

THIRD AMENDMENT TO THE AGREEMENT
WITH TELECARE CORPORATION

THIS THIRD AMENDMENT TO THE AGREEMENT, entered into this _____ day of _____, 2003, by and between the COUNTY OF SAN MATEO (hereinafter called "County") and TELECARE CORPORATION (hereinafter called "Contractor"),

W I T N E S S E T H:

WHEREAS, on January 11, 1999, the parties hereto entered into an Agreement (hereinafter referred to as the "Original Agreement") for the furnishing of certain services by Contractor to County as set forth in that Original Agreement; and

WHEREAS, on May 21, 2002, the parties hereto entered into an Amendment (hereinafter referred to as the "Original Amendment") to approve a COLA and bed rates increases; and

WHEREAS, on January 14, 2003, the parties hereto entered into a second Amendment (hereinafter referred to as the "Second Amendment") to approve a COLA and bed rates increases; and

WHEREAS, it is now the mutual desire and intent of the parties hereto to amend and clarify that Agreement with a Third Amendment;

NOW, THEREFORE, IT IS HEREBY AGREED between the parties that the Agreement is amended with the following changes. All other terms remain in full force and effect.

1. Section 4, Hold Harmless, of the original agreement is hereby amended to read as follows:

"4. 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) damage to any property of any kind whatsoever and to whomsoever belonging, or (C) any failure to withhold and/or pay to the government income and/or employment taxes from earnings

under this Agreement, or (D) any sanctions, penalties or claims of damages resulting from Contractor's failure to comply with the requirements set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended, or (E) 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."

2. Section 10, Compliance with Applicable Laws, of the original agreement is hereby amended to read as follows:

"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, Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended, and 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."

3. Schedule B, of the Original Agreement is hereby amended to read as follows:

“TELECARE CORPORATION: 1998-2003

I. Total Maximum Obligation

Notwithstanding the method of payment set forth herein, in no event shall County pay or be obligated to pay Contractor, in the event the renewal option is exercised, more than the sum of THIRTY-THREE MILLION ELEVEN THOUSAND EIGHT HUNDRED SIXTY-NINE DOLLARS (\$33,011,869) for services provided under this Agreement for the period of July 1, 1998 through June 30, 2003.

II. PAYMENTS - TUBERCULOSIS TREATMENT SERVICES: CORDILLERAS MENTAL HEALTH CENTER

A. Invoicing Procedures for Tuberculosis Patients for FY 98-99 and FY 99-00

Contractor will directly invoice Sending County. County shall only be responsible for County patients. The invoice will be divided into two categories: a day rate per patient and other services to be billed on a fee-for-service basis. Fee-for-service services include, but are not limited to: Pharmacy, diagnostic imaging, physician services (see Exhibit E), laboratory, transportation, hospital, and psychiatric hospitalization charges. Physician services shall be provided by both medical and psychiatric specialists. Services provided to patients with Medi-Cal will be billed by County. Services provided to patients who are indigent or have other insurance, including Medicare and private insurance will be billed to Sending County.

The day rate per patient shall be paid on a negotiated rate basis, according to the following schedule:

Contract Period	Rate Per Day
July 1, 1998 - June 30, 1999	\$155.00
July 1, 1999 - June 30, 2000	\$159.25

- B. For FY 2000-01, Contractor shall be reimbursed on a negotiated net amount basis for ONE (1) bed. Contractor shall invoice the San Mateo County Division of Public Health and be paid on a quarterly basis.

- C. The Sending County shall be responsible for timely payment of said invoice and shall be responsible for all applicable late fees and charges.

In the event the renewal option is exercised:

Contract Period	Negotiated Net Amount
July 1, 2001 - June 30, 2002	\$66,430
July 1, 2002 - June 30, 2003	\$66,430

III. PAYMENTS-PSYCHIATRIC SERVICES (Cordilleras, Gladman, Garfield)

In full consideration of the psychiatric treatment services provided by Contractor pursuant to this Agreement, and in accordance with the provisions for a negotiated net amount and net rate agreement as described in DMH Letter Number 84-10, it is hereby agreed by the parties hereto as follows: County shall pay Contractor in the manner described below, except that any and all such payments shall be subject to the conditions contained in this Agreement.

A. Total Maximum Obligation

Notwithstanding the method of payment set forth herein, in no event shall County pay or be obligated to pay Contractor, in the event the renewal option is exercised, more than the sum of THIRTY MILLION ONE HUNDRED FORTY-ONE THOUSAND SEVEN HUNDRED FIFTY-TWO DOLLARS (\$30,141,752) for services provided under this Agreement for the period of July 1, 1998 through June 30, 2003, an amount which includes payment, described more fully below, for the following components:

1. Cordilleras Mental Health Center

a. Maximum Obligation

- 1) Notwithstanding the method of payment set forth herein, in no event shall County pay or be obligated to pay Contractor, in the event the renewal option is exercised, more than the sum of TWENTY-FIVE MILLION TWO HUNDRED SIXTY THOUSAND EIGHT HUNDRED FIFTY-SEVEN DOLLARS (\$25,260,857) for services provided under this Agreement for the period of July 1, 1998 through June 30, 2003.

County shall be obligated to pay a negotiated net amount for services described in Schedule A, Section II, according to the following schedule:

Contract Period	MHRC Services	Residential Care	ACT Program	Program Total
98 - 99	\$4,133,172	\$393,094	\$0	\$4,526,266
99 - 00	\$4,595,442	\$417,026	\$0	\$5,012,468
00 -01	\$4,045,599	\$441,289	\$416,237	\$4,903,125
01 - 02	\$4,283,885	\$467,281	\$440,753	\$5,191,919
02 -03	\$3,898,032	\$925,297	\$715,004	\$5,538,333
			TOTAL	\$25,172,111

- 2) County shall be obligated to pay a net amount for Medical Director services described in Schedule A, Section II, according to the following schedule:

Contract Period	Rate per hr	Average Number of hrs	Maximum amount
3/01/02-6/30/02	\$100	10	\$17,000
7/01/02-6/30/03	\$100	10	\$50,000
		TOTAL	\$67,000

- 3) County shall be obligated to provide funding for psychiatrist services for the period of March 1, 2003 through June 30, 2003, according to the following schedule:

Rate per hour	Average number of hours per week	Maximum amount
\$79.02	16	\$21,746

- 4) The maximum for FY 2002-03 is FIVE MILLION SIX HUNDRED TEN THOUSAND SEVENTY-NINE DOLLARS (\$5,610,079). The maximum, but not guaranteed, compensation for the agreement term shall not exceed the sum of TWENTY-FIVE MILLION TWO HUNDRED SIXTY THOUSAND EIGHT HUNDRED FIFTY-SEVEN DOLLARS (\$25,260,857) for the term of the agreement.
- 5) Subject to the maximum amount stated above and the terms and conditions of this Agreement, the Gross Operating Income shall not exceed ONE MILLION SEVEN HUNDRED FOURTEEN THOUSAND EIGHT HUNDRED EIGHTY DOLLARS (\$1,714,880) without the express written consent of the Director of Health Services. The specific limits for each year are as follows:

Contract Period	Gross Operating Income Limit
7/1/98 - 6/30/99	\$324,689
7/1/99 - 6/30/00	\$333,585
7/1/00 - 6/30/01	\$342,726
7/1/01 - 6/30/02	\$352,116
7/1/02 - 6/30/03	\$361,764
TOTAL	\$1,714,880

- 6) Payment for residential treatment services provided at Cordilleras is based on net costs. Contractor may bill and retain any Supplemental Security Income (SSI) or State

Supplemental Payment (SSP) income payable by clients for room and board costs.

- b. Unless otherwise authorized by the Director of Health Services or her designee, the rate of payment by County to Contractor shall be one-twelfth (1/12) of the total obligation per month for the term of this Agreement. Budget modifications may be approved by the Director of Health Services or her designee, subject to the maximum obligation set forth in Section 2.A. of the contract and the Gross Operating Income Limitations.
- c. Payment by County to Contractor shall be monthly. Contractor shall bill County on or before the tenth (10th) working day of each month for the current month. All claims shall clearly reflect and in reasonable detail give information regarding the services for which claim is made.
- d. In the event that funds provided under this Agreement are expended prior to the end of the contract period, Contractor shall provide ongoing services under the terms of this Agreement through the end of the contract period without further payment from County.
- e. If the annual Cost Report provided to County reveals that total payments to contractor exceed the total allowable costs for all of the services rendered by Contractor to eligible residents during the reporting period, a single payment in the account of the contract savings shall be made to County by Contractor, unless otherwise authorized by the Director of Health Services or her designee. By mutual agreement of County and Contractor, contract savings or "rollover" may be retained by Contractor and expended the following year, provided that these funds are expended for mental health services approved by County.

2. Gladman Mental Health Rehabilitation Facility

a. Maximum Obligation

Notwithstanding the method of payment set forth herein, in no event shall County pay or be obligated to pay Contractor, in the event the renewal option is exercised, more than the sum of THREE MILLION FIVE HUNDRED THIRTY-NINE THOUSAND ONE HUNDRED AND THIRTEEN DOLLARS (\$3,539,113) for services provided under this Agreement for the period of July 1, 1998 through June 30, 2003, an amount which includes payments, described more fully below, for the following components:

- 1) County shall be obligated to pay a negotiated net amount for psychiatric services at Gladman Psychiatric Health Facility as described in Schedule A, Section II, for a dedicated capacity of six (6) beds, for the period July 1, 1998 through April 30, 2000; and three (3) beds for the period May 1, 2000 through June 30, 2003. Payments shall be according to the following schedule:

Contract Period	Negotiated Net Amount
7/1/98 – 6/30/99	\$488,370
7/1/99 – 6/30/00	\$459,824
7/1/00 – 6/30/01	\$257,752
7/1/01 – 6/30/02	\$290,175
7/1/02 – 6/30/03	\$304,684
TOTAL	\$ 1,800,649

- 2) Contractor shall be paid on a fee-for-service rate basis for up to five (5) additional beds, according to the following schedule:

Contract Period	Rate Per Day
7/1/98 – 6/30/99	\$223.00
7/1/99 – 6/30/00	\$229.11
7/1/00 – 6/30/01	\$235.39
7/1/01 – 6/30/02	\$265.00
7/1/02 – 6/30/03	\$278.25

- b. The maximum for FY 2002-03 is THREE HUNDRED FOUR THOUSAND SIX HUNDRED EIGHTY-FOUR DOLLARS (\$304,684). The maximum, but not guaranteed, compensation for the agreement term shall not exceed the sum of THREE MILLION FIVE HUNDRED THIRTY-NINE THOUSAND ONE HUNDRED AND THIRTEEN DOLLARS (\$3,539,113).
- c. Payment by County to Contractor shall be monthly. Contractor shall bill County on or before the tenth (10th) working day of each month for the prior month. This invoice shall include one-twelfth (1/12) of the total net amount and the negotiated rate billings for any additional patient days from the previous month. All claims must clearly reflect client name, number of patient days, and daily negotiated rate.
3. Garfield Neuro-Behavioral Center
- a. Maximum Obligation

Notwithstanding the method of payment set forth herein, in no event shall County pay or be obligated to pay Contractor, in the event the renewal option is exercised, more than the sum of ONE MILLION THREE HUNDRED FORTY-ONE THOUSAND SEVEN HUNDRED EIGHTY-TWO DOLLARS (\$1,341,782) for services provided under this Agreement for the period of July 1, 1998 through June 30, 2002, an amount which includes payment for the following components:

- 1) County shall be obligated to pay a negotiated net amount for psychiatric services as described in Schedule A, Section II, for a dedicated capacity of four (4) beds according to the following schedule:

Contract Period	Negotiated Net Amount
7/1/98 – 6/30/99	\$187,610
7/1/99 – 6/30/00	\$192,751
7/1/00 – 6/30/01	\$198,032
7/1/01 – 2/1/02	\$177,001

- 2) Contractor shall be paid on a fee-for-service basis for up to three (3) additional beds according to the following schedule:

Contract Period	Rate Per Day
7/1/98 – 6/30/99	\$128.50
7/1/99 – 6/30/00	\$132.02
7/1/00 – 6/30/01	\$135.64
7/1/01 – 6/30/02	\$176.34

- b. Rate increases for the final year of the agreement shall be in the sole discretion of the Health Director, or her designee. In no event shall the maximum, but not guaranteed, compensation for the agreement term exceed the sum ONE MILLION THREE HUNDRED FORTY-ONE THOUSAND SEVEN HUNDRED EIGHTY-TWO DOLLARS (\$1,341,782).
- c. Payment by County to Contractor shall be monthly. Contractor shall bill County on or before the tenth (10th) working day of each month for the prior month. This invoice shall include the total net amount and the negotiated rate billings for any additional patient days from the previous month. All claims must clearly reflect client name, number of patient days, and daily negotiated rate.

- B. In the event this Agreement is terminated prior to June 30, 2003, Contractor shall be paid on a prorated basis for only that portion of the contract term during which

Contractor provided services pursuant to this Agreement. Such billing shall be subject to the approval of the Director.

- C. Contractor shall submit to County a year-end cost report no later than ninety (90) days after the expiration date of each contract year for the term of this Agreement. This report shall be in accordance with the principles and format outlined in the Cost Reporting/Data Collection (CR/DC) Manual. Contractor shall annually have its books of accounts audited by a Certified Public Accountant and a copy of said audit report shall be submitted to County along with the Cost Report.
- D. In the event Contractor claims or receives payment from County for a service, reimbursement for which is later disallowed by County or the State of California or the United States Government, then Contractor shall promptly refund the disallowed amount to County upon request, or, at its option, County may offset the amount disallowed from any payment due or become due to Contractor under this Agreement or any other agreement.”

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES that:

- 1. These amendments, and all other amendments, are hereby incorporated and made a part of the Original Agreement and subject to all provisions therein.
- 2. All provisions of the Original Agreement, including all references to audit and fiscal management requirements unless otherwise amended hereinabove, shall be binding on all the parties hereto.
- 3. All provisions of the Original Agreement, including all monitoring and evaluation requirements, shall be applicable to all amendments herein.

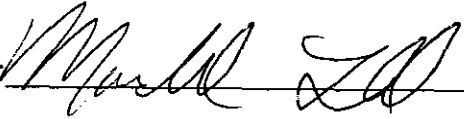
NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES that the Agreement of January 11, 1999, be amended accordingly.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have affixed their hand on the day and year first above written.

COUNTY OF SAN MATEO

TELECARE CORPORATION

By: _____
Rose Jacob Gibson, President
Board of Supervisors, San Mateo County

By:  _____

Date: _____

Date: 5/9/03 _____

ATTEST:

By: _____
Clerk of Said Board

Date: _____

COUNTY OF SAN MATEO
HEALTH SERVICES ADMINISTRATION

MEMORANDUM

DATE: November 13, 2002

TO: Priscilla Morse, Risk Management/Insurance Division
FROM: Caryl Fairfull, Mental Health Services/PONY #MLH 322

CONTRACTOR: Telecare Corp.

DO THEY TRAVEL: No

PERCENT OF TRAVEL TIME:

NUMBER OF EMPLOYEES: No

DUTIES (SPECIFIC):

COVERAGE:

Comprehensive General Liability:	<u>\$1,000,000</u>
Motor Vehicle Liability:	<u>\$1,000,000</u>
Professional Liability:	<u>\$1,000,000</u>
Worker's Compensation:	<u>\$1,000,000</u>

APPROVE  WAIVE _____ MODIFY _____

REMARKS/COMMENTS:


SIGNATURE

MARSH

CERTIFICATE OF JURANCE

CERTIFICATE NUMBER
SEA-C00334050-C7

PRODUCER

MARSH RISK & INSURANCE SERVICES
P.O. BOX 193880
SAN FRANCISCO, CA 94119-3880
CALIFORNIA LICENSE NO. 0437153

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER OTHER THAN THOSE PROVIDED IN THE POLICY. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES DESCRIBED HEREIN.

COMPANIES AFFORDING COVERAGE

COMPANY

A LEXINGTON INSURANCE COMPANY

COMPANY

B AMERICAN HOME ASSURANCE CO

COMPANY

C ZURICH NORTH AMERICA

COMPANY

D

072624-STAND-ALL-2001

GLAL WCPL

INSURED

TELECARE CORPORATION
1100 MARINA VILLAGE PARKWAY, SUITE 100
ALAMEDA, CA 94501

COVERAGES

This certificate supersedes and replaces any previously issued certificate for the policy period noted below.

THIS IS TO CERTIFY THAT POLICIES OF INSURANCE DESCRIBED HEREIN HAVE BEEN ISSUED TO THE INSURED NAMED HEREIN FOR THE POLICY PERIOD INDICATED NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THE CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, CONDITIONS AND EXCLUSIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY P&D CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY	0314744	07/01/02	07/01/03	GENERAL AGGREGATE \$ 3,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				PRODUCTS - COMP/OP AGG \$ 1,000,000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				PERSONAL & ADV INJURY \$ 1,000,000
	<input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT				EACH OCCURRENCE \$ 1,000,000
					FIRE DAMAGE (Any one fire) \$ 100,000
					VED EXP (Any one person) \$ 5,000
B	AUTOMOBILE LIABILITY	CA-845-96-98 (AOS)	07/01/02	07/01/03	COMBINED SINGLE LIMIT \$ 1,000,000
	<input checked="" type="checkbox"/> ANY AUTO	CA 845-97-00 (TX)	07/01/02	07/01/03	BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident) \$
	<input type="checkbox"/> SCHEDULED AUTOS				PROPERTY DAMAGE \$
	<input type="checkbox"/> HIRED AUTOS				
	<input type="checkbox"/> NON-OWNED AUTOS				
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT \$
	<input type="checkbox"/> ANY AUTO				OTHER THAN AUTO ONLY \$
					EACH ACCIDENT \$
					AGGREGATE \$
	EXCESS LIABILITY				EACH OCCURRENCE \$
	<input type="checkbox"/> UMBRELLA FORM				AGGREGATE \$
	<input type="checkbox"/> OTHER THAN UMBRELLA FORM				\$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	WC-8298520-00	01/01/03	01/01/04	<input checked="" type="checkbox"/> WC STATUTORY LIMITS \$
	EL EACH ACCIDENT \$ 1,000,000				
	EL DISEASE-POLICY LIMIT \$ 1,000,000				
	EL DISEASE-EACH EMPLOYEE \$ 1,000,000				
	THE PROPRIETOR/PARTNER/EXECUTIVE OFFICERS ARE <input type="checkbox"/> INCL. <input type="checkbox"/> EXCL.				
A	OTHER	0314744	07/01/02	07/01/03	\$1,000,000/\$3,000,000
	PROFESSIONAL LIAB.				

DESCRIPTION OF OPERATIONS/LOCATION(S)/VEHICLES/SPECIAL ITEMS

1/6/02
CF

CERTIFICATE HOLDER

SAN MATEO COUNTY MENTAL HEALTH DIVISION
225 WEST 37TH AVENUE
SAN MATEO, CA 94403

CANCELLATION

SHOULD ANY OF THE POLICIES DESCRIBED HEREIN BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE INSURER AFFORDING COVERAGE WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED HEREIN, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER AFFORDING COVERAGE, ITS AGENTS OR REPRESENTATIVES OR THE ISSUER OF THIS CERTIFICATE.

MARSH USA INC.

By: Ellen Redell Brown

MM1(3/02)

VALID AS OF: 12/27/02

COUNTY OF SAN MATEO

Equal Benefits Compliance Declaration Form

I Vendor Identification

Name of Contractor: Telecare Corporation
Contact Person: Richard Panell
Address: 110 Marina Village Parkway, Suite 100
Alameda, CA 94501
Phone Number: 510-337-7950 Fax Number:

II Employees

Does the Contractor have any employees? Yes No
Does the Contractor provide benefits to spouses of employees? 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)

- 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 12th day of Dec, 2002 at Alameda, CA (City) (State)

Signature

Marshall Langfeld Name (Please Print)

VP/CFO Title

94-1735271 Contractor Tax Identification Number