: no response within 24 hours of problem notification, failure to develop an action plan within 5 business days of problem notification, incomplete resolution of problem by 30 days (unless mutually agreed upon with County to extend that time frame). This will be reconciled annually.*

- B. When a transition of account manager occurs, Contractor shall give the County a minimum of thirty (30) days notice. The Contractor must ensure adequate training of the new Account Manager in regards to the details of the County plans. During the 30 days, a minimum of four (4) conference calls shall take place between the account managers (both incoming and outbound) and the designated County personnel to review plan details and pending issues.

## SCHEDULE B

### MEDIMPACT HEALTHCARE SYSTEMS, INC.: 2002-2005

#### PAYMENTS

In full consideration of the services provided by Contractor and subject to the provisions of Section 2., Payments, Paragraph A., Maximum Amount, of this Agreement, County shall pay Contractor in the manner described below:

A. Maximum Obligation

Notwithstanding the method of payment set forth herein, in no event shall County pay or be obligated to pay Contractor more than the sum of SIXTY-ONE MILLION FIFTY-FIVE THOUSAND NINE HUNDRED SEVENTY-EIGHT DOLLARS (\$61,055,978) for services provided under Schedule A of this Agreement for the period July 1, 2002 through June 30, 2005.

B. Administrative Fee Schedule

Volume Driven Claims Processing Fees:

Claims Per Month	Per Processed Claim Electronically Submitted*
Less than 10,000	\$0.29
10,000-19,999	\$0.24
20,000-29,999	\$0.20
30,000-39,999	\$0.19

\*Processing charges must meet a minimum average of \$750.00 per check cycle for each plan to qualify for this fee schedule. Add 10 percent to claims processing charges if reports are requested in a format other than an electronic format.

Services included with Claims Processing Fees:

- Claims Processing with Concurrent DUR
- Claims Payment
- Explanation of Benefits
- Online Messaging
- Step-Care Therapy



MedAccess for eight (8) concurrent users  
 Standard Monthly and Quarterly Reports  
 Medfocus  
 MedManager and/or MedManger On-Line  
 MAC Administration  
 Pharmacy Network Administration  
 Prior Authorization Services  
 Toll-Free Customer Service Line dedicated to San Mateo County Plans  
 Benefit Design and Reinstallation Services

Other Administrative Fees

MedDividend – Drug Rebate Administration	<u>Recovery Quarterly</u>	<u>Administration Fee</u>
Includes clinical and formulary management	Under \$125,000	20%
	\$125,001 - \$149,999	15%
	\$150,000 - \$174,999	14%
	\$175,000 - \$199,999	13%
	\$200,000 - \$249,999	12%
	\$250,000 - \$499,999	11%
	\$500,000 - \$1M	10%
	> \$1M	9%
		The actual credit will be issued in a monthly check payable to County.

The County shall consider above fees all inclusive of administrative fees.

C. Prescription Fee Schedule

1. Brand name drugs provided by chain pharmacies: Average Wholesale Price (AWP) less twelve percent (12%) + TWO DOLLARS FIFTY CENTS (\$2.50) dispensing fee.
2. Generic drugs provided by chain pharmacies: The lesser of AWP - twenty-two percent (22%) or Maximum Allowable Cost II (MAC) + TWO DOLLARS SEVENTY-FIVE CENTS (\$2.75) dispensing fee.
3. Brand name drugs provided by independent pharmacy that provides additional service: AWP - twelve percent (12%) + FIVE DOLLARS TWENTY-ONE CENTS (\$5.21) dispensing fee. Any independent pharmacy listed in Schedule A, Section II.B., is eligible for a higher dispensing fee if the pharmacy agrees to pro-

vide the following services upon request of County: delivery services and pre-packaging of certain medications as defined in Schedule A, Section II.C.

4. Generic drugs provided by independent pharmacy that provides additional service: The lesser of AWP - twenty-two percent (22%) or MAC II + FIVE DOLLARS TWENTY-ONE CENTS (\$5.21) dispensing fee.
5. Under Patients Assistance Program from Pharmaceutical Companies, Contractor shall work with County to ensure separate processing of obtained medications. These medications shall be reimbursed a FIVE DOLLARS TWENTY-ONE CENTS (\$5.21) dispensing fee only.
6. Any Drugs Provided by San Mateo County General Hospital Pharmacy.

There shall be no prescription costs for medications provided by these pharmacies. Only administrative fees for claims processing, data reporting, etc., shall apply.

7. For WELL patients, fees charged to County shall be net of the FIVE DOLLARS (\$5) co-pay per script paid by the patient at the point of service. If the patient fails to pay the co-pay, Contractor may bill County for the FIVE DOLLARS (\$5) per prescription. The co-pay billing shall include a remittance advice (see Schedule A, Section VI.A.).

D. Terms

Based on the previous contract, the County has paid the Contractor in advance an amount of ONE MILLION ONE HUNDRED SIXTY THOUSAND FIVE HUNDRED DOLLARS (\$1,160,500).

Contractor shall provide claim detail for all prescriptions filled by each plan at least biweekly.

Contractor shall provide reconciliation of actual claims cost compared to advance payments received. The following month appropriate adjustments shall be made by County.

Contractor shall reimburse network pharmacies promptly for costs incurred. Network pharmacies shall be paid within seventy-two (72) hours of the close of each biweekly period.

E. Performance Guarantees and Penalties

The total fees at risk of penalty on an annual basis is fifty percent (50%) of the annual administrative fees. Contractor's obligations are subject to force majeure clause.

Performance	Standard	Guarantee	Frequency
<b>Claims Processing (On-Line)</b>			
Turnaround time for claims processing. (Schedule A, Section IB)	98% response within 4 seconds	\$100 per incidence greater than 4 seconds, up to an annual maximum penalty of \$5,000. Reports will be produced from internal tracking records.	Measured Monthly, Reported Quarterly, Annual reconciliation.
Claims adjudication accuracy. (Schedule A, Section IC)	99% of all claims paid with NO errors	\$1,500 per month if error rate exceeds threshold, up to an annual maximum penalty of \$5,000. A percentage of claims (to be mutually determined by the County and Contractor) will be audited, with error percentage extrapolated to represent total claims volume.	Measured Monthly, Reported Quarterly, Annual reconciliation
System downtime. (Schedule A, Section IA)	99% system availability (excluding scheduled downtime for maintenance)	\$100 per percentage point variance, up to an annual maximum penalty of \$1,000. Guarantee to be measured, reported, and reconciled annually. Reports will be produced based on system access data provided by NDC.	Annual reports, Annual reconciliation
<b>Paper Claims Processing</b>			
Turnaround time for manual claims. (Schedule A, Section ID)	100% of submitted claims	\$100 per day for each day beyond limit per incidence up to an annual maximum penalty of \$1,000. Reports will be produced from internal tracking records.	Measured Monthly, Reported Quarterly, Annual reconciliation
Claims adjudication accuracy. (Schedule A, Section ID)	99% of all claims paid with no errors	\$1,500 per month if error rate exceeds threshold, maximum annual penalty of \$4,500. A percentage of claims (to be mutually determined by the County and Contractor) will be audited, with error percentage extrapolated to represent total claims volume.	Measured Monthly, Reported Quarterly, Annual reconciliation

Eligibility Management			
Member Eligibility (Schedule A, Section IIIA)	Accurately loaded within 24 hours or 1 business day if received by 4 p.m. Pacific Time.	\$500 per day late, up to an annual maximum of \$5,000.	Measured Monthly, Reported Quarterly, Annual reconciliation
	Rectify all loading errors within 24 hours of notification.	\$500 per day late, up to an annual maximum of \$5,000.	Measured Monthly, Reported Quarterly, Annual reconciliation
Physician Eligibility (Schedule A, Section IVB)	Physician data will be loaded within 24 hours or 1 business day if received by 4 p.m. Pacific Time.	\$100 per day late, up to an annual maximum penalty of \$4,500.	Measured Monthly, Reported Quarterly, Annual reconciliation
	Errors corrected within 24 hours of notification.	\$100 per day late, up to an annual maximum penalty of \$4,500.	Measured Monthly, Reported Quarterly, Annual reconciliation
Prior Authorization Requests (Schedule A, Section VB)			
Do not require clinical intervention	95% of PARs entered and notifications faxed to physician and pharmacies within 1 business day of receipt, 100% within 2 business days of receipt.	\$100 per day late, up to an annual maximum penalty of \$5,000	Measured Monthly, Reported Quarterly, Annual reconciliation
Require clinical intervention	95% of PARs entered and notifications faxed to physician and pharmacies within 1 business day of	\$100 per day late, up to an annual maximum penalty of \$5,000	Measured Monthly, Reported Quarterly, Annual reconciliation

Accuracy	resolution, 100% within 2 business days of resolution.  99% of all PARs	\$100 per error in excess of 1%, up to an annual maximum penalty of \$5,000.	Measured Monthly, Reported Quarterly, Annual reconciliation
<b>Benefit Management</b>			
Benefit Change Requests (Schedule A, Section VID)	7 business day turnaround time, or a mutually agreed upon date between County and Contractor	\$100 per day late, up to an annual maximum penalty of \$5,000.	Annual reconciliation
<b>Reporting</b>			
MedAccess (Schedule A, Section VIIA)	Available during normal business hours	\$100 for every hour beyond the first hour that access is not provided, up to an annual maximum penalty of \$4,500.	Annual reconciliation
Timeliness of production for standard reports, MedManager CD updates, and MedFocus. (Schedule A, Section VIIH)	Reports and CD updates will be delivered by the twentieth (20) of the month at the end of the reporting period.	\$100 per day per report or CD, up to an annual maximum penalty of \$1,000. Reports will be produced from UPS tracking records.	Measured Monthly Reported Quarterly, Annual reconciliation
<b>Customer Service (Schedule A, Section IXB)</b>			
Call Response Time	Average speed of answer (ASA) within 60 seconds	\$400 per month if response time is not met, up to an annual maximum penalty of \$5,000.	Measured Monthly Reported Quarterly, Annual reconciliation
Abandonment rate	Call abandonment rate will average 5 percent or less	\$500 per month if response time is not met, up to an annual maximum penalty of \$5,000.	Measured Monthly, Reported Quarterly, Annual reconciliation
Accuracy of	99% accuracy of	\$100 per incidence, up to an annual	Measured

information	phone calls contained accurate information disseminated	maximum penalty of \$5,000.	Monthly, Reported Quarterly, Annual reconciliation
<b>Account Management (Schedule A, Section XA)</b>			
Timely response and resolution of issues	100% calls returned within 24 hours of notification;	\$500 per incidence, up to an annual maximum penalty of \$5,000.	Annual reconciliation
	Action plan developed within 5 business days of notification;		Annual reconciliation
	Resolution of problem within 30 days, unless mutually agreed upon with County		Annual reconciliation

## SCHEDULE C

Contract between County of San Mateo and MedImpact Healthcare Systems, Inc., hereinafter called "Contractor."

- a. No person shall, on the grounds of race, color, creed, national origin, religious affiliation or non-affiliation, sex, sexual orientation, marital status, age (over forty (40)), disability, medical condition (including but not limited to AIDS, ARC, HIV positive diagnosis, or cancer), political affiliation or union membership be excluded from participation in, be denied the benefits of, or be subjected to discrimination under this Agreement.
- b. Contractor shall insure equal employment opportunity based on objective standards of recruitment, selection, promotion, classification, compensation, performance evaluations, and management relations, for all employees under this contract. Contractor's personnel policies shall be made available to County upon request.
- c. Contractor shall assure compliance with Section 504 of the Rehabilitation Act of 1973 by submitting a signed letter of assurance (Attachment I) of compliance. Contractor shall be prepared to submit a self-evaluation and compliance plan to County upon request within one (1) year of the execution of this Agreement.

COUNTY OF SAN MATEO

MEMORANDUM

DATE: April 22, 2002

TO: Priscilla Morse, Risk Management/Insurance Division
FROM: John Klyver, Mental Health/FAX x2841/PONY #MLH 322
SUBJECT: Contract Insurance Approval

CONTRACTOR NAME: MedImpact Healthcare Systems, Inc.

DOES THE CONTRACTOR TRAVEL AS PART OF CONTRACT SERVICES: No

NUMBER OF EMPLOYEES WORKING FOR THE CONTRACTOR:

DUTIES TO BE PERFORMED BY CONTRACTOR FOR COUNTY:

Prescription benefit management services

Table with 5 columns: COVERAGE, Amount, Approve, Waive, Modify. Rows include Comprehensive General Liability, Motor Vehicle Liability, Professional Liability, and Worker's Compensation.

REMARKS/COMMENTS:

Handwritten signature of Priscilla Morse above the word SIGNATURE.



COUNTY OF SAN MATEO

Equal Benefits Compliance Declaration Form

I Vendor Identification

Name of Contractor: MedImpact Health Systems, Inc.
Contact Person: Rod Wade
Address: 10680 Treena Street, 5th Floor
San Diego, CA 92131
Phone Number: (858) 790-6561 Fax Number: (858) 621-5147

II Employees

Does the Contractor have any employees? [X] Yes \_\_\_ No
Does the Contractor provide benefits to spouses of employees? [X] Yes \_\_\_ No

\*If the answer to one or both of the above is no, please skip to Section IV.\*

III Equal Benefits Compliance (Check one)

- [X] Yes, the Contractor complies by offering equal benefits, as defined by Chapter 2.93, to its employees with spouses and its employees with domestic partners.
[ ] Yes, the Contractor complies by offering a cash equivalent payment to eligible employees in lieu of equal benefits.
[ ] No, the Contractor does not comply.
[ ] The Contractor is under a collective bargaining agreement which began on (date) and expires on (date).

IV Declaration

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that I am authorized to bind this entity contractually.

Executed this 23rd day of April, 2002 at San Diego, CA
(City) (State)

Nancy S. Sexton
Signature

NANCY S. SEXTON
Name (Please Print)

ASSOCIATE COUNSEL,
Title
VP, HR

33-0567651
Contractor Tax Identification Number