

prior to the Effective Date of this Amended and Restated Agreement (collectively "Program Materials"). will cooperate with and use reasonable commercial efforts to comply with all changes BCBSM makes to the Program Materials to the extent applicable to services. BCBSM will provide at least thirty (30) days advance written notice of all changes.

1) To the extent a change reflects standard practice in the mail order pharmacy industry, will comply in the manner and within the timeframes required by BCBSM, at no additional charge to BCBSM. However, BCBSM will permit to vary the manner in which it operationalizes such a change and/or the timing of such a change, where demonstrates such variations in the manner and/or timing are reasonable and will not adversely impact BCBSM's rights and obligations under this Agreement and/or the health and safety of a Member;

2) If a change does not reflect standard practice in the mail order pharmacy industry, and the change will materially adversely affect rights and obligations under this Agreement or cause to incur substantial costs to implement, will so notify BCBSM within ten (10) business days of receipt of notice of the change. If the change involves systems changes, the parties will follow the process for set forth in section 2.7.c. to evaluate whether the changes will be made. If the change does not involve systems changes, the parties will work together in good faith to reach a mutual acceptable alternative.

2.6 Claims Submission and Processing

a. _____ will require its Network Pharmacies to submit claims electronically via the point of service system.

b. Pharmacy Submitted (POS) Claims. _____ will accept point of service ("POS") claims submitted by Network Pharmacies and BCBSM pharmacies for Full Service Groups and process them as follows:

1. _____ will instruct pharmacies to enter POS transactions into its system when the Member presents a valid ID card, and if the system is unavailable, within three (3) days after the system becomes available and in no case, unless authorized by BCBSM, later than sixty (60) days from the date of dispensing in a medium acceptable to

2. Upon receipt of a claim, _____ will perform the system edits set forth below and transmit to the pharmacy the claim status, the applicable reimbursement amount, the applicable patient pay amount, and any applicable DUR or other messages.

3. _____ will instruct the dispensing pharmacy to collect from the Member the lesser of the applicable copayment or the applicable reimbursement amount (when lower than Member share amount), and _____ will pay the dispensing pharmacy the balance, if any, of the reimbursement amount.

c. Pay Subscriber Claims

1. _____ will be responsible for processing, paying and sending payment vouchers on all Pay Subscriber claims for Full Service Groups. _____ will agree to accept a raw pharmacy receipt without a claim form. Where a claim form is not attached, _____ will process the claim so long as the Member's name, address and contract number are included. Pay subscriber claims may be submitted without preapproval.

2. _____ will observe a standard 12-month maximum filing limitation for pay subscriber claims and will, if required, accommodate Group-specific, non-standard filing limitations.

d. Where required by BCBSM, _____ will be responsible for processing and paying pharmacy claims submitted on a Universal-Claim Form. Upon receipt of a claim, _____ will perform the system edits set forth below, calculate the appropriate reimbursement amount, applicable Member pay amount, and any applicable DUR.

e. Claims Processing System Editing. The following system edits will be maintained on-line at POS:

1. Member Eligibility Validation. Member eligibility will be checked against the BCBSM Eligibility File using the criteria in effect as of the date of this Amended and Restated Agreement to determine whether the Member receiving the prescription is eligible for coverage on the date the prescription is dispensed.
2. Drug Verification/Processing. The NDC number submitted by the dispensing pharmacy and/or on the claim form will be compared to the NDC database to determine whether the drug or other item is covered and the appropriate price will be calculated. Any Group-specific dispensing limitations on quantities or days' supply, refill limitations, and any prior authorization or generic substitution requirements also will be applied to the claim.
3. Duplicate Prescriptions. Claims will be compared to the Claims History File by various combinations of member identification number, prescription number, drug category and date dispensed to determine whether the claim has already been submitted and is approved for payment.
4. Provider Validation. will determine whether the pharmacy submitting the POS transaction is qualified to submit claims. will identify any special pricing or other contractual arrangements that affect authorization of the transaction and processing of the claim.
5. Reimbursement. The claim pricing calculation is based on the metric decimal quantity and drug dispensed by the pharmacy and will be compared to the pharmacy submitted U & C. The price of the prescription will be calculated using the appropriate pricing formula.
6. Contract Coverage Verification. will examine the Member identification number submitted by the pharmacy to verify that BCBSM coverage is in effect on the date the prescription was filled.
7. Contextual Editing. will edit the claim to ensure completeness and data validity. Any claim with missing or invalid data will be denied at the point of service.
8. Physician Validation. will examine the DEA number submitted by the pharmacy for validation against the physician file provided by BCBSM either for an exact match, if required by BCBSM, or for proper format and check-digit verification.

9. DRA Alerts. will identify clinically significant drug therapy problems by accessing the Member's prescription drug history and hospital-recorded inpatient diagnoses. will follow BCBSM's Disease Diagnosis (ICD-9) Record Requirements (**Attachment B**) in conjunction with this process.

f. Adjustments. As provided in this section. will promptly perform appropriate adjustments to Paid Claims and will promptly advise BCBSM of all such adjustments. Adjustments may be credits, debits, reversals, replacement claims, void transactions or other changes made by to Paid Claims. Within forty-five (45) days of the date the need for an Adjustment is identified, will quantify the amount of the Adjustment and will notify BCBSM thereof. If the estimated Adjustment is \$50,000 or more, will pay BCBSM the estimated Adjustment no later than thirty (30) days after the date of the notice to BCBSM. No later than six (6) months after identifying the need to make an Adjustment, will reprocess all claims and will provide BCBSM with a written reconciliation of the actual Adjustment amount to the estimated Adjustment amount. The final reconciliation will include any necessary adjustments to rebates payable under section 2.10. Any amount due a Party as a result of the reconciliation will be paid by the other Party no later than thirty (30) days after the date the reconciliation is due to be provided to BCBSM. When a reversal is made (other than as a result of a drug-to-drug interaction), any dispensing fee paid will be credited to BCBSM along with the claims payment. Adjustment data will be submitted to BCBSM via the "Drug Claims Activity Response Record" as defined in **Attachment C**.

2.7 Systems

a. Dedicated Resources. will provide a full-time technical consultant for ongoing routine support, and additional dedicated programming support as required to service BCBSM, as mutually agreed by the parties.

b. Systems Changes Necessary for Implementation. At its expense, will make all changes to its systems reasonably necessary to implement the terms of this Amended and Restated Agreement.

c. Systems Problems.

1. At BCBSM's request, will at its expense provide an appropriate fix, upgrade or correction to systems problems encountered according to the following protocol. BCBSM will identify the severity of the problem. BCBSM will provide a requested timeframe for providing a fix, upgrade or correction based upon the degree of difficulty that the problem is causing. BCBSM will use the following degrees of priority in notifying of any need for a change:

Urgent Priority -- means that a problem is producing erroneous results. will make necessary changes within forty-eight (48) hours, or as soon thereafter as reasonably possible.

High Priority -- means that the problem is causing serious difficulty. will make necessary changes within five (5) working days, or as soon thereafter as reasonably possible.

Normal Priority -- means that the problem is causing reasonable difficulty or inconvenience. will make necessary changes within fifteen (15) working days, or as soon thereafter as reasonably possible.

Low Priority -- means that the problem is causing minor difficulty or inconvenience. These are changes that may make in normal course of business.

2. If cannot meet the timeframes set forth above, it will immediately notify BCBSM of the expected completion date of the work.

3. BCBSM may view repeated failure to fix, upgrade or correct problems within the timeframes outlined above as a material breach and terminate this Agreement as permitted under section 5.2.a.

d. Changes to Systems. If BCBSM requests changes to programs or services and such changes require systems changes, will so notify BCBSM in advance of performing any such changes. will provide BCBSM with a written proposal containing the price for the required changes with supporting documentation including the number of hours, hourly rate, description of the scope of work, as well as a timetable for completion of the changes. If, after reviewing the proposal, BCBSM decides to proceed with the changes, it will notify in writing.

e. Access to On-Line/Real Time Inquiry Data Systems. At its expense, will provide BCBSM access to its on-line/real time inquiry data systems and provider database for purposes of customer servicing. At its expense, will provide appropriate training to BCBSM customer service personnel on the use of the on-line inquiry system. will conduct this training as needed up to four (4) times annually at BCBSM facilities or other mutually agreed upon sites.

f. Access On-Line/Real-Time to Claims Processing System. At its expense, will provide BCBSM on-line/real-time electronic access to claims processing system to enable BCBSM to retrieve up-to-the-minute processed claims data and all necessary DUR information, including the two byte DRA code determined for each Member's drug history from, at a minimum, the most recent twelve (12) months' processed claims data. Specifications for this access are found in Attachment D (Point of Contact Requirements).

h. Eligibility and Group Updates. According to the specifications agreed to by the parties, must update its systems with eligibility and Group updates provided by BCBSM within the timeframes in Attachment A, section H, 2, items 14 and 15.

2.8 **Reports.** As part of its normal administrative services, will provide the Standard Reports listed in Attachment E to this Agreement.

i

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2.10 Formulary Management. BCBSM agrees that _____ will be the exclusive Formulary administrator for BCBSM's prescription drug benefit programs during the term of the Agreement. _____ will designate a clinical pharmacist as sole point of contact for Formulary information and requests for analyses.

a. BCBSM and all Groups will participate in one of four Formulary Options: Open, Custom, Incentive, or Closed. Under each Formulary option, the parties agree that the ultimate authority for selecting and prescribing pharmaceutical products remains solely with prescribers who render services to Members. The four Formulary Options are as follows:

1. Open Formulary Option. The Formulary that will be used for this Option is _____ Preferred Prescriptions Formularysm.

a) _____ will, as appropriate, update the Open Formulary at least quarterly. _____ will modify the drugs included on this Formulary from time to time as a result of factors including, but not limited to, medical appropriateness, manufacturer rebate arrangements and patent expirations.

b) The Open Formulary and any proposed changes to it are subject to review and approval by BCBSM's P & T Committee. Any changes BCBSM proposes to the Formulary or any changes to how the Formulary is operated are subject to review and approval by _____

c) will implement formulary compliance programs and cost containment initiatives, which may include communications with Members, Network Pharmacies and/or physicians, and financial incentives to Network Pharmacies for their participation in such initiatives. reserves the right to modify or replace these formulary compliance methods and cost containment initiatives consistent with good pharmacy practice.

2. Custom Formulary Option. Under the Custom Formulary Option:

a) BCBSM may develop an individualized Formulary designed to deliver the most effective therapeutic products at the lowest net cost. BCBSM will have full control over Formulary choices and designation of preferred products. To qualify as a Custom Formulary:

- 1) The plan design must provide for a triple-tier copay with a \$15.00 or greater differential between preferred and non-preferred drugs, or it must provide for an NDC "lockout" for non-formulary or non-preferred drugs in key therapeutic classes;
- 2) The plan must be willing to administer additional utilization management programs, such as prior authorization or quantity limits;
- 3) The plan must fully commit to publish prescribing guidelines and to educate Members and physicians about preferred formulary products; and
- 4) If BCBSM enrolls a Group in the Custom Formulary, but employs exception procedures such as, but not limited to, grandfathering or prior authorization, which would effectively remove the high control required by this Formulary option, reserves the right to equitably modify the amount of Formulary Rebates and Incentive Rebates shared with BCBSM for this Group to reflect a loss of control.

b) For the Custom Formulary, will:

- 1) Serve as a consultant, providing advice and consultation on development and maintenance of the Custom Formulary, including:
 - (a) the maximum rebate recovery that can be achieved considering drug costs and other factors for each manufacturer contract that supports the Custom Formulary regardless of whether the contract is specific to BCBSM; and

(b) the impact of Custom Formulary decisions on market share, rebates, formulary alternatives and physician communications, so that BCBSM receives maximum value from its Custom Formulary;

2) For those contracts _____ holds with manufacturers for its book-of-business, fully disclose and provide a written summary of the following:

(a) the arithmetic basis on which the rebate is calculated, including but not limited to AWP, number of drug units, cost per day or per prescription;

(b) the market share tiers or breaks which would qualify BCBSM for additional rebates and the incremental rebate amount that could be obtained;

(c) net product cost to BCBSM inclusive of Formulary and Incentive Rebates;

(d) actions that the manufacturer is willing to take to help promote the product on behalf of BCBSM, including physician detailing, special mailings and access to disease state management program offerings developed and provided by the manufacturer;

(e) market share calculation methodology (e.g., a weighted average approach across product strengths or form);

(f) any bundling considerations; and

(g) any Formulary placement considerations.

_____ will promptly advise BCBSM when changes to its manufacturer contracts materially affect any of the above factors;

3) For contracts _____ enters into with manufacturers specifically for BCBSM, provide a copy of the contract and any modifications thereto;

4) Permit communication of net product cost to the physicians, subject to prior review by _____ of all such communications;

5) Provide therapeutic chapter analyses against existing manufacturer contracts within 10 business days from the date the

request is received by Medco. The analyses will include rebate opportunities based upon differential assumptions provided by BCBSM and disclose Formulary compliance rate assumptions used for determining the administrative fee;

6) Provide analyses of Custom Formulary alternatives under enhanced or new manufacturer contracts negotiated on behalf of BCBSM within a maximum of 30 business days from the date of the request is received by Medco;

7) Provide all cost information in a net cost/day or such other format mutually agreed to by BCBSM and Medco;

8) Complete its review of all Formulary communications developed by BCBSM within 10 business days from the date the request to review was received by Medco;

9) Administer AWP Neutrality for select drug pairs as agreed to by BCBSM, including but not limited to Zocor®/Lipitor®, Prilosec®/Prevacid®, Claritin®/Allegra®, and Procardia XL®/Adalat CC®:

(a) For AWP Neutrality, Medco will hold the discounted weighted average unit cost of each product equal. Each quarter Medco will recalculate the discounted weighted average unit cost of the formulary product at the discounted weighted average unit cost of the non-formulary product and will provide this recalculation to BCBSM in writing. Medco will reimburse BCBSM the difference, within 30 days of the close of each quarter. This guarantee is subject to Claritin®, Prilosec®, Zocor® and Procardia XL® remaining on the applicable Formulary for Members, and BCBSM not taking actions to discourage the use of such products (including without limitation counter-detailing or changing how such products appear on the Formulary). Notwithstanding the foregoing, the amount paid in respect to Zocor® shall be limited to an amount that does not result in Medco exceeding the HCFA best price for Zocor®. Medco will notify BCBSM of any such modification to this guarantee in such event.

(b) The specific requirements for handling each drug pair on the Formulary and the method of recalculation (with examples) and reporting requirements will be set forth in writing and signed by the parties.

3. Incentive Formulary Option. ; Incentive Formulary is Rx Selections, a more restrictive Formulary than the Preferred Prescriptions Formulary. The provisions in Section 2.10(a)(1) related to the Open Formulary also apply to the Incentive Formulary. In addition, the AWP Neutrality provision in Section 2.10(a)(2)(b)(9) related to the Custom Formulary also applies to the Incentive Formulary. Furthermore, to utilize the Incentive Formulary, the plan must have a triple-tier copay with a \$10.00 or greater differential between preferred and non-preferred drugs.

4. Closed Formulary Option. Rx Selections Formulary will be available as a Closed Formulary Option. Under this Option, non-formulary products are not reimbursed by the plan. The provisions in Section 2.10(a)(1) related to the Open Formulary also apply to the Closed Formulary. In addition, the AWP Neutrality provision in Section 2.10(a)(2)(b)(9) related to the Custom Formulary also applies to the Closed Formulary.

b. Printing and Distribution of All Formularies.

1. At its expense and according to BCBSM's specifications, will annually design and print Formularies for up to two Formulary options, inclusive of full Formulary listing, pocket guide for prescribers, and Member-specific Formulary guides. will supply BCBSM with sufficient copies of each version of the above materials to distribute at BCBSM's expense to pharmacists, physicians and Members in Michigan.

2. At its expense, will annually distribute each Formulary and all updates to highest volume Network Pharmacies outside of Michigan.

3. At its expense, will provide each Formulary and all updates to BCBSM in automated format(s) as specified by BCBSM and as agreed to by

4. During the term of this Agreement, will grant BCBSM a nonexclusive, nontransferable license to use and to distribute the Preferred Prescriptions and Rx Selections Formularies and all updates to Members and physicians as provided under this Agreement. will retain all ownership rights in these Formularies; however, BCBSM's name and logo will be printed on them. BCBSM is authorized to use these Formularies only for its own Members and only as long as this Agreement is in effect. BCBSM will not sell, transfer, or utilize these Formularies for any purpose other than as expressly provided under this Agreement without the prior written consent of

c. Rebate Management.

1. will enter into and maintain aggressive, competitive contracts with pharmaceutical manufacturers for Formulary Rebates. Furthermore, for the Custom Formulary, will exercise commercially reasonable efforts to secure aggressive, competitive agreements with manufacturers where a contract is not presently in place and the possibility of a contract exists, or where enhancements to an existing agreement or a separate agreement will improve rebate recoveries as a component of a lowest net cost strategy. will negotiate all such agreements based on BCBSM-specific utilization.

2. As specified by BCBSM, will invoice manufacturers separately for any group or combination of groups who utilize the Custom Formulary.

3. For all Formularies other than the Custom Formulary, based on monthly claims data, will pay via wire transfer Estimated Formulary Rebates no later than 90 days after the end of the quarter according to the NDM Transfer Deliverable Schedule as mutually agreed upon between BCBSM and No later than three business days prior to the wire transfer, will send BCBSM a NDM transmission identifying the Group-specific reconciliation of the Estimated Formulary Rebates and advising the date the transfer will occur.

4. Under all formulary options, will pay to BCBSM 100% of Formulary Rebates collected on drugs dispensed to Members. In addition, under the Custom Formulary option, will pay to BCBSM 100% of Incentive Rebates.

5. For the Custom Formulary, will pay all rebates, Formulary and Incentive, no later than 180 days after the close of the applicable quarter, both during the term of this Agreement and after the Agreement terminates, for so long as receives rebates for claims incurred prior to termination.

6. Rebate Reports. will provide Rebate Reports on Attachment E, that will include the information set forth below, on a quarterly basis in a medium agreed to by the parties. will provide separate reports for each Formulary option for mail order and retail claims and separate reports for groups who have a Statement of Work. Each report will be cumulative in nature, Group-specific, and will reflect the appropriate BCBSM Group Number and Formulary Option.

a) Open, Incentive and Closed Formularies

1) Summary Reports

(a) Number of claims processed by for Brand Formulary Rebate;

- (b) Number of claims processed by BCBSM for Brand Formulary Rebate;
- (c) Brand Formulary Rebate amount per total claims;
- (d) Brand Formulary Rebate amount per Brand Formulary claim;
- (d) Amount of dollars collected from each manufacturer;
- (e) Amount of total claims and dollars collected;
- (f) AWP Neutrality Performance for Incentive and Closed Formularies.

2) Rebate Distribution/Invoice Reports

- (a) Total Brand Formulary Rebate amount received from manufacturer;
- (b) Total Brand Formulary Rebate amount paid to BCBSM;
- (c) Group Number/Suffix/Plan Code of Brand Formulary Rebate claim;
- (d) Claim incurred date (MMDDYY);
- (e) Drug manufacturer name and number.

b) Custom Formulary

- 1) By drug by manufacturer by total number of claims, total ingredient cost and total rebates;
- 2) By group, if required;
- 3) By market share, inclusive of implications for future shifts in market share;
- 4) By total claims processed, invoiced and paid;
- 5) On an incurred and lagged (aging) basis;
- 6) By total amount received;
- 7) Corresponding Formulary compliance rates for the reported period;
- 8) AWP Neutrality Performance.

c) With respect to the Custom Formulary, for BCBSM-specific contracts, _____ will provide a quarterly reconciliation of all claims processed, on a Group-specific basis, broken down into the following components: drugs billed for Formulary Rebate; drugs not eligible for Formulary Rebate; Formulary Rebate dollars received; uncollected balance; and an explanation of reason for uncollected balance on rebatable scripts.

7. Provided BCBSM reasonably cooperates in _____ Formulary Management programs, _____ guarantees that regardless of volume of prescriptions dispensed, the average Formulary Rebate per Branded Formulary

Claim will be no less than the amounts identified in Attachment A. If federal government action has a direct and material effect on the industry-wide availability of rebates, the parties agree to modify the Formulary Savings Guarantee on an equitable basis.

8. Subject to receipt of a signed confidentiality agreement, a Big Five accounting firm designated by BCBSM may audit those portions of contracts with pharmaceutical manufacturers as reasonably necessary to determine compliance with its obligations to BCBSM in respect to Formulary Rebates under the Open, Incentive and Closed Formularies. For the Custom Formulary, BCBSM or its designee may audit contracts with pharmaceutical manufacturers or amendments to those contracts specific to BCBSM as reasonably necessary to determine compliance with respect to Formulary and Incentive Rebates. At BCBSM's request, will make said portions of pharmaceutical manufacturer contracts available for inspection at its offices during normal hours of operation. The parties agree that any discrepancies found during an audit will be corrected within 30 days. This provision survives termination or expiration of this Agreement for a period of six (6) months; if within this six (6) month period, BCBSM gives written notice to of its intent to conduct an audit, the survival period will be extended for an additional six (6) months following the completion of the audit. BCBSM will pay the accounting firm for the cost of its services.

d. Pharmacy and Therapeutics Committees.

1. At BCBSM's request, will serve in a consulting capacity on a panel of BCBSM customer representatives who provide BCBSM's P & T Committee with input on pharmacy benefit issues.

2. will provide a complete Pharmacy and Therapeutic Committee packet to BCBSM which includes the complete minutes of the P&T Committee meetings and all attachments including specific drug monographs within fifteen (15) business days of the P&T meeting.

3. A representative of the BCBSM medical staff or designee may attend and observe meetings of the P&T Committee.

e. General Formulary Management Requirements.

1. will provide all clinical algorithms and logic used in any of its Formulary management programs, including but not limited to Tele-counseling, Co-Brand Formulary or any other "switch" program, to BCBSM for review and approval. At BCBSM's request, will either modify or discontinue using algorithms that are clinically inconsistent, unsound or inconsistent with BCBSM's business interests. will not charge BCBSM to correct or

discontinue use of an algorithm. Any requests to change an existing algorithm will be at BCBSM's expense;

2. After the effective date of this Agreement and upon at least ninety (90) days written notice, [redacted] will allow BCBSM to exclude Group(s) from any of [redacted] Formulary management programs. If a Group is excluded, [redacted] reserves the right to modify the Formulary Rebate Guarantee applicable to that Group;
3. [redacted] will provide BCBSM with templates of all Formulary management materials;
4. Upon the request of BCBSM, [redacted] will provide opportunity analysis models for existing and proposed Formulary management programs at the client specific level, as well as the book of business affected by the program; and
5. [redacted] will not implement or modify any Formulary management program under this Agreement without the specific review and written approval of said program by BCBSM.

2.11 Miscellaneous

- a. [redacted] will provide BCBSM biweekly drug utilization on the Drug Claims Activity Response Record File, as specified in **Attachment C** and will transmit this data via Network Data Mover (NDM). BCBSM will pay for the installation and ongoing costs associated with the lease line. Based upon BCBSM specifications, [redacted] will adjust drug utilization data on the drug claims activity response record file to reflect claims adjustments, void transactions, and coordination of benefit transactions. [redacted] will transmit summary totals for each category of data transmitted on the file. In addition, [redacted] will have a quality assurance process in place to ensure the integrity of data transmitted to BCBSM. At BCBSM's request, [redacted] will correct and resend files that contain incomplete, incorrect or duplicate data within three (3) business days.
- b. [redacted] agrees that as part of the Clinical Program Allowance provided to BCBSM, it will make available a Senior Pharmacy Consultant dedicated to BCBSM, who will assist BCBSM in developing and implementing marketing, communication and educational programs.
- c. COB.
 1. Following the file layout and process outlined in **Attachment F**, [redacted] will perform retrospective coordination of benefits (COB) at BCBSM's request where BCBSM is primary. The administrative fees for this function are specified in Section 6.2.

2. _____ and BCBSM agree to the following approach to developing a COB process where BCBSM has identified another _____ customer as primary:

- a) BCBSM will delineate for mutual acceptance the objectives to be achieved;
- b) _____ will propose for mutual acceptance a work plan with milestones; and
- c) If _____ fails to meet the mutually agreed upon milestones, BCBSM will withhold from the total administrative fees payable to an amount equal to \$ _____ per claim until the milestone is achieved, at which time any withheld fees will be repaid to _____
- d. Upon request and at BCBSM's expense, _____ will provide network pharmacy directories for distribution to Members.
- e. At BCBSM's request, and with 30 days prior notice when possible, _____ will make appropriate staff available to attend continuing education sessions for brokers/agents/individual employers (up to a maximum of 12 per contract year) for purposes of education and promotion of the pharmacy program established under this Agreement and will assist in development of train-the-trainer programs.
- f. At the request of a Full Service Group, _____ will produce EOBs using its standard format. If requested by the Group to customize EOBs, _____ will submit a price for the requested customization for the Group's consideration. The Administrative Fee and billing for customization for EOBs is set forth in Article VI.
- g. _____ will specify for BCBSM the data elements and all other information it needs from BCBSM in order to perform its obligations under this Agreement.

ARTICLE III PROFESSIONAL STANDARDS

3.1 _____ warrants that, in performing services under this Agreement:

- a. it will employ the degree of skill and care that is required by current, good and sound professional procedures and practices in the field of pharmacy benefit management, and will conform to generally accepted professional standards prevailing at the time the work is performed;

- b. it will strictly comply with any descriptions and representations (including accuracy, timeliness, completeness, characteristics, specifications, standards, guarantees and requirements) that appear in its written proposals submitted in 1999 and this Agreement;
- c. its services will not violate any applicable law, rule, court or administrative order or regulation, and will have obtained all necessary licenses and permits required to comply with such laws and regulations; and
- d. its services will not violate or in any way infringe upon the rights of third parties, including property, contractual, employment, trade secrets, proprietary information, and nondisclosure rights, or any trademark, copyright, or patent rights.
- 3.2 If services fail to conform to the standards and requirements set forth above, will, without additional compensation, correct or revise errors or deficiencies in its performance. Failure to meet performance guarantees will subject to the financial penalties set forth in Attachment A.

ARTICLE IV RESPONSIBILITIES OF BCBSM

- 4.1 BCBSM will establish, maintain and monitor the Preferred Rx Network to which Members residing in or traveling in Michigan will have access. BCBSM will be responsible for selecting and enrolling pharmacies in this network, managing the network, responding to customer complaints regarding pharmacies, and for ensuring that the Preferred Rx Pharmacies understand their rights and responsibilities under their agreement with BCBSM.
- 4.2 BCBSM will provide information in sufficient detail to allow to perform its obligations under this Agreement. BCBSM is providing this information as a service to The information to be passed includes the following: (1) the effective date and expiration date for each Group; (2) eligibility information for Members according to a file layout agreed to by the parties; (4) the applicable copayment; and (5) ICD 9 data as may be necessary to perform the drug to disease edit in the format identified on Attachment B. BCBSM will pass all data files to via NDM.
- 4.3 BCBSM will process retail claims from Michigan pharmacies and mail order claims for Other Than Full Service Groups unless otherwise agreed to by the parties. BCBSM will reimburse for mail order claims in accordance with the pricing terms in Section 2.4.
- 4.4 Except for inquiries regarding mail order claims and billing issues, BCBSM will provide all Member and Group customer service, including responding to telephone and written inquiries, through its own customer and account service units.

- 4.5 BCBSM will handle Provider inquiries for all claims it processes.
- 4.6 BCBSM will distribute formularies and all updates to prescribers and other providers in Michigan.
- 4.7 BCBSM will update its MAC list to reflect changes in product availability, prices, and introduction of new generic products and will make these updates available to in a format agreed to by the parties sufficiently in advance of the update.
- 4.8 Via NDM, BCBSM will pass claims information to using a format and data elements specified by on a monthly basis so that can carry out its responsibilities under this Agreement.
- 4.9 BCBSM will furnish Members information describing the services to be provided under this Agreement. If this information names , BCBSM will permit to review the information in advance of distribution.
- 4.10 BCBSM will be responsible for generating and distributing Member ID cards. ID cards will contain information sufficient to allow pharmacists to recognize that the Member is associated with . At the request of a Group, will take the necessary steps to educate Network Pharmacies to recognize the Members' ID card as currently issued.
- 4.11 BCBSM will provide the opportunity to review and approve all marketing materials naming before distributing them to Groups.
- 4.12 BCBSM will timely reimburse for Covered Services and pay administrative fees as required under this Agreement.

ARTICLE V TERM AND TERMINATION OF AGREEMENT

5.1 The Term of this Amended and Restated Agreement will commence on January 1, 2000 and terminate on December 31, 2002 (Renewal Term), unless terminated as permitted under section 5.2 of this Article.

5.2 This Agreement may be terminated only as follows:

a. By BCBSM

1. if _____ materially defaults in the performance of its obligations, on thirty (30) days prior written notice to _____ specifying the nature of the default, unless _____ cures the default within such thirty (30) day period.

Notwithstanding the foregoing, a series of breaches, which individually do not constitute a material breach, but which collectively result in an overall dissatisfaction by BCBSM with services performed by _____, shall collectively constitute a material breach subject to this section; or

2. if, during the term of this Agreement, BCBSM loses two (2) or more existing Groups of over 100,000 lives each to an independent relationship with _____

b. By _____, if BCBSM materially defaults in the performance of its obligations, on thirty (30) days prior written notice to BCBSM (or fifteen (15) days in the case of a default by BCBSM in its payment obligation under section 6.1.b.), specifying the nature of the default, unless BCBSM cures the default within the applicable cure period;

c. Except for a default by BCBSM in its payment obligations under section 6.1.b., if any material default described in a. or b. cannot reasonably be cured within the thirty (30) day period, the non-breaching party may not terminate this Agreement so long as the breaching party has commenced a cure within the thirty (30) day period and diligently pursues corrective action until the default is cured.

d. By either party, immediately, if the other party makes an assignment for the benefit of creditors, files a petition in bankruptcy, is adjudicated insolvent or bankrupt, a receiver or trustee is appointed with respect to a substantial part of its property or a proceeding is commenced against it that will substantially impair its ability to perform;

e. If any court, Department of Insurance, or other regulatory agency issues to BCBSM an order or finding of insolvency or an order to cease and desist from writing business, BCBSM will give immediate notice to _____; upon receipt of that notice, _____ will have the option to terminate immediately.

5.3 Material breach. A material breach of this Agreement includes but is not limited to: (i) termination of this Agreement by either party for any reason not permitted in 5.2, including termination of this Agreement by _____ as a result of financial losses or the inability to satisfy the financial guarantees contained in Attachment A, or (ii) material failure of either party to comply with the provisions of Article X of this Agreement. The parties acknowledge and agree that a material breach described in (i) and (ii) will cause the aggrieved party great economic damage as well as other associated damages, including loss of reputation and credibility with customers and others. The parties agree that the precise

amount of damages for these non-economic losses would be difficult or impossible to ascertain. Therefore, the parties agree that (i) in the case of a material breach based on a wrongful termination of this Agreement or (ii) termination based on the other party's material failure to comply with Article X of this Agreement, the breaching party will pay the other party liquidated damages in the amount of Five Million Dollars (\$5,000,000) to compensate the aggrieved party for non-economic losses. The parties agree that this liquidated sum is reasonable and is not a penalty. Payment of liquidated damages under this provision will not prejudice the aggrieved party's right to pursue other available remedies, including recovery of actual contract damages arising out of the material breach.

5.4 When this Agreement terminates:

- a. will notify its Network Pharmacies that Members are no longer entitled to receive services under this Agreement as of the termination date;
- b. The liability of the parties for obligations incurred prior to the termination date will survive termination. This will include the processing by the applicable Party and payment by BCBSM of claims incurred prior to termination and payment of any and all rebates paid by manufacturers based on claims incurred prior to termination; and
- c. BCBSM may, at its election, extend this Agreement for a maximum of six (6) months as necessary for the orderly transfer of administration.
- d. In connection with the transition, upon termination, will cooperate by forwarding to the entity or entities designated by BCBSM:
 - 1) A minimum of twelve (12) months utilization history;
 - 2) Documentation of benefit design and claims processing rules;
 - 3) Unprocessed provider and Member submitted hard copy claims;
 - 4) Unfilled mail order prescription and open refill files;
 - 5) Open prior authorizations and support documentation;
 - 6) Any other information the parties mutually agree is necessary to the transition.

5.5 Each Statement of Work will be subject to the term and termination provisions of this Article unless otherwise provided in the Statement of Work.

**ARTICLE VI
REMUNERATION AND PAYMENT**

- a) Retail card program (Member presents card and pays coinsurance. processes and pays claims to pharmacies or Member submits hard copy and pays Member) - \$.18
- b) Retail card program (Member presents card and pays coinsurance. BCBSM processes and pays claims) - \$.10
- c) Under the Custom Formulary option, BCBSM will pay an administrative fee for rebate management for retail and mail order claims. This fee will be a percentage of total rebate recoveries based on Formulary compliance rates achieved according to the following schedule:

Formulary Compliance Rate	Administrative Fee
<80%	35% + \$0.50 per Formulary claim
80 - 89%	30%
>89%	25%

3. Michigan Provider Submit hard copy - process and pay - \$1.25 (all Formulary options)

4. Other Administrative Fees:

- a) Affinity Rx Program - process - \$.18
- b) Affinity Rx Program - BCBSM process - \$.06
- c) Worker's Compensation - process - \$.88
- d) EOB per processed claim - \$.05 per page plus current postage. Development and set-up costs for customization of EOBs will be billed as accepted by the Group.
- e) High Utilization Management, Level 2 - \$.02 per claim for Members enrolled in Level 2
- f) Managed Prior Authorization - Level I - \$15.00, Level II and Managed Rx coverage - \$30.00
- g) COB as described in Attachment F - \$.33 per COB paid claim and \$.15 per rejected or erred COB claim received tape or paper.

h) is not currently charging for disease state management programs. Upon ninety (90) days prior written notice to BCBSM, may begin billing the following fees per Enrolled Member Per Administrative Cycle (PEMPAC) for these programs. An Enrolled Member is a Member who has been identified as eligible for the program, who has received program solicitation materials, and who has agreed to participate:

• Asthma	\$ 1.84 PEMPAC*
• Depression	\$ 1.38 PEMPAC**
• Diabetes	\$ 2.77 PEMPAC
• Digestive Health	\$ 3.09 PEMPAC
• Hypertension/Cholesterol	\$ 7.38 PEMPAC
• Hepatitis C	No Charge
• Multiple Sclerosis	No Charge

* Fees waived for the first contract year if years 2 & 3 are purchased

** Fees waived for the first year assuming all three modules are chosen

i) Additional Profiles - more that 6,000 physician profiles as described in Section 2.9.a. per year will be provided for \$7 per profile. Charges for further customization of profiles or for production outside of the scheduled quarterly runs will be provided at a one-time cost to BCBSM of \$10,000 per request.

5. More than 10 users of on-line reporting tool (EXPER_xT) - \$250.00 per month per user.

6. Changes to Systems under section 2.7d will be at cost to BCBSM.

7. Additional notes:

a) Administrative fees do not cover production of ID cards.

b) will absorb the per claim cost of the EDS conversion to GM's "purge pend" format for the GM hourly group.

b. In addition to the services set forth in this Agreement, the administrative fees set forth above, shall include the following base administrative services:

- Dependent Eligibility Certification System
- Standard escheat processing

- client support system for on-line access to current eligibility and claims. (BCBSM assumes cost of equipment, installation and line charges)
- Coordination of Benefits (when flagged on eligibility records) COB Level I
- Dedicated Michigan-based account management team

c. will invoice BCBSM for the above administrative fees every four (4) weeks with the exception of Rebate Management fees for the Custom Formulary option which will deduct from quarterly payments. BCBSM will pay invoices within fifteen (15) days.

6.3 Any additional charges for services other than those specified above or in a Group's Statement of Work will be remitted by BCBSM within ten (10) days after receipt of a billing from

6.4 If fails to pay Estimated Formulary Rebates to BCBSM by the applicable due date or fails to pay an amount resulting from an adjustment by the applicable due date as specified in Section 2.6.f., BCBSM will apply short term interest rates for each day that payments are late. The interest rate will be the Prime Interest Rate as published in the Wall Street Journal on the date the wire transfer is received by BCBSM.

ARTICLE VII SERVICE MARKS

7.1 It is understood by the parties that the Blue Cross and Blue Shield Trademarks (the Blue Cross and Blue Shield names and symbols) are owned by the Blue Cross and Blue Shield Association and licensed by the Association to local Blue Cross and/or Blue Shield Plans and their affiliates for their respective licensed geographical areas. Accordingly, will not obtain under this Agreement any rights to these Marks and will not conduct any activity or make any statement, written or oral, that may constitute an infringement upon the use of these marks by the Blue Cross and Blue Shield Association or any licensed Blue Cross and/or Blue Shield Plan. will indemnify and hold harmless BCBSA and any licensed Plan against any action, claim or loss arising from any infringement by including all costs and reasonable attorneys' fees.

7.2 It is also understood by the parties that any trademarks owned by either party are its exclusive property and may only be used as permitted by or licensed by it. Accordingly, neither party will obtain any rights to the other's marks and will not conduct any activity or make any statement, written or oral, which in any manner may constitute an infringement upon the other party's use of its marks. Each party will hold harmless and indemnify the other against any action, claim or loss arising from any infringement of its marks, including all costs and reasonable attorneys' fees.

7.3 This Article survives termination or expiration of this Agreement.

ARTICLE VIII OWNERSHIP AND USE OF PROPRIETARY AND CONFIDENTIAL INFORMATION

8.1 Confidential Information. All information, written or oral, of either party acquired by the other party in the course of this Agreement and all advice, written or oral, provided to a party will remain confidential information of the disclosing party and may be disclosed only by the disclosing party or with its written consent. All files or other documents, including but not limited to, photocopies, microfiche, microfilm and electronic data, supplied to a party will remain the disclosing party's property and will be promptly returned to the disclosing party at the conclusion of this Agreement. At the conclusion of this Agreement each party will, at the disclosing party's request deliver its written statement that a diligent search and inquiry has been made for any documents of the disclosing party delivered during this engagement and that all of the disclosing party's documents are returned. Neither party has the right to keep or use any disclosing party documents or information after this Agreement is terminated, except to the extent required to document compliance with the terms of this Agreement. Each party agrees to require all of its employees and contractors who have access to the disclosing party's confidential information to be bound by this confidentiality provision. This section will also apply to confidential information belonging to an existing or prospective Group shared by BCBSM with _____ for the purpose of having the Group's pharmacy benefit administered under this Agreement.

8.2 Proprietary Information. Each party has proprietary rights to various systems and databases, and data contained in those systems and databases, pertaining to its business matters. BCBSM's proprietary rights include ownership rights in all claims, Member, provider, and customer data in all forms, including but not limited to raw data as well as statistical compilations, both electronic and hard copy; trade secrets; patents; copyrights; trademarks; algorithms; tables; documentation; processes; and techniques currently existing or subsequently upgraded or modified. Each party may use the other party's proprietary information during the course of this Agreement only as permitted under this Agreement. Neither party may keep or use proprietary information of the other party after this Agreement terminates or expires, except as permitted by the other party in writing. This section will also apply to proprietary information, including paid claims data, belonging to a Group shared with BCBSM for the purpose of having the Group's pharmacy benefit administered under this Agreement. Notwithstanding the foregoing, _____ may use non-BCBSM or non-patient identifiable data or information for internal statistical compilation purposes. _____ may not use, sell, or disclose this information to any third party without BCBSM's written consent. Annually, _____ will warrant in writing its compliance with this provision. If BCBSM consents, the parties will determine the value of BCBSM's information and the amount, if any, to be distributed to BCBSM.

8.3 Each party will retain full ownership rights over all original compilations, analyses, reports and other written materials required to be developed (whether alone or jointly with others) by such party under this Agreement. All original works required to be produced under this Agreement will be and will remain the property of the party that developed such materials, whether or not registered under the US copyright laws; provided, however, that all jointly developed original works required to be created under this Agreement will be jointly owned unless the parties otherwise mutually agree. Notwithstanding the foregoing, if _____ creates, develops or participates in the creation or development of:

- a. Any enhancements or developments to BCBSM's existing proprietary systems, including Drug Risk Analysis Message System (DRAMS) and Dial-in Eligibility Network Information System (DENIS); and
- b. Any original programs, materials, or other works that are not specifically required by this Agreement but are specially commissioned by BCBSM at its expense,

then those works will be "works made for hire" under the US Copyright Laws and will be the sole and exclusive property of BCBSM. This Agreement will operate as an irrevocable assignment by _____ and all of its employees and agents to BCBSM of all rights related to the copyrights in these works. _____ agrees to sign all necessary or appropriate documents to register the copyrights in the name of BCBSM.

8.4 Subject to the other terms of this Agreement, BCBSM will have the right to access and use and share with BCBSM Groups all _____ data and information relating to this Agreement as reasonably necessary to administer this Agreement.

8.5 The parties acknowledge that certain Member-specific information, reports, and data generated under this Agreement are subject to applicable confidentiality laws, and the parties agree to comply in all material respects with these laws.

8.6 The obligations of Article VIII survive termination or expiration of this Agreement.

ARTICLE IX RECORD KEEPING, AUDIT AND RECOVERY

9.1 _____ will maintain for seven (7) years after each record is created, in original form, fiche, or on electronic media, records documenting all of its obligations under this Agreement. Subject to the provisions of this Article IX and Section 2.10(c)(8) of Article II, _____ will allow BCBSM to audit, review and duplicate these records and any other records in its possession which relate to _____ obligations under this Agreement. _____ will allow review and duplication of records upon reasonable notice during regular business

hours. Audits will be subject to all applicable state and federal confidentiality laws and regulations.

9.3 BCBSM will make quarterly adjustments to recover amounts not paid according to the terms of this Agreement. There shall be an annual settlement of such quarterly adjustments based on the experience for each full Contract Year. BCBSM may offset any such amounts owed by against any amounts BCBSM owes under Article VI. BCBSM's right to recover such amounts will extend for three (3) years from the date of payment of the claim and will survive the termination of this Agreement.

9.4 At its expense will arrange for an independent audit of the controls over pharmacy transactions it processes to ensure that transactions are processed according to the terms of this Agreement. This audit will be conducted pursuant to SAS 70 guidelines and will be conducted every two (2) years. will share the results of this audit with BCBSM and will, at its expense, promptly take corrective actions recommended by the auditors, including a follow-up audit. If a Group asks to see the results of the SAS 70 audit, BCBSM will work with to provide an appropriate response. If fails to provide the audit report when required, the late report penalty in Attachment A will apply.

limited number of Groups that, as of the Effective Date, utilize a mail service pharmacy other than . BCBSM shall use its best efforts to implement PAID and Rx SERVICES as the exclusive providers of prescription drug benefits to such Groups. To increase mail order volume, BCBSM will work with to implement Plan Designs that will allow cost-effective use of Mail Order Services.

b. BCBSM will have sole responsibility for marketing and will use its best efforts to implement as the pharmacy benefit manager upon the effective date of this Agreement or as soon thereafter as reasonably possible, for 1) existing BCBSM Local Groups that have BCBSM med/surg coverage and maintain a prescription drug benefit; 2) existing and prospective BCBSM Groups for which BCBSM serves or may serve as Control Plan and for which BCBSM provides or may provide med/surg coverage and prescription drug coverage; and 3) prospective Local Groups that do not have BCBSM med/surg coverage but who request med/surg coverage, as well as the prescription drug management services offered by the parties pursuant to this Agreement.

c. For purposes of this Article, "bid" means a proposal or price for rendering prescription drug benefit services presented to a Group identified in 10.1 b. above, whether or not made in response to a formal RFP or solicitation.

10.2 Section 10.1 will not prevent BCBSM from using NASCO as claims processor (in conjunction with other prescription drug benefit services provided by) when requested by a Group.

10.3 In recognition of the teaming arrangement established by this Article, the parties agree that all contacts with existing and prospective Groups identified in Section 10.1 b. will be coordinated by BCBSM with the mutual understanding that the parties will jointly convey to the Groups all of the programs and services offered by them as a team under this Agreement. However, the parties recognize that from time to time a Group (including General Motors for the segment of its business serviced by the parties under this Agreement, otherwise known as "BCBSM Segment") may directly approach one party or the other to obtain a separate bid or to otherwise discuss establishing an independent relationship with that party relative to one or more of the services that are intended to be jointly offered by the parties under this Agreement. In that case, the party who is approached by the Group will immediately notify the other party that the Group has contacted it. The party will then advise the Group that the parties have a teaming arrangement that requires them to communicate the fact of all such Group requests to each other and to jointly present to Groups their programs and services under this Agreement. The party will also describe to the Group the value of the teaming arrangement and request the Group to allow the parties to present a joint proposal and/or presentation on the issues the Group wishes addressed. If the Group declines the invitation for a joint proposal and/or presentation, and instead insists on receiving a separate bid or having independent discussions with a party, then before such bid or discussions may occur, the party will notify the other party that it believes it has fulfilled the requirements of this paragraph and intends to proceed with a separate bid or

discussions. The party not bidding or having such discussions may nevertheless have contacts with a Group that are otherwise permissible under this Article X. Furthermore, following the Group's decision, the parties will discuss the circumstances surrounding the decision and devise ways to strengthen their teaming arrangement.

10.4 Section 10.1 will not apply if a Group 1) expressly excludes a party from bidding on its business; 2) after being notified of the relationship between the parties, requests separate bids from any of the parties; 3) specifies that it no longer desires to have its prescription program administered by the parties pursuant to this Agreement; or 4) is an existing account that includes retail prescription drug services. In these cases, the parties may separately market their services to the Group provided, however, that the requirements of 10.3 have been followed. Furthermore, in respect to (2) and (4) above, the Parties agree that, based on the substantial volume of BCBSM's business, and the resulting increased efficiencies and financial benefits accruing to the partnership therefrom, the aggregate pricing offers BCBSM under this Agreement (aggregate pricing includes but is not limited to administrative fees, rebate guarantees, timing of payments, and network and mail order discounts) will be no less favorable than the aggregate pricing offers to a Group for comparable volume, services and Plan Design in an independent bid permitted under this Article.

10.5 Notwithstanding anything to the contrary in this Article X, in respect to General Motors Corporation ("GM"), BCBSM and agree that because a joint BCBSM bid to GM will result in cost-savings enabling to offer a more favorable price than it would offer for an independent bid to GM, then will make this more favorable pricing available for the joint bid. The parties further agree that:

a. If GM continues to segregate the segments of GM business currently serviced (as of the effective date of this Agreement) by BCBSM (the "BCBSM Segment") and (the Segment"), and provided that BCBSM makes full prescription drug benefit services available to the BCBSM Segment and Segment, agrees:

- will (i) not submit an independent bid to provide services to the BCBSM Segment, unless requested by GM and (ii) if GM requests an independent bid by for the BCBSM segment, the aggregate pricing terms offered to BCBSM for the BCBSM Segment will be more favorable than the aggregate pricing terms offered by in such independent bid for the BCBSM Segment, for comparable services and Plan Design.
- The aggregate pricing terms provided to BCBSM for its bid for the Segment will be more favorable than the aggregate pricing terms provided by in its independent bid for the Segment for comparable services and Plan Design.

b. If GM elects to consolidate the BCBSM Segment and Segment under one prescription drug benefit program, and provided that BCBSM makes full prescription drug benefit services available to GM, agrees:

- The aggregate pricing terms provided by to BCBSM for the consolidated business will be more favorable than the aggregate pricing terms provided by in its independent bid submitted for the consolidated business, for comparable services.

c. The Parties recognize that each Party has a unique financial and business relationship with GM, and that the Segment and BCBSM Segment each have unique Plan Design features and other requirements. Nonetheless, BCBSM and agree that the provision of prescription drug services by to GM through BCBSM (either on a consolidated or segment basis) will be provided on an equal partnership basis. The Parties intend to operate as a team in servicing GM. All contacts by with GM will be coordinated by BCBSM with the mutual intent of (a) communicating to BCBSM and GM all of programs and services that may be in GM's best interests and (b) maintaining equal access to GM in respect to the prescription drug benefit program. Nothing set forth in this Article X shall restrict in any way in its access to GM for any period during which independently services the Segment, provided, however, that in recognition of certain common administrative and clinical features shared by the BCBSM Segment and the Segment and the desire to achieve consistency in handling these common features, the Parties agree to notify each other in advance of any proposed changes to such common features.

10.6 Under Section 10.5.b., where is required to provide BCBSM aggregate pricing terms which are more favorable than the aggregate pricing terms offered by in an independent bid, for comparable volume, services, and plan design, such pricing will reflect the cost savings resulting from the joint bid. Whenever this Article X requires to provide BCBSM aggregate pricing terms which are either more or no less favorable than the aggregate pricing terms offered by in an independent bid, for comparable services and Plan Design, shall, upon request of BCBSM, warrant such, in writing, to BCBSM.

10.7 The provisions of this Article will not prohibit from providing services similar to those provided by them under this Agreement to other Blue Cross Blue Shield Plans, carriers, HMO's, third party administrators, or other similar entities (whether or not these entities are competitors of BCBSM). Further, the provisions of this Article X do not apply to, federal government Groups, or Groups located in Michigan which are a division or affiliate of a Group headquartered outside of Michigan for whom BCBSM is not Control Plan. BCBSM reserves no rights with respect to other business, except the right to prior disclosure by of any activity that may be reasonably construed as in conflict with BCBSM's rights as set forth herein. This provision does not require disclosure if the

financial interest in a competing organization consists of ownership of publicly traded securities.

10.8 During the term of this Amended and Restated Agreement and for one year after, [redacted] agrees that no [redacted] personnel working on BCBSM business will perform services for, or have any financial interest in any person or organization that competes with BCBSM without BCBSM's prior written consent. This provision does not require disclosure if the financial interest in a competing organization consists of ownership of publicly traded securities.

ARTICLE XI LIABILITY; INDEMNIFICATION; INSURANCE

11.1 Except as provided in this Agreement, nothing in this Agreement will be construed or be deemed to create any rights or remedies in any third party, including, but not limited to, a Member.

11.2 [redacted] will defend, indemnify and hold harmless BCBSM, its Groups, and Members, against all demands, claims, causes of action, losses, costs, and expenses, including legal fees and expenses, that arise out of or result from, or are alleged to arise or result from the acts or omissions of [redacted], its directors, officers, agents, or Network Pharmacies, including any claims by pharmaceutical manufacturers arising out of or related to [redacted] contracts with such manufacturers for rebates, incentives or other discounts.

11.3 BCBSM will defend, indemnify and hold harmless [redacted], its affiliated companies, and their directors, officers and employees, against all demands claims, causes of action, losses, costs, and expenses, including legal fees and expenses, that arise out of or result from or are alleged to arise out of or result from the acts or omissions of BCBSM, its directors, officers, employees or agents.

11.4 Within thirty (30) days of signing this Agreement, or as soon thereafter as reasonably possible, [redacted] will provide BCBSM with Certificates of Insurance for the following: a minimum of \$5,000,000 pharmaceutical professional liability (claims made) coverage; a minimum of \$5,000,000 errors and omission (claims made) coverage; and a minimum of \$2,000,000 comprehensive general liability coverage. All insurance will be held with carriers having at least an "A" rating and, with respect to comprehensive general liability coverage, include BCBSM as an additional named insured. If [redacted] fails to provide this coverage in a continuous manner, BCBSM will charge back to [redacted] any expense incurred by BCBSM, or a reasonable estimate of this expense, in purchasing like protection, plus the value of any claims that would not have been paid by BCBSM had [redacted] obtained the proper insurance coverage.

11.5 Except as otherwise provided in section 2.10.c.5 of this Agreement, neither party will be liable, in any manner, for failure to meet its obligations pursuant to this Agreement if the failure is directly or indirectly caused by matters beyond the reasonable control of such party, including, without limitation any delay or failure due to strikes or labor disputes; earthquakes, storms, floods or other extreme weather or acts of God; riots, fires, explosions, embargoes, war or other outbreak of hostilities; delay of carriers, suppliers or telecommunication providers; government acts or regulations; or a final decree, judgment or order of a court.

ARTICLE XII INDEPENDENT CONTRACTOR STATUS

12.1 _____ is an independent contractor and, as such, will assume responsibility for its own employees and will make all reports and deductions for social security and withholding taxes and for contributions for unemployment compensation funds, as required by applicable law. No payroll or employment taxes of any kind will be withheld or paid by BCBSM with respect to payments to _____. The payroll or employment taxes that are the subject of this paragraph include, but are not limited to, FICA, FUTA, federal personal income tax, state personal income tax, local personal income tax, state disability insurance tax and state unemployment insurance tax. _____ is responsible for calculation and payment of all applicable taxes.

12.2 _____, or its employees, are not eligible for, and will not participate in, any BCBSM employee pension, health or other fringe benefit plan.

12.3 No worker's compensation insurance has been or will be obtained by BCBSM on account of _____. _____, as an independent contractor, will comply with the worker's compensation laws as they affect its employees.

ARTICLE XIII DISPUTES/ARBITRATION

Any and all claims, controversies and disputes between the parties that arise out of or relate to this Agreement during its Initial or Renewal Term or the breach, termination, or invalidity thereof shall be exclusively and finally settled by arbitration in accordance with the Rules of the American Arbitration Association. The arbitration proceedings shall be held in Detroit, Michigan or any other place mutually acceptable to the parties in writing. The arbitration award shall be final and binding on all parties, and judgment upon the award may be entered in any court having jurisdiction thereof in any country, or application may be made to such court for a judicial recognition of the award and an order of enforcement thereof, as the law of such jurisdiction will allow. The parties agree that the results of such arbitration shall be confidential unless disclosure is ordered by the arbitrator or otherwise required by law or court order.

**ARTICLE XIV
MISCELLANEOUS**

- 14.1 **Applicable Law.** This Agreement is entered into in the State of Michigan and will be construed pursuant to the laws of Michigan.
- 14.2 **Assignment; Subcontracting.** This Agreement may not be assigned, transferred, conveyed or subcontracted by _____ without BCBSM's prior written consent.
- 14.3 **Amendment.** This Agreement may be amended only by a written document signed by both parties.
- 14.4 **Waiver.** The failure of either party at any time to require performance by the other party will not affect in any way the full right to require such performance at any future time. Failure to enforce any provision of this Agreement by either party will not be construed as a waiver of the provision itself or of any breach of any other provision. Payment by BCBSM of any sum will not constitute a waiver. No waiver of any provision of this Agreement will be valid unless in writing and signed by the parties.
- 14.5 **Captions and Headings.** Captions and headings appear throughout the Agreement. They are inserted for convenience and are not to be considered if any provisions of this Agreement need to be construed.
- 14.6 **Changes in Corporate Status.** Subject to applicable law, _____ will provide BCBSM advance written notice of any changes or projected changes in its corporate status, including changes in existing shareholders, mergers, consolidations, and sale of all or substantially all of its assets. _____ will provide at least five months' notice of such changes.
- 14.7 **Successors and Assigns.** This Agreement will be binding upon the successors and assigns of the parties.
- 14.8 **Notices.** Except as otherwise provided in this Agreement, all notices and other communications between the parties regarding implementation of this Agreement and any Statement of Work will be in writing and will be directed to the persons named below. All written notices will be deemed to have been received if delivered personally, sent via facsimile transmission or mailed first class, postage prepaid, registered or certified mail, and will be effective upon receipt.

If to

General Counsel

If to BCBSM:

Jo Anne Huntley
Director, Pharmacy Services Administration
Blue Cross and Blue Shield of Michigan
27000 W. Eleven Mile Road, Mail Code B775
Southfield, Michigan 48034

14.9 Nonsolicitation of Employees. The parties agree not to solicit the services of or employ (without prior written consent of the other) any employee of the other party who participates in work under this Agreement while this Agreement continues and for a period of six (6) months after the Agreement terminates.

14.10 Advertising. will not advertise or publish the fact that it has furnished, or contracted to furnish BCBSM services under this Agreement without the prior written consent of BCBSM's Senior Vice President of Corporate Communications, which must be obtained through the Director of Pharmacy Services Administration.

14.11 Contact With Groups. The Parties will agree on how contacts with Groups will be handled. In general, however, will not initiate communication with any BCBSM Group without the prior written consent of BCBSM's Director of Pharmacy Services Administration. Once consent is given, BCBSM will be afforded the opportunity to participate in all contacts between and a BCBSM Group.

14.12 Responding To Inquiries From Other BCBSM Areas. All contacts with BCBSM regarding contract administration will be made through the Director of Pharmacy Services Administration. will not respond directly to inquiries from other BCBSM areas regarding this contract. will refer all such inquiries to the Director of Pharmacy Services Administration.

14.13 Fraud and Abuse. and BCBSM will mutually agree on actions to be taken to prevent and detect fraud and abuse.

14.14 Severability. Whenever possible, each provision of this Agreement will be interpreted as effective and valid under applicable law; the invalidity or unenforceability of any term or provision will not affect the validity or enforceability of any other term or provision.

14.15 **Enhancements.** Any new programs or enhancements to existing programs adds to the products and services required to be provided to BCBSM pursuant to this Agreement will be made available to BCBSM at no additional charge, except for programs or program enhancements that markets to its customer base for which there is an additional charge.

14.16 **Preferred Customer Status.** will treat BCBSM as a preferred customer and will give special priority to any BCBSM requests for enhancements or product changes.

14.17 **Non-Discrimination.** will not discriminate against any employee or applicant for employment in its performance of the contract, with respect to tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment because of his or her race, sex, color, creed, national origin or ancestry.

14.18 **Consent/Approvals.** Wherever the consent or approval of a party is required by the terms of this Agreement, such consent or approval shall not be unreasonably withheld.

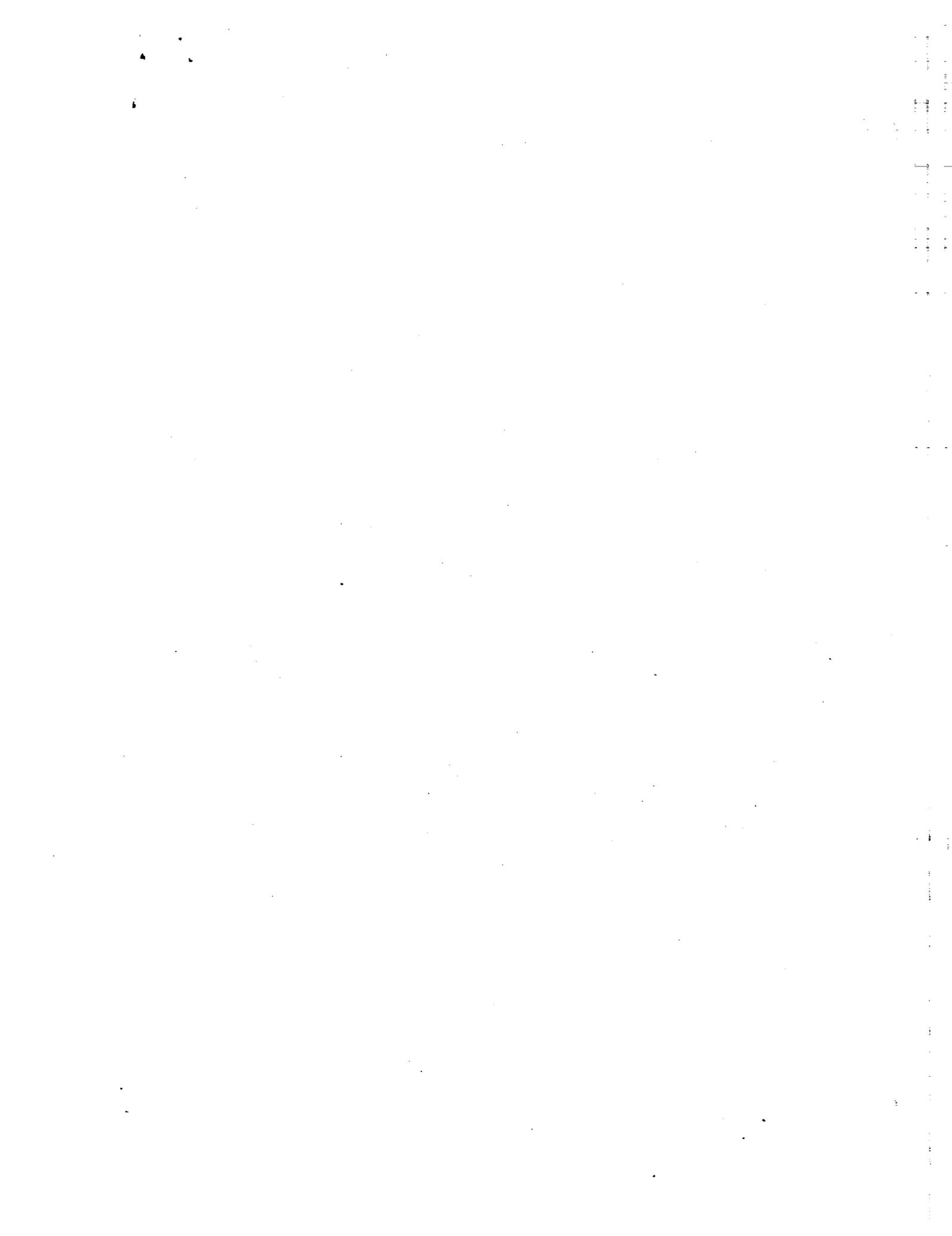
14.19 **Plan Design.** The pricing terms, performance standards and related penalties and guarantees set forth in this Agreement are based on the Plan Design set forth herein or otherwise agreed to in writing by the parties. Any material modification of the Plan Design is subject to reasonable approval. Any such Plan Design modification may result in a modification of the pricing terms, performance standards/penalties, and/or guarantees.

14.20 **Sales Tax.** BCBSM shall be responsible for reimbursing for all sales, use or other taxes imposed by any jurisdiction on Covered Services provided pursuant to this Agreement unless the applicable Plan Design requires the Member to pay any such tax.

14.21 **Group-Specific Pricing and Performance Guarantees.** At BCBSM's request, will develop Group-specific pricing and performance guarantees that may fall outside the parameters of this Agreement governing pricing and performance guarantees.

14.22 **Entire Agreement.** This contract and the written proposals submitted by in 1999 constitute the entire agreement between the parties and supersede any prior agreements, negotiations, or discussions. To the extent differences exist between this Agreement, its attachments, and the proposal documents, the terms of this Agreement will control.

14.23 **Blue Care Network.** The parties acknowledge that Blue Care Network (BCN) and are entering into a separate independent agreement covering work to be done by for BCN. agrees that the products and services, as well as pricing terms and guarantees, offered to BCBSM will be no less favorable than those offered to BCN under its independent agreement with . Any termination of the BCN agreement prior to December 31, 2002 will have no effect on this Agreement between BCBSM and



1. Mail order pharmacy services

• Mail Service Pricing –

Brand Drugs: (AWP –) + \$ dispensing fee per prescription

Generic Drugs: (AWP –) + \$ dispensing fee per prescription (applies to both MAC and non-MAC generic drugs) with the following exceptions:

• Mail Service Incentives (RFP I, p. 214):

- For all plans with a mandatory mail service benefit design, the mail service brand discount will be AWP - %
- For plans without a mandatory mail service benefit design, the mail service brand discount will be improved by 1 percentage point for each 1 percentage point incremental increase in baseline mail service penetration capped at AWP - 6%. Mail service penetration is defined as mail service drug spend as a percentage of total drug spend (mail service + retail pharmacy). Mail service penetration will be reviewed every 6 months and improvements to the reimbursement rate will be applied on the first day of the second month following the reviewed period. The baseline penetration rate will be the mail service penetration rate during 4th Quarter 2002. Once this incentive is earned, BCBSM must maintain the mail service penetration rate in subsequent measurement periods (6 month periods) in order for the incentive to remain in effect.
- Mail Service Internet Usage Incentive – for each 10 percentage point increase in BCBSM members use of the Internet to order mail service refills over the baseline rate will result in a \$1.00 per prescription reduction in the mail service dispensing fee. Mail Service Internet Usage will be measured quarterly and improvements to the mail service dispensing fee will be effective the first day of the second month following the reviewed period. The baseline Internet Usage Rate will be the Internet Usage Rate during 4th Quarter 2002. Once this incentive is earned, BCBSM must maintain the Internet Usage Rate in subsequent quarters in order for the incentive to remain in effect.

It will be reimbursed at AWP - 5% in those cases where a Brand Drug is dispensed and the drug is on BCBSM's MAC List unless the physician prevents substitution (DAW1).

BCBSM may collect the difference between the BCBSM Allowed Amount for the Brand Drug and the MAC amount from the member if the member prevents substitution (DAW2), or, under a mandatory MAC program, for both DAW1 and DAW2 claims. If our MAC list contains drugs that state law requires the brand name drug to be dispensed in the states where the mail service pharmacy is located, we will allow a DAW=7 code to override the AWP - 5% pricing provided the pharmacy supplies BCBSM with adequate documentation describing the requirement. Likewise, for all multi-source brand drugs dispensed with a DAW=8 (i.e. generic drug not available in the marketplace), BCBSM will reimburse 100% for the brand name product provided that BCBSM can verify that a shortage of the Generic Drug exists. In all other situations when a Brand Drug on our MAC list is dispensed, it will be reimbursed at AWP - 5% for the Brand Drug.

BCBSM will absorb any future postage increases for mail service claims where you perform formulary and formulary rebate contracting functions. For business where BCBSM and/or another vendor manages formulary rebate contracting, future postage increases will apply up to a (cumulative) maximum amount of \$1.00 per mail service claim over the contract term. BCBSM will be responsible for any postage fee increases that exceed \$1.00 per mail service claim.

BCBSM will be responsible for negotiating and paying POS (claim transaction) fees imposed by the claims processor used by BCBSM and BCN. BCBSM will assist you in negotiating these fees with the claims processor. BCBSM may require the claims processor to permit/facilitate a direct line interface to you for processing mail service transactions online, real time. All charges associated with installing and maintaining the direct line to the claims processor will be the responsibility of you. You will have 90 days to install a direct line with

BCBSM/BCN's claims processor once that claims processor has been identified to
After the 90 period BCBSM will have no obligation to pay for any claims transaction
fees. In the event the claims processor cannot accommodate the direct line interface, then

will be responsible for claims transaction fees imposed by the claims processor up to \$ /paid
claim for mail service transactions. Any transaction (point of service) fees exceeding /paid claim
will be deducted from future rebates earned by BCBSM on a dollar for dollar basis

- BCBSM is entitled to the internet refill volume home delivery incentive described in
RFP responses for all BCBSM business (groups utilizing either the Open Formulary or Custom
Formulary). The mail service volume incentive will only apply to Open Formulary lives and the
MPSERS account. To ensure that the home delivery internet refill incentive is calculated effectively,
all paid claims (retail pharmacy and mail service transactions) will be included in the incentive
calculations. BCBSM will provide with a retail claims file for the clients having a
Custom Formulary. The file will have sufficient detail to allow to determine if the
incentive threshold has been met.
- will be our exclusive Mail Service provider during the term of the agreement. If a BCBSM
customer requests that we use another Mail Service provider, we will allow every reasonable
opportunity to bid for the business. BCBSM will not force the customer to accept the mail
service bid or offer and will act in good faith to comply with the customers' business requirements.
- The exclusivity provision does not apply to Specialty Pharmaceutical services. BCBSM and BCN are in the
process of developing a Specialty Pharmaceutical program. will be considered during our
provider selection process for these services.

1. Mail order pharmacy services

• Mail Service Pricing –

Brand Drugs: (AWP – 23%) + \$0.75 dispensing fee per prescription

Generic Drugs: (AWP – 62%) + \$0.75 dispensing fee per prescription (applies to both MAC and non-MAC generic drugs) with the following exceptions:

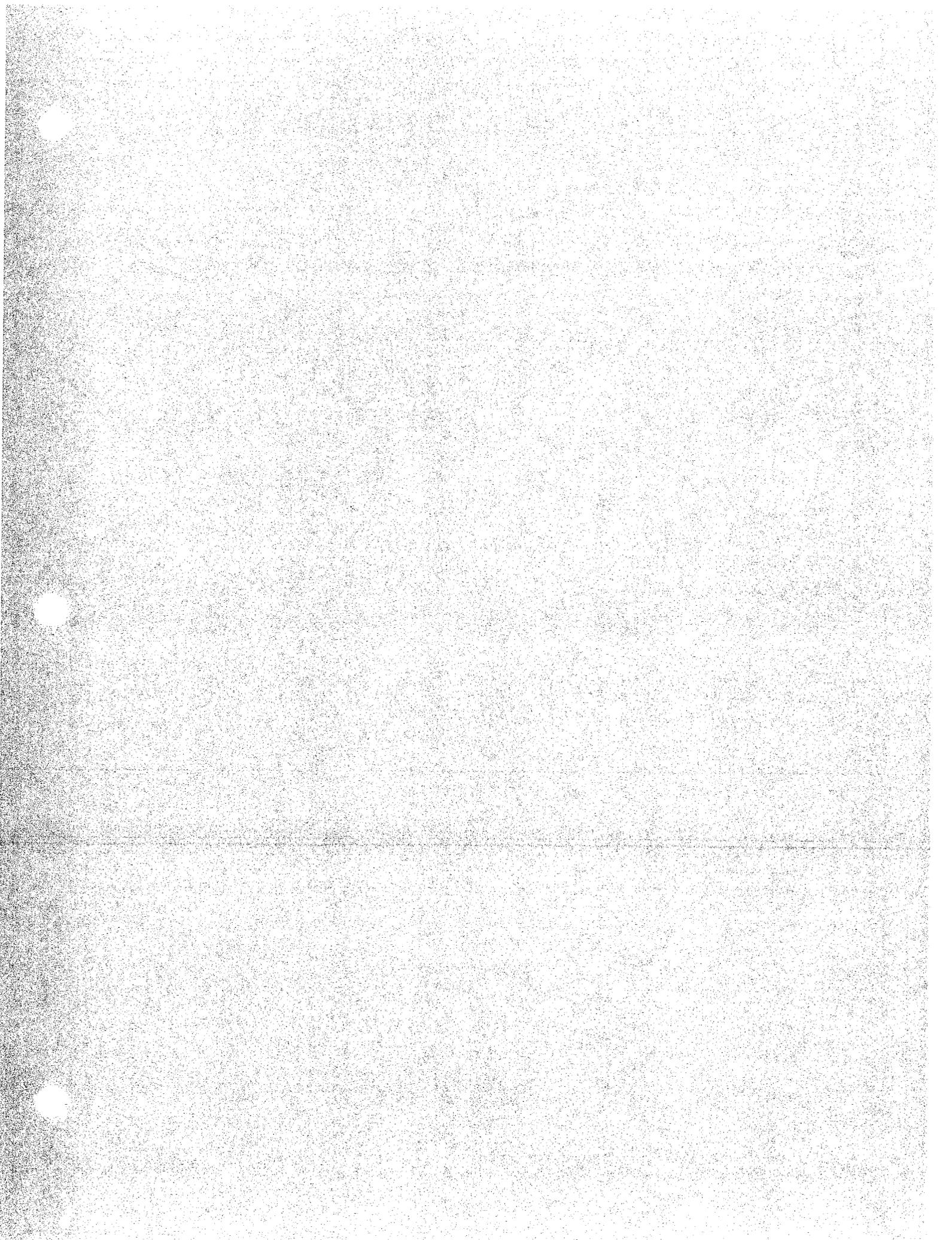
- Mail Service Incentives (RFP I, p. 214):
 - For all plans with a mandatory mail service benefit design, the mail service brand discount will be AWP-24%
 - For plans without a mandatory mail service benefit design, the mail service brand discount will be improved by ½ percentage point for each 8-percentage point incremental increase in baseline mail service penetration capped at AWP-24%. Mail service penetration is defined as mail service drug spend as a percentage of total drug spend (mail service + retail pharmacy). Mail service penetration will be reviewed every 6 months and improvements to the reimbursement rate will be applied on the first day of the second month following the reviewed period. The baseline penetration rate will be the mail service penetration rate during 4th Quarter 2002. Once this incentive is earned, BCBSM must maintain the mail service penetration rate in subsequent measurement periods (6 month periods) in order for the incentive to remain in effect.
 - Mail Service Internet Usage Incentive – for each 10 percentage point increase in BCBSM members use of the Internet to order mail service refills over the baseline rate will result in a \$0.25 per prescription reduction in the mail service dispensing fee. Mail Service Internet Usage will be measured quarterly and improvements to the mail service dispensing fee will be effective the first day of the second month following the reviewed period. The baseline Internet Usage Rate will be the Internet Usage Rate during 4th Quarter 2002. Once this incentive is earned, BCBSM must maintain the Internet Usage Rate in subsequent quarters in order for the incentive to remain in effect.
- Medco Health will be reimbursed at AWP – 62% in those cases where a Brand Drug is dispensed and the drug is on BCBSM's MAC List unless the physician prevents substitution (DAW1). Medco Health may collect the difference between the BCBSM Allowed Amount for the Brand Drug and the MAC amount from the member if the member prevents substitution (DAW2), or, under a mandatory MAC program, for both DAW1 and DAW2 claims. If our MAC list contains drugs that state law requires the brand name drug to be dispensed in the states where the mail service pharmacy is located, we will allow a DAW=7 code to override the AWP – 62% pricing provided Medco Health supplies BCBSM with adequate documentation describing the requirement. Likewise, for all multi-source brand drugs dispensed with a DAW=8 (i.e. generic drug not available in the marketplace), BCBSM will reimburse Medco Health for the brand name product provided that BCBSM can verify that a shortage of the Generic Drug exists. In all other situations when a Brand Drug on our MAC list is dispensed, Medco Health will be reimbursed at AWP – 62% for the Brand Drug.
- Medco Health will absorb any future postage increases for mail service claims where you perform formulary and formulary rebate contracting functions. For business where BCBSM and/or another vendor manages formulary rebate contracting, future postage increases will apply up to a (cumulative) maximum amount of \$0.18/mail service claim over the contract term. Medco Health will be responsible for any postage fee increases that exceed \$0.18/mail service claim.
- Medco Health will be responsible for negotiating and paying POS (claim transaction) fees imposed by the claims processor used by BCBSM and BCN. BCBSM will assist Medco Health in negotiating these fees with the claims processor. BCBSM may require the claims processor to permit/facilitate a direct line interface to Medco Health for processing mail service transactions online, real time. All charges associated with installing and maintaining the direct line to the claims processor will be the responsibility of Medco Health. Medco Health will have 90 days to install a direct line with

BCBSM/BCN's claims processor once that claims processor has been identified to Medco Health. After the 90 period BCBSM will have no obligation to pay Medco Health for any claims transaction fees. In the event the claims processor cannot accommodate the direct line interface, then Medco Health will be responsible for claims transaction fees imposed by the claims processor up to \$.03/paid claim for mail service transactions. Any transaction (point of service) fees exceeding \$.03/paid claim will be deducted from future rebates earned by BCBSM on a dollar for dollar basis

- BCBSM is entitled to the internet refill volume home delivery incentive described in Medco Health's RFP responses for all BCBSM business (groups utilizing either the Open Formulary or Custom Formulary). The mail service volume incentive will only apply to Open Formulary lives and the MPSERS account. To ensure that the home delivery internet refill incentive is calculated effectively, all paid claims (retail pharmacy and mail service transactions) will be included in the incentive calculations. BCBSM will provide Medco Health with a retail claims file for the clients having a Custom Formulary. The file will have sufficient detail to allow Medco Health to determine if the incentive threshold has been met.
- Medco Health will be our exclusive Mail Service provider during the term of the agreement. If a BCBSM customer requests that we use another Mail Service provider, we will allow Medco Health every reasonable opportunity to bid for the business. BCBSM will not force the customer to accept the Medco Health mail service bid or offer and will act in good faith to comply with the customers' business requirements.
- The exclusivity provision does not apply to Specialty Pharmaceutical services. BCBSM and BCN are in the process of developing a Specialty Pharmaceutical program. Medco Health will be considered during our provider selection process for these services.

ATTACHMENTS

- | | |
|--------------|---|
| Attachment A | Guarantees/Penalties/Allowances |
| Attachment B | Disease Diagnosis (ICD-9) Record Requirements |
| Attachment C | Drug Claims Activity Response Record Requirements |
| Attachment D | Point of Contact Requirements |
| Attachment E | Standard Reports |
| Attachment F | Coordination of Benefits |





ATTACHMENT A

GUARANTEES/PENALTIES/ALLOWANCES

ATTACHMENT A

Guarantees/Penalties/Allowances

A. Performance Targets and Commitments

1. Establishment - During the Renewal Term of this Agreement, _____ agrees to measure its performance annually to established commitments (Guarantees/Penalties/Allowances) outlined as targets in this Attachment.
2. Reconciliation of Performance to Commitment - _____ agrees to conduct an annual reconciliation to assess actual results against the Guarantees, Penalties, and Allowances described below. _____ will perform a separate reconciliation for any Group having a Statement of Work using that Group's own utilization as the basis for the reconciliation. The utilization of all Groups having Statements of Work will be excluded from the utilization used to perform the reconciliation for all remaining Groups. _____ will pay BCBSM any penalties or other amounts due within twenty (20) days of submitting each report. Format and content of all reports will be subject to BCBSM's approval.
 - 2.1 By September 30 of 2000, _____ will prepare and provide BCBSM a final reconciliation of quarterly Estimated Rebates paid to BCBSM for the years 1997, 1998 and 1999. Any Formulary Rebates _____ receives in excess of the applicable guarantee after June 30, 2000 through September 30, 2001, for claims incurred in 1997, 1998 and 1999, will be paid to BCBSM on a quarterly basis and will not be included in any future reconciliation of Formulary Rebates. Any Formulary Rebates _____ receives after September 30, 2001, in excess of the applicable guarantee for the years 1997, 1998 and 1999 will be applied to the reconciliation of performance for the years 2000, 2001 and 2002.
 - 2.2 _____ will perform a reconciliation of all performance for 2000, 2001, and 2002, including Formulary Rebates, no later than March 31, 2004. Any Formulary Rebates _____ receives in excess of the applicable guarantee after December 31, 2003 for claims incurred in 2000, 2001, and 2002, will be paid to BCBSM on a quarterly basis. If this Agreement terminates prior to December 31, 2002, _____ will perform a final reconciliation within nine (9) months of the termination date. Any Formulary Rebates _____ receives in excess of the applicable guarantee after the termination date will be paid to BCBSM on a quarterly basis.
 - 2.3 Formulary Rebates - by September 30 of each calendar year, _____ will prepare and provide BCBSM a reconciliation of quarterly Estimated Formulary Rebates paid to BCBSM for the prior calendar year with the actual Formulary Rebates received through June 30 of the current calendar year.

ATTACHMENT A

- 2.4 All Other Performance - For all performance other than Rebates, [redacted] shall by July 1 of each contract year prepare and submit to BCBSM all reports documenting the annual performance analyses for the previous contract year. Unless otherwise agreed by both parties, all reports will be prepared on a paid basis. [redacted] must indicate the incurred and paid date ranges used in creating such reports.
- 2.5 Exclusions from Performance Commitments - The following claims will be excluded from reports although they may be reported on elsewhere: Pay Subscriber claims, compounded prescription drugs, drugs reimbursed under the special pricing in 2.4.a.1.c and pseudo-NDCs for Covered Services for which no national drug code exists. In addition, for purposes of the Net Effective Brand Discount and Dispensing Fee Guarantees, retail prescriptions filled in Puerto Rico and Michigan are excluded.
3. BCBSM reserves the right to conduct its own verification of any performance analysis at its expense by utilizing data provided by [redacted]. If such data is insufficient or inaccurate, BCBSM may at its sole discretion designate parties to conduct independent audits in accordance with this Agreement, or utilize other means as agreed to by the parties.

B. Mail Order Cost Formula

- The reimbursement guarantees for mail order are identified in section 2.4 of the Agreement. [redacted] will reimburse BCBSM dollar for dollar for failure to meet these guarantees.
- The following formula will be used to determine the percent mail order discount off AWP separately for brand and generic drugs:

1- (Ingredient Cost for paid claims ÷
Ingredient Cost assuming non-discounted AWP pricing)

C. Brand Drug Guarantees

Net Effective Brand Discount and Dispensing Fee

- [redacted] guarantees that the Net Effective Brand Discount for drugs dispensed by CCNIII Network Pharmacies will be [redacted]. [redacted] also guarantees the average dispensing fee for these claims will be \$ [redacted] per prescription. This guarantee is based on the level of pricing in place for CCNIII pharmacies on December 31, 1999.
- Notwithstanding this guarantee, [redacted] will pass to BCBSM the full value of all network discounts and will warrant this to BCBSM. The following formula will be used to determine the Net Effective Brand Discount:

ATTACHMENT A

1- (Ingredient cost for paid Brand Drug claims +
Brand Drug Ingredient cost assuming non-discounted AWP pricing)

- will reimburse BCBSM dollar for dollar for failure to meet these guarantees. The extent, if any, that's network exceeds the applicable guarantees in any contract year, BCBSM will retain 100% of such savings.

D. Rebate per Branded Formulary Claim Guarantees

1. Open Formulary Option

guarantees per Branded Formulary Claim the following rebates for year one of the Renewal Term as follows:

<u>Retail</u>	<u>Mail Order</u>
\$	\$

The above guarantees will be adjusted annually based on the annualized average percentage change in the Consumer Price Index (CPI) for prescription drugs, beginning January 1, 2001. The CPI index to be used for the 2001 and 2002 increases to the rebate rates per Branded Formulary script will be based on the Health Care Financing Administration's (HCFA) CPI-W Unadjusted Prescription Drug index. The year-ending December average index over the prior year will be used (e.g., January-December 2000 average index over the January-December 1999 average will be used for the 2001 increase).

2. Incentive Formulary Option

guarantees the following rebates per Branded Formulary Claim for year one of the Renewal Term if's Rx Selections Formulary is used:

<u>Retail</u>	<u>Mail</u>
\$	\$

The above guarantees will be adjusted annually based on the annualized average percentage change in the Consumer Price Index (CPI) for prescription drugs, beginning January 1, 2001. The CPI index to be used for the 2001 and 2002 increases to the rebate rates per Branded Formulary script will be based on the Health Care Financing Administration's (HCFA) CPI-W Unadjusted Prescription Drug index. The year-ending December average index over the prior year will be used (e.g., January-December 2000 average index over the January-December 1999 average will be used for the 2001 increase).

ATTACHMENT A

3. Closed Formulary Option

If Rx Selections is used as a closed formulary option, the following guarantees apply to Branded Formulary Claims during year one of the Renewal Term:

<u>Retail</u>	<u>Mail</u>
\$	\$

The above guarantees will be adjusted annually based on the annualized average percentage change in the Consumer Price Index (CPI) for prescription drugs, beginning January 1, 2001. The CPI index to be used for the 2001 and 2002 increases to the rebate rates per Branded Formulary script will be based on the Health Care Financing Administration's (HCFA) CPI-W Unadjusted Prescription Drug index. The year-ending December average index over the prior year will be used (e.g., January-December 2000 average index over the January-December 1999 average will be used for the 2001 increase).

The above guarantees apply only if Formulary Compliance is \geq % or higher. If Formulary Compliance is below %, the guarantee will be the Incentive Formulary Guarantee.

4. The above guarantees do not limit BCBSM's right to receive 100% of Formulary Rebates under any Formulary option as provided in Section 2.10(c)(4) of the Master Agreement. If makes changes to the Formularies without BCBSM's prior approval, the above guaranteed amounts will be revised as appropriate to reflect the changes to the Formulary. If the P & T Committee makes changes in the Open or Rx Selections Formulary that materially affect 's ability to meet its Formulary Rebate guarantees, the guarantees will be adjusted accordingly.

E. Generic Dispensing Performance Guarantee

1. The parties will work together to reach consensus on how the generic dispensing rates for both mail and non-Michigan retail services will be measured.
2. The parties will separately measure the generic dispensing rate for the mail and non-Michigan retail channels for the prior calendar year at the end of the first calendar quarter for each year of the Renewal Term. For example, the generic dispensing rate for calendar year 1999 will be determined by March 31, 2000. This measurement will establish the baseline rate for the year 2000.
3. The parties agree to the following improvement targets:

ATTACHMENT A

Improvement over Baseline Targets

Year	Mail	Retail
2000	%	%
2001	%	%
2002	%	%

4. [redacted] will pay penalties and will be eligible for bonuses according to the formula below. The maximum penalty/bonus for mail service is % of mail Gross Plan Cost. The retail service maximum penalty/bonus is of total non-Michigan retail Gross Plan Cost. Variances from target will be calculated to three (3) decimals rounded to two (2) decimals, utilizing standard rounding rules.

Formula:

(variance from target +/-) multiplied by (penalty or bonus cap) = (penalty or bonus due)

No bonus will be available for the first year (calendar year 2000) of the renewal period. However a penalty could apply if performance did not meet target. [redacted] would be eligible for a bonus in years two (calendar year 2001) and years three (calendar year 2002). Bonuses will used only to offset shortfalls in generic performance for future years. Bonuses will not be used to offset shortfalls from other prior periods or other performance guarantees, except at the time of the final reconciliation described under Section 1.2.2, when bonuses up to a maximum of may be applied to offset amounts due BCBSM under other performance guarantees.

5. If BCBSM enters into Group-specific guarantees, the Group's utilization will not be included in the above performance measures and guarantee calculation.

F. Clinical Management & Drug Utilization Review (DUR) Savings

- **Concurrent DUR** (where [redacted] is the claims processor):
 - ◆ Savings from concurrent DUR will be of Gross Plan Cost per year.
 - ◆ Savings from concurrent DUR will be derived from clinical POS edits including but not limited to over-utilization, drug to drug interactions, drug-disease interactions, and incorrect dosage. [redacted] will track those claims that are reversed or rejected due to these edits.
 - ◆ Savings from concurrent DUR edits will be measured based on the one-time cost of the prescriptions that were reversed or rejected. The "one-time cost" of the drugs is defined as the average cost of a prescription paid for under the Program. An adjustment will be made to subtract savings if an early refill prescription is rejected and a subsequent transaction occurs so that the same or similar drug within the class

QUARTERLY ALERT SUMMARY BY INFERRED DISEASE REPORT

Report Key

Objective: To provide a quarterly summary of alerts by alert type for the Top 10 Inferred Disease States.

Activity: Identifies the activity being reported: Integrated (combined mail service & retail claims for integrated clients) / Mail Only (mail service claims for mail service only clients).

Alert Type: Represents the categories for which Concurrent Drug Utilization Review (DUR) is performed. Categories are grouped according to protocol:

- standard protocol applies to the general population,
- pediatric protocol is specifically targeted at patients aged 18 and younger, and
- seniors protocol is specifically targeted at patients aged 65 and older.

Alerts: Represents the percentage of alerts by alert type generated by Medco's Point of Sale system. (i.e. - X% of grand total alerts were generated as a result of Drug Interactions.)

Grand Total Alerts: Represents the total number of alerts generated by Medco's Point of Sale system in total and for the Top 10 Inferred Disease States. Note that MANY alerts can be generated for ONE claim, and each alert will be counted once in the appropriate category on the Quarterly Alert Summary by Inferred Disease Report. Therefore, total alerts reported on the Quarterly Alert Summary by Inferred Disease Report will never equal total claims with alerts presented on the Savings Summary Report.

*** SAMPLE REPORT ***

CONCURRENT DRUG UTILIZATION REVIEW

Quarter Ending: 09/22/94

SAVINGS SUMMARY REPORT
XYZ CORPORATION
Carrier Summary

Activity: Retail
Carrier: 9999

MONTH	(1) TOTAL CLAIMS	CLAIMS W/ DUR ALERTS			MEDCO HARD REJECTS		PHARMACY REVERSALS		DRUG PLAN SAVINGS			
		A	B	C	D	E	F	G	H	I	J	
Jan	-	-	-	-	-	-	-	-	\$	\$	-	-
Feb	-	-	-	-	-	-	-	-	\$	\$	-	-
Mar	653,821	182,104	27.85%	20,561	3.14%	2,865	0.44%	\$	33.80	\$	791,798.80	3.58%
Q1	653,821	182,104	27.85%	20,561	3.14%	2,865	0.44%	\$	33.80	\$	791,798.80	3.58%
Apr	797,493	219,002	27.46%	26,451	3.32%	3,482	0.44%	\$	33.89	\$	1,014,429.37	3.75%
May	750,429	203,970	27.18%	28,546	3.80%	3,689	0.49%	\$	33.97	\$	1,095,022.95	4.30%
Jun	766,911	207,672	27.08%	29,650	3.87%	3,940	0.51%	\$	34.08	\$	1,144,747.20	4.38%
Q2	2,314,833	630,644	27.24%	84,647	3.66%	11,111	0.48%	\$	33.98	\$	3,254,199.52	4.14%
Jul	766,537	209,960	27.39%	30,420	3.97%	4,201	0.55%	\$	34.05	\$	1,178,845.05	4.52%
Aug	719,198	209,743	29.16%	30,152	4.19%	4,115	0.57%	\$	34.11	\$	1,168,847.37	4.76%
Sep	664,071	184,308	27.75%	28,727	4.33%	4,351	0.66%	\$	34.25	\$	1,132,921.50	4.98%
Q3	2,149,806	604,011	28.10%	89,299	4.15%	12,667	0.59%	\$	34.13	\$	3,480,613.92	4.74%
Oct	-	-	-	-	-	-	-	-	-	-	-	-
Nov	-	-	-	-	-	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-	-	-	-	-	-
Q4	-	-	-	-	-	-	-	-	-	-	-	-
YTD	5,118,460	1,416,759	27.68%	194,507	3.80%	26,643	0.52%	\$	34.02	\$	7,526,612.24	4.32%

(1) Total Claims represents all claims which have been submitted through TelePAID™ and have received Concurrent DUR. This includes billed claims as well as pending claims that are awaiting adjudication.



SAVINGS SUMMARY REPORT

Report Key

- Objective:** To provide a monthly, quarterly and YTD summary of total claims, claims which had Concurrent Drug Utilization Review (DUR) alerts, claims which resulted in rejects and reversals, and savings associated with rejected and reversed claims.
- Activity:** Identifies the activity being reported: Int. Mail (mail service claims for integrated clients) / Retail (point-of-sale & direct claims) / Integrated (combined mail service & retail claims for integrated clients) / Mail Only (mail service claims for mail service only clients).
- Column A:** Represents the total number of claims which have been submitted via TelePAIDsm and have received Concurrent DUR during the reporting period.
- Column B:** Represents the total number of claims that had one or more DUR alerts generated by Medco's Point of Sale system. Alerts result in either a rejected claim or a warning message and include the following categories: Drug Interactions, Duplicate Therapy, Over Maximum Daily Dose, Refill Too Soon, Drug Age, Drug Gender, Drug Pregnancy, Drug Disease, Drug Allergy, Under Minimum Daily Dose, and Under Use (Refill Too Late).
- Column C:** Expresses the total number of claims that had one or more DUR alerts as a percentage of total claims (Column B divided by Column A).
- Column D:** Represents the number of claims that were rejected by Medco's Point of Sale system. (Column D is a subset of Column B.) Medco rejects claims whenever there is an alert for Over Maximum Daily Dose or Refill Too Soon. Rejects reported in Column D reflect those rejects which were NOT overridden by the dispensing pharmacist. In addition, claims rejected for Refill Too Soon are checked to ensure that a claim did not get billed for the same patient and drug within 14 days of the date of rejection. Claims which were rejected for Refill Too Soon but were billed within 14 days are NOT included in Column D.
- Column E:** Expresses the total number of rejected claims as a percentage of total claims (Column D divided by Column A).
- Column F:** Represents the number of claims that were reversed by the dispensing pharmacist. (Column F is a subset of Column B.) For alerts that generate warning messages (all DUR categories except Over Maximum Daily Dose and Refill Too Soon), the dispensing pharmacist has the professional responsibility to determine whether the use of the drug as prescribed would be detrimental to the patient and to reverse any prescriptions where the drug is contraindicated.
- Column G:** Expresses the total number of reversed claims as a percentage of total claims (Column F divided by Column A).
- Column H:** Represents the average drug savings per claim for rejected and reversed claims.
- Column I:** Represents the total drug savings for rejected and reversed claims.
- Column J:** Expresses the total drug savings for rejected and reversed claims as a percentage of total drug cost for all submitted claims.

*** SAMPLE REPORT ***

CONCURRENT DRUG UTILIZATION REVIEW

Quarter Ending: 06/29/95

ALERT SUMMARY REPORT
XYZ CORPORATION

Carrier Summary

Activity: Integrated
Carrier: 9999

PERCENT OF TOTAL BY ALERT TYPE	Q1		Q2		Q3		Q4		YTD	
	ALERTS	REJECTED / REVERSED								
STANDARD PROTOCOL										
DRUG DRUG	20.94%	2.32%	21.35%	2.65%	21.18%	2.49%	21.18%	2.49%	21.18%	2.49%
OVER MAX DOSE	19.43%	63.15%	17.06%	59.23%	18.05%	61.06%	18.05%	61.06%	18.05%	61.06%
DUPLICATE THERAPY	15.92%	3.27%	17.42%	3.92%	16.79%	3.62%	16.79%	3.62%	16.79%	3.62%
REFILL TOO SOON	8.37%	20.66%	7.52%	22.56%	7.87%	21.68%	7.87%	21.68%	7.87%	21.68%
DRUG ALLERGY	0.05%	0.01%	0.09%	0.02%	0.07%	0.01%	0.07%	0.01%	0.07%	0.01%
DRUG PREGNANCY	0.13%	0.02%	0.12%	0.02%	0.12%	0.02%	0.12%	0.02%	0.12%	0.02%
DRUG DISEASE	0.05%	0.01%	0.05%	0.01%	0.05%	0.01%	0.05%	0.01%	0.05%	0.01%
DRUG GENDER	0.45%	0.06%	0.52%	0.08%	0.49%	0.07%	0.49%	0.07%	0.49%	0.07%
UNDER USE	17.64%	1.46%	19.93%	1.94%	18.97%	1.72%	18.97%	1.72%	18.97%	1.72%
UNDER MIN DOSE	3.63%	0.53%	3.91%	0.60%	3.79%	0.57%	3.79%	0.57%	3.79%	0.57%
PEDIATRIC PROTOCOL										
DRUG AGE	0.01%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
SENIORS PROTOCOL										
DRUG DRUG	4.62%	0.32%	4.44%	0.36%	4.51%	0.34%	4.51%	0.34%	4.51%	0.34%
OVER MAX DOSE	2.02%	7.37%	1.83%	7.80%	1.91%	7.60%	1.91%	7.60%	1.91%	7.60%
DRUG AGE	6.76%	0.83%	5.75%	0.82%	6.17%	0.82%	6.17%	0.82%	6.17%	0.82%
GRAND TOTAL	68,936	120,901	72,899	122,116	72,899	122,116	72,899	122,116	72,899	122,116

RUN: 10/13/95



Merck-Medco
Managed Care, Inc

ALERT SUMMARY REPORT

Report Key

Objective: To provide a quarterly and YTD summary of alerts and rejects/reversals by alert type.

Activity: Identifies the activity being reported: Int. Mail (mail service claims for integrated clients) / Retail (point-of-sale & direct claims) / Integrated (combined mail service & retail claims for integrated clients) / Mail Only (mail service claims for mail service only clients).

Alert Type: Represents the categories for which Concurrent Drug Utilization Review (DUR) is performed. Categories are grouped according to protocol:

- standard protocol applies to the general population,
- pediatric protocol is specifically targeted at patients aged 18 and younger, and
- seniors protocol is specifically targeted at patients aged 65 and older.

Alerts: Represents the percentage of alerts by alert type generated by Medco's Point of Sale system. (i.e. - X% of grand total alerts were generated as a result of Drug Interactions.)

Grand Total Alerts: Represents the total number of alerts generated by Medco's Point of Sale system. Note that MANY alerts can be generated for ONE claim, and each alert will be counted once in the appropriate category on the Alert Summary Report. Therefore, total alerts reported on the Alert Summary Report will never equal total claims with alerts presented on the Savings Summary Report.

Rejected/ Reversed: Represents the percentage of rejects/reversals by alert type. Note that rejects result from the Over Maximum Daily Dose and Refill Too Soon categories; reversals result from all other categories. (i.e. - Y% of grand total rejects/reversals resulted from Over Maximum Daily Dose).

Grand Total Rejected/ Reversed: Represents the total number of rejects/reversals. Note that MANY alerts can be generated for ONE claim, however, a claim will only be rejected or reversed once. For the purposes of reporting rejects/reversals, a reject/reversal is counted in the appropriate category for each alert that appeared on the rejected/reversed claim. Therefore, total rejects/reversals reported on the Alert Summary Report will never equal the sum of total claims rejected and total claims reversed presented on the Savings Summary Report.

