

**RETIREE AMENDMENT TO THE MEDICAL AND HOSPITAL GROUP
SUBSCRIBER AGREEMENT BETWEEN PACIFICARE ("PACIFICARE")
AND COUNTY OF SAN MATEO ("GROUP")**

This **AMENDMENT TO THE PACIFICARE OF CALIFORNIA, MEDICAL AND HOSPITAL GROUP SUBSCRIBER AGREEMENT** dated as of January 1, 2005, (this "Amendment"), is made and entered into by and between PacifiCare of California, a California corporation ("PacifiCare") and County of San Mateo ("Group").

RECITAL OF FACTS

Recital of Facts shall be amended to read as follows:

PacifiCare is a health care service plan which arranges for the provision of medical, hospital and preventive medical services to persons enrolled as Members through contracts with associations of licensed physicians, hospitals and other health care providers. Group is a previous employer, union, trust, organization, or association which desires to provide such health care for its eligible retired Subscribers and/or family Dependents. PacifiCare desires to contract with Group to arrange for the provision of such health care services to Subscribers and family Dependents of Group, and Group desires to contract with PacifiCare to arrange for the provision of such services to its Subscribers and family Dependents.

AGREEMENT

Agreement shall be amended to read as follows:

NOW THEREFORE, in consideration of the application of Group for the benefits provided under this Agreement, in accordance with Centers for Medicare and Medicaid Service (for Medicare eligible members) and in consideration of the periodic payment of Health Plan Premiums on behalf of Members in advance as they become due, PacifiCare agrees to arrange for or provide medical, surgical, hospital, and related health care benefits subject to all terms and conditions of this Medical and Hospital Group Subscriber Agreement, including the Cover Sheet, the Evidences of Coverage, Schedule of Benefits, Retiree Benefit Summary Brochure and Attachments.

1. DEFINITIONS

1.05 Dependent shall be amended to read as follows:

1.05 Dependent is either a Secure Horizons Dependent or a PacifiCare Dependent as described in 1.05.01 and 1.05.02.

1.05.01 Secure Horizons Dependent is any Retiree's spouse, domestic partner or unmarried child (including a step-child, adopted child, child of a domestic partner or child who is in the custody of the Subscriber for purposes of adoption) of a Retiree Subscriber who is enrolled hereunder, who meets all the eligibility requirements of the Group and the Secure Horizons Group Retiree Health Plan, who is eligible for Medicare, who is enrolled in the Secure Horizons Group Retiree Health Plan, and for whom all applicable Health Plan Premiums have been received. The Secure Horizons Dependent must reside within the PacifiCare Secure Horizons Service Area. For Dependents that are not Medicare eligible, Group must have also purchased the Commercial or Early Retiree PacifiCare plan.

1.05.01(a) Domestic Partner shall be added to read as follows:

1.05.01(a) Domestic Partner is a person who meets the following requirements for eligibility:

- (i) Is eighteen (18) years of age or older;
- (ii) Is mentally competent to consent to contract;
- (iii) Resides with the Subscriber and intends to do so indefinitely;
- (iv) Is jointly responsible with the Subscriber for their common welfare and financial obligations;
- (v) Is unmarried; and
- (vi) Is not related by blood to the Subscriber to a degree of closeness that would prohibit marriage in the state of residence.

The Subscriber must also be unmarried and not had another Domestic Partner or Spouse enrolled on PacifiCare for at least the prior 6 months period for the Domestic Partner to be eligible for membership in this health plan.

1.05.02 PacifiCare Dependent is a Retiree Subscriber's spouse, domestic partner or unmarried child (including step-child, legally adopted child, child of a domestic partner or a child who is in the custody of the Subscriber for purposes of adoption) who meets the eligibility requirements of the PacifiCare Health Plan, who is not eligible for Medicare, who is enrolled in the PacifiCare Health Plan and for whom all applicable Health Plan Premiums have been received.

1.05.02(a) Coverage for Over-Age Dependents shall be added to read as follows:

1.05.02(a) Coverage for Over-age Dependents. A Dependent unmarried child of a Subscriber, Subscriber's Spouse or of a Domestic Partner, registered on a full-time basis (at least twelve (12) semester units or the equivalent as determined by Group) at a certified educational institution may continue as an eligible Dependent to the limiting

age of thirty (30) for full time students, provided proof of such status is submitted to Group on a periodic basis, as requested by Group. If the Dependent student resides outside of the Service Area, the student must maintain a permanent address inside the Service Area with the Subscriber and the student must select a Participating Medical Group within 30-miles of that address. To obtain coverage, all care must be provided or arranged in the Service Area by the designated Participating Medical Group except for Emergency and Urgently Needed Services.

Over-age Dependents for whom the Subscriber has signed an affidavit attesting that they have primary financial responsibility (50%) for the young adult may continue as an eligible Dependent to age 30. Proof of such status must be submitted to Group on a periodic basis, as requested by Group.

1.05.02(b) Domestic Partner shall be added to read as follows:

1.05.02(b) Domestic Partner is a person who meets the following requirements for eligibility:

- (vii) Is eighteen (18) years of age or older;
- (viii) Is mentally competent to consent to contract;
- (ix) Resides with the Subscriber and intends to do so indefinitely;
- (x) Is jointly responsible with the Subscriber for their common welfare and financial obligations;
- (xi) Is unmarried; and
- (xii) Is not related by blood to the Subscriber to a degree of closeness that would prohibit marriage in the state of residence.

The Subscriber must also be unmarried and not had another Domestic Partner or Spouse enrolled on PacifiCare for at least the prior 6 months period for the Domestic Partner to be eligible for membership in this health plan.

1.06 Eligible Employee shall be amended to read as follows:

1.06.01 Secure Horizons Group Retiree Subscriber is a previous Group employee who has met the minimum required Retiree participation conditions as determined by Group . The Subscriber must be eligible for Medicare, met the Retiree Subscriber eligibility requirements of the Secure Horizons Retiree Health Plan, who is enrolled in the Secure Horizons Retiree Health Plan, and for whom all applicable Health Plan Premiums are received by PacifiCare.

1.06.02 PacifiCare Retiree Subscriber is a previous Group employee who has met the minimum required Retiree participation conditions as determined by Group who is not eligible for Medicare. The Subscriber must met the Retiree Subscriber eligibility requirements of the PacifiCare Health Plan, and for whom all applicable Health Plan Premiums are received by PacifiCare.

1.09 Group Contribution shall be amended to read as follows:

1.09 Group Contribution is the amount of the Health Plan Premiums applicable to each Retiree Subscriber which is paid solely by the Group or employer and which is not paid by the Subscriber either through payroll deduction or otherwise.

1.16 Subscriber shall be amended to read as follows:

1.16 Subscriber is the individual enrolled in the Health Plan for whom the appropriate Health Plan Premium has been received by PacifiCare, and whose retirement or other status, except for family dependency, is the basis for enrollment eligibility.

1.17 Centers for Medicare & Medicaid Services (CMS) shall be added to read as follows:

1.17 Centers for Medicare & Medicaid Service (CMS) is a Federal agency within the United States Department of Health and Human Services and is responsible for administering various Medicare programs.

2. ELIGIBILITY AND ENROLLMENT

2.00 Submission of Eligibility List and Enrollment Forms shall be added as follows:

2.00 Submission of Eligibility List and Enrollment Forms Group shall submit a list of prospective Secure Horizon Group Retiree Subscriber applicants and Secure Horizons Dependent applicants who meet the eligibility requirements of Group for participation in the Secure Horizons Group Retiree Medicare+Choice Plan and for prospective PacifiCare Retiree Subscribers and PacifiCare Dependents who meet the requirements of the PacifiCare Health Plan. Group shall submit an initial eligibility list within thirty (30) days of the execution of this Agreement. Group shall submit modification to the group eligibility list to PacifiCare on a monthly basis. Group's eligibility list is subject to modification by PacifiCare upon review and acceptance or rejection of membership application by PacifiCare and CMS.

Group shall submit to PacifiCare a properly completed enrollment application for each Secure Horizons Group retiree Subscriber and each Secure Horizons Dependent to be enrolled under the Secure Horizons Group Retiree Medicare+Choice Plan and PacifiCare Health Plan. Such enrollment applications shall be submitted on forms provided or approved by PacifiCare. Member enrollment forms shall be submitted by Group to PacifiCare during open enrollment periods; however, enrollment forms for Member applicants who did not meet Group's eligibility requirement during the previous open enrollment period may be submitted within sixty (60) days of the date the Member first meets Group's eligibility requirements. Member applicants shall be enrolled effective the first day of the next full month following sixty (60) days from the date PacifiCare receives the application; however, PacifiCare Retiree Subscribers and PacifiCare Dependents will be enrolled only if such Members meet PacifiCare's eligibility

requirements, and Secure Horizons Dependents and Secure Horizons Group Retiree Subscriber will be enrolled only if such Members meet both CMS' and PacifiCare's eligibility requirement and is accepted and approved by CMS.

2.01.01 Application Form. Shall be amended to read as follows:

2.01.01 Enrollment Form. A properly completed, signed application for Enrollment on a form provided by PacifiCare, or on a non-standard form approved by PacifiCare, must be submitted to PacifiCare by Group for each eligible and/or prospective Subscriber, on behalf of the eligible and/or prospective Subscriber and any Eligible Dependents.

2.01.02 Time of Enrollment shall be amended to read as follows:

2.01.02 Time of Enrollment. All applications for Enrollment shall be submitted by prospective Subscribers to the Group during Open Enrollment Periods, except that prospective Subscribers and their Eligible Dependents who were not eligible during the previous Open Enrollment Period may apply for Enrollment within sixty (60) days after becoming eligible. All applications for Enrollment which are not received by PacifiCare within the sixty (60) days from the first day the prospective Subscriber or Dependent becomes eligible shall be subject to rejection by PacifiCare. Prospective Subscribers and their Eligible Dependents may reapply at the next Open Enrollment Period in the event an application was not received by PacifiCare within such sixty (60) day period. Group shall provide notice to existing and/or prospective Members of the applicable Open Enrollment Periods.

If the Effective Date of coverage occurs during an Inpatient stay in a Hospital, Secure Horizons Medicare+Choice Plan is not responsible for the provisions or payment of any of the Inpatient Hospital services under the Medicare Hospital Insurance Plan (Part A). Secure Horizons Medicare+Choice Plan will assume responsibility for payment or provision of Inpatient Hospital services under the Medicare Hospital Insurance Plan (Part A) on the day after the member's discharge. PacifiCare is responsible for the full scope of Part B services required by Medicare beginning the Effective date of coverage.

2.01.03 Notice and Certification shall be amended to read as follows:

2.01.03 Notice and Certification. Group shall provide a written notice and certification, prepared by PacifiCare, as part of the PacifiCare Enrollment Packet to Eligible Retirees at the commencement of the initial Open Enrollment Period. The written notice and certification section of the PacifiCare application for Enrollment shall provide notice of the availability of coverage under the Health Plan and indicate that an Eligible Retiree's failure to elect coverage, on his or her behalf or on behalf of his or her Eligible Dependents during the initial Open Enrollment Period, permits PacifiCare to exclude coverage for a period of up to twelve (12) months until the Employer's next open enrollment period. Group shall require any Eligible Retiree declining coverage under the

Health Plan on behalf of himself or herself or any Eligible Dependent, to certify on the written notice and certification prepared by PacifiCare, the reason for declining Enrollment in the Health Plan and that he or she has reviewed the notice and certification and understands the consequences of declining coverage under the Health Plan. Group agrees to submit all completed notices and certifications to PacifiCare for:

- a. Each Eligible Retiree and/or his or her Eligible Dependents who declined coverage at renewal of this Agreement; and
- b. Each Eligible Retiree and/or his or her Eligible Dependents who became eligible during the term of this Agreement specified on the Cover Sheet of this Agreement and who have declined coverage.

2.03 PacifiCare's Liability in the Event of Conversion from a Prior Carrier shall be amended to read as follows:

2.03 PacifiCare's Liability in the Event of Conversion from a Prior Carrier. In the event PacifiCare replaces a prior carrier responsible for the payment of benefits or provision of services under a group contract within a period of sixty (60) days from the date of discontinuation of the prior contract or policy, PacifiCare will immediately cover all Retirees and dependents who were validly covered under the previous contract or policy at the date of discontinuation, and who are eligible for enrollment under this Agreement, without regard to health status or hospital confinement. Notwithstanding the foregoing, with respect to Retirees or dependents who were totally disabled on the date of discontinuation of the prior contract or policy, and entitled to an extension of benefits pursuant to Section 1399.62 of the California Health & Safety Code or Section 10128.2 of the California Insurance Code under the prior contract or policy, PacifiCare shall not be financially responsible for any payment of benefits or provision of services directly related to any condition which caused the total disability. In such a situation, the prior carrier shall continue to be financially responsible for all benefits or services directly related to any condition which caused the total disability until such extension of benefits is no longer required under California or federal law.

2.04 Retiree and Dependent Benefits shall be added as follows:

2.04.01 Retiree Subscriber Benefits Upon the receipt of applicable Health Plan Premiums and enrollment forms pursuant to the requirements of Sections 2.01 and 2.02 of this Agreement and upon PacifiCare's determination that all eligibility requirements are met, PacifiCare shall:

- (i) Upon CMS' additional determination that all eligibility requirements are met, arrange for benefits to Secure Horizons Dependents under the terms of the Secure Horizons Group Retiree Health Plan, and
- (ii) Arrange for benefits for PacifiCare Dependents under the terms of the

PacifiCare Health Plan.

2.04.02 Dependent Benefits Upon the receipt of applicable Health Plan Premiums and enrollment forms pursuant to the requirements of Sections 2.01 and 2.02 of this Agreement and upon PacifiCare's verification that all eligibility requirements are met, PacifiCare shall:

(i) Upon CMS' additional determination that all eligibility requirements are met, arrange for benefits to Secure Horizons Dependents under the terms of the Secure Horizons Group Retiree Health Plan, and

(ii) Arrange for benefits for PacifiCare Dependents under the terms of the PacifiCare Health Plan.

2.04.03 Benefit Information PacifiCare agrees to apprise the Group concerning the type, scope and duration of benefits and services to which Members are entitled under the Secure Horizons Group Retiree Health Plan, PacifiCare Health Plan or Secure Horizons Individual Plan, as applicable.

2.05 Enrollment and Eligibility shall be added to read as follows:

2.05 Enrollment and Eligibility PacifiCare shall review the enrollment applications and Group's eligibility list to determine which applicants meet all PacifiCare eligibility requirements and shall submit those applications for Secure Horizons Subscribers and Secure Horizons Dependents that do meet PacifiCare's eligibility requirements to CMS for final authorization. Those applicants that meet Group's, PacifiCare's and, if necessary, CMS' requirements will be enrolled with an effective date according to Medicare regulations, unless delayed by CMS; the applicant will be notified of the effective date of enrollment or the delay, as applicable. PacifiCare shall notify Group of any modifications to the Group eligibility list.

2.06 Notice of Disenrollment shall be added to read as follows:

2.06 Notice of Disenrollment In the event a Retiree Subscriber notifies Group of his or her intent to disenroll from the Secure Horizons Group Retiree Medicare+Choice Plan or no longer meets Group's eligibility requirements for participation in the Secure Horizons Group Retiree Medicare+Choice Plan, Group and/or Member shall provide the Member's written notice to PacifiCare of such Retiree Subscriber's disenrollment. The Retiree Subscriber's effective date of disenrollment shall be the first day of the month following the month PacifiCare received such notice, unless notified by the Subscriber of another specific date. Upon disenrollment from the Secure Horizons Group Medicare+Choice Plan, Secure Horizons Group Retiree Subscriber and Secure Horizons Dependents who no longer meet Group's eligibility requirements for participation in Secure Horizons Group Medicare+Choice Plan shall be automatically transferred to the Secure Horizons Individual Plan. To disenroll from the Secure Horizons Medicare+Choice, each Member must submit a signed, written notice

to PacifiCare according to Medicare regulations

3. **GROUP OBLIGATIONS, HEALTH PLAN PREMIUMS AND COPAYMENTS**

3.01 Non-Discrimination. Shall be amended to read as follows:

3.01 Non-Discrimination. Group shall offer PacifiCare an opportunity to market this Health Plan to its Retirees and shall offer its Retirees an opportunity to enroll in this Health Plan under no less favorable terms or conditions than Group offers enrollment in other health care service plans or Retiree health benefit plans.

3.04 Indemnification. Shall be amended to read as follows:

3.04 Indemnification. Group agrees to indemnify, defend and hold PacifiCare harmless and accept all legal and financial responsibility for any liability arising out of Group's failure to perform its obligations as set forth in this Section 3.

PacifiCare also agrees to indemnify, defend and hold Group harmless and accept all legal and financial responsibility for any liability arising out of PacifiCare's failure to perform its obligations as set forth in this Section 3.

3.05.01 Payment of Health Plan Premiums shall be added to read as follows:

3.05.01 Payment of Health Plan Premiums Group shall pay or ensure payment of any applicable Health Plan Premiums for Members as set forth in the Cover Sheet. PacifiCare shall arrange for benefits under the Secure Horizons Group Retiree Health Plan and the PacifiCare Health Plan only for those Members for whom the applicable Health Plan Premiums have been paid.

Section 3.09.01 Continuation of Benefits under COBRA, shall be amended as follows:

3.09.01 Notice Regarding Continuation Coverage. Including Domestic Partners and their Dependents, upon the occurrence of a qualifying event, as defined the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272), as amended by the 1986 Tax Reform Act (P.L. 99-514) and the 1986 Omnibus Budget Reconciliation Act (P.L. 99-509) ("COBRA"), Group shall provide affected Members with written notice of available continuation coverage as required by and in accordance with COBRA and amendments thereto. Group shall be solely responsible for collecting Health Plan Premiums from Members who elect to continue benefits under COBRA and shall transmit such Health Plan Premiums to PacifiCare along with the Group's Health Plan Premiums otherwise due under this Agreement. Group shall maintain accurate records regarding Health Plan Premiums for Members who elect to continue benefits, including qualifying events, terminating events, and other information necessary to administer this

continuation of benefits. The obligations to be performed by Group under this Subsection may be performed directly by Group, or wholly or in part through a subsidiary or affiliate of Group, or on behalf of Group by a third party, including but not limited to a COBRA coverage administrator; provided, that Group will remain liable to PacifiCare for satisfaction of the obligations to be performed by Group under this Subsection. PacifiCare is not responsible for the acts or omissions of Group or designee and shall be held harmless for any failure by Group to fulfill its obligations, including but not limited to failure to provide proper notice or failure to forward premium payments to PacifiCare within applicable statute time frames. Domestic Partners and their Dependents may apply for Individual Conversion.

Section 3.09.02 Notice of Individual Conversion Rights shall be amended to read as follows:

3.09.02 Notice of Individual Conversion Rights. Within fifteen (15) days after a Member's coverage terminates, Group shall notify the Subscriber on behalf of the Subscriber and his or her Dependents or, if no Subscriber is available, any terminated Dependent, including a Domestic Partner and his or her Dependents of the availability, terms, and individual conversion rights as set forth in the Combined Evidence of Coverage and Disclosure Form.

7. TERMINATION

7.01 Termination by Group shall be amended to read as follows:

7.01 Termination by Group. Group may terminate this agreement by giving a minimum of sixty (60) days written notice of termination to PacifiCare, to allow processing time for PacifiCare to notify the Secure Horizons Group Retiree members with a minimum of thirty (30) day advance notice of termination. Group termination must always be effective on the first day of the month. Group shall continue to be liable of Health Plan Premium for all Members enrolled in this Health Plan through Group until the date of termination.

7.02.04 For Ceasing to Meet Group Eligibility Criteria shall be amended to read as follows:

7.02.04 For Ceasing to Meet Group Eligibility Criteria. PacifiCare may terminate Group upon thirty (30) days written notice to Group if Group fails to meet any of the following Group eligibility requirements:

(a) For Subscribers with Dependents, Group fails to maintain a Group Contribution equal to the dollar amount of the Group Contribution for Subscribers without Dependents;

(b) Group fails to abide by and enforce the conditions of Subscriber Enrollment set forth in this Agreement.

7.04 Termination in the Event of Termination or Non-Renewal of CMS Contract shall be added to read as follows:

7.04 Termination in the Event of Termination or Non-Renewal of CMS Contract This Agreement shall automatically terminate in the event of a termination or non-renewal of PacifiCare's contract with CMS. If the contract between PacifiCare and CMS is not renewed, the Secure Horizons Member's Medicare coverage will be switched to Original Medicare unless the Member decides to switch to other Medicare coverage. If either PacifiCare or CMS decide not to renew the contract at the end of the year, PacifiCare will send the Member a letter at least ninety (90) days before the end of the contract. If CMS ends the contract in the middle of the year, Secure Horizons Members will get a letter at least thirty (30) days before the end of the contract. In the event PacifiCare exits in a portion of the Secure Horizons service area, Secure Horizons Group Retiree Members will be notified prior to the service area exit.

8. MISCELLANEOUS PROVISIONS

8.09 Group Use of Administrative Manual shall be deleted in its entirety with regards to coverage for Medicare eligible members.

Section 8.17 Non Discrimination shall be added as follows:

8.17 Non Discrimination. No person shall be excluded from participation in, denied benefits of, or be subject to discrimination under this Agreement on the basis of their race, color, religion, national origin, age, sex, sexual orientation, marital status, pregnancy, childbirth or related conditions, medical condition, mental or physical disability or veteran's status. PacifiCare shall ensure full compliance with federal, state and local laws, directives and executive orders regarding non-discrimination for all Subscriber's and Dependent's under this Agreement.

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

- a) Termination of this Agreement;
- b) Disqualification of PacifiCare from bidding on or being awarded a County contract for a period of up to 3 years;
- c) Liquidated damages of \$2,500 per violation as mutually agreed upon by PacifiCare;

- d) Imposition of other appropriate contractual and civil remedies and sanctions, as determined by the County Manager, and as mutually agreed upon by PacifiCare.
- e) Final resolution of any dispute between the County of San Mateo and PacifiCare by Binding Arbitration.

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

- a. Examine PacifiCare's de-identified, non-confidential employment records with respect to compliance with this paragraph;
- b. Set off all or any portion of the amount described in this paragraph against amounts due to PacifiCare under the Contract or any other contract between PacifiCare and the County.

PacifiCare shall report to the County Manager the filing by any County Subscriber or Dependent 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 30 days of such public filing, provided that within such 30 days such entity has not notified PacifiCare that such charges are dismissed or otherwise unfounded. Such notification shall include the name of the complainant, a copy of such complaint and a description of the circumstance. PacifiCare shall provide County with a copy of its response to the Complaint when filed.

Section 8.18 Equal Benefits shall be added as follows:

8.18 Equal Benefits: With respect to the provision of employee benefits, PacifiCare 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, except to the extent that the application of such benefits are limited or preempted by federal law.

Effect of this Amendment. The Amendment shall not be further amended, modified or revised and the Agreement shall continue in full force and effect and shall be enforced in accordance with its terms and conditions. **This Amendment shall expire on December 31, 2005.**