Form No. DTMB-3521 (Rev. 10/2015)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET

PROCUREMENT

525 W. ALLEGAN STREET
LANSING, MI 48933

P.O. BOX 30026
LANSING, MI 48909

CHANGE NOTICE NO. 6
to
CONTRACT NO. 071B0200095
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
OptumRx PBM of Maryland, Inc	Kathryn Friedman	Kathryn.friedman@optum.com
1600 McConner Parkway	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
Schaumburg, IL 60173	866-308-4547 x89725	*****1447

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	DTMB	Kerrie Vanden Bosch	517-636-6104	vandenboschk@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Lance Kingsbury	517-284-7025	kingsburyl@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: Pharmacy Benefits Management For DTMB – Office of Retirement Services			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2010	December 31, 2015	4 - 1 Year	December 31, 2016
PAYMENT TERMS		DELIVERY TIMEFRAME	
Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
☐ P-card	☒ Direct Voucher (DV)	☐ Other	X Yes No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE

EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXP. DATE
☐		☐		

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$2,931,798,804.00	$ 0.00	$2,931,798,804.00

DESCRIPTION:
Effective March 7, 2016, the following changes are hereby incorporated in the Contract:

1. Contractor name is updated

2. Section 1.022.L.3, SLA #1 and Change Notice No. 5: Guarantee is changed to "The Contractor must dispense and ship 95.00% of routine prescriptions (those prescriptions not requiring intervention) within two Business Days of receipt of the order at the Mail Service Pharmacy."

3. Section 1.022.L.3, SLA #2 and Change Notice No. 5: Guarantee is changed to "The Contractor must dispense and ship 99.00% of routine prescriptions (those prescriptions not requiring intervention) within five Business Days of receipt of the order at the Mail Service Pharmacy."

All other terms, conditions, specifications and pricing remain the same. Per Contractor and agency agreement, and DTMB Procurement approval.

Form No. DTMB-3521 (Rev. 2/2015)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
525 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 5

to

CONTRACT NO. 071B0200095

Between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Catamaran PBM of Maryland, Inc.	Kathryn Friedman	kfriedman@catamaranrx.com
2441 Warrenville Road, Suite 610	PHONE	VENDOR FEIN # (LAST FOUR DIGITS ONLY)
Lisle, IL 60532	866-308-4547 ext. 89725	1447

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER	DTMB	Kerrie Vanden Bosch	(517) 636-6104	vandenboschk@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Lance Kingsbury	(517) 284-7017	kingsburyl@michigan.gov

CONTRACT SUMMARY

DESCRIPTION:
Pharmacy Benefits Management for MPSERS – Department of Technology, Management and Budget / Office of Retirement Services

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2010	December 31, 2012	4 one year	December 31, 2016

PAYMENT TERMS	F.O.B.	SHIPPED TO
Net 45	N/A	N/A

ALTERNATE PAYMENT OPTIONS	EXTENDED PURCHASING
☐ P-card ☐ Direct Voucher (DV) ☐ Other	x Yes No

MINIMUM DELIVERY REQUIREMENTS

N/A

DESCRIPTION OF CHANGE NOTICE

EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
☒ No ☐ Yes	☐	☐		

CURRENT VALUE	VALUE/COST OF CHANGE NOTICE	ESTIMATED REVISED AGGREGATE CONTRACT VALUE
$2,931,798,804.00	$0.00	$2,931,798,804.00

DESCRIPTION:
Effective January 1, 2015, The following document is hereby incorporated into the contract.

All other terms, conditions, specifications, and pricing remain the same. Per contractor and agency agreement and DTMB Procurement approval.

This Amendment No. 5 (the "Amendment") to Contract No. 071B020095 (the "Contract") between Catamaran PBM of Maryland, Inc. f/k/a Catalyst Rx ("Contractor" or "Catamaran"), a Nevada Corporation, Catamaran Insurance of Ohio, Inc., an Ohio corporation which provides the EGWP related services described in this Amendment ("Catamaran-EGWP") and the State of Michigan Office of Retirement Services ("Plan Sponsor" "Client" or "State") under which Contractor provides Prescription Benefit Management Services to the Michigan Public School Employees Retirement System ("MPSERS"), is made effective as of January 1, 2015 (the "Amendment Effective Date") Contractor and Plan Sponsor may hereinafter be referred to individually as "Party" and collectively as "Parties."

RECITALS:

WHEREAS, the Parties wish to modify and supplement the provisions of the Contract; and

WHEREAS, the Catamaran-EGWP is a party to this Amendment with respect to certain SLAs that relate to EGWP Services.

NOW, THEREFORE, in consideration of the mutual promises set forth below, the Parties hereto agree as follows:

1. Section 1.022(C)(4) (Provider Network) of the Contract is hereby deleted in its entirety and replaced with the following: "The Contractor's network of Participating Pharmacies shall provide for Member access in accordance with CMS member access guidelines, which shall apply to both the non-EGWP and EGWP populations."

2. Section 1.022(C)(5)(b)(2) (Provider Network) of the Contract is hereby deleted in its entirety and replaced with the following: "Audit results must be reported annually."

3. Section 1.022(D)(1)(c)(Customer Support) of the Contract is hereby deleted in its entirety and replaced with the following: "The Contractor must produce reports on usage of the toll-free numbers as specified in Section 1.022(L)(Performance Guarantees/Service Level Agreements (SLAs) –Ongoing Services)."

4. Section 1.022(D)(1)(f)(Customer Support) of the Contract is hereby deleted in its entirety and replaced with the following: "The Contractor must conduct a member survey with results as specified in Section 1.022(L)(Performance Guarantees/Service Level Agreements (SLAs) –Ongoing Services)."

5. Section 1.022(F)(6)(Formulary and Rebates) of the Contract is hereby deleted in its entirety and replaced with the following: "Rebate payments must be submitted to the Plan Sponsor as specified in Section 1.022(L)(Performance Guarantees/Service Level Agreements (SLAs) –Ongoing Services)."

6. Section 1.022(G)(4)(Eligibility) of the Contract is hereby deleted in its entirety and replaced with the following: "The Contractor must be able to accept the Plan Sponsor's electronic enrollment files and process change transactions to maintain up-to-date information for eligibility certification. The file must be processed as specified in Section 1.022(L)(Performance Guarantees/Service Level Agreements (SLAs) –Ongoing Services). Contractor must also be able to accept a full audit file for reconciliation purposes on a quarterly basis and more often as required by Plan Sponsor with 10 business days advanced notice. Contractor will work with Plan Sponsor to determine reconciliation process and timing.

7. Section 1.022(I)(2) and (3)(Specialty Pharmacy (SRX) of the Contract are hereby deleted in their entirety and replaced with the following:

2. The Contractor must dispense and ship routine prescriptions (those prescriptions not requiring intervention) for Specialty Pharmacy prescriptions as specified in Section 1.022(L)(Performance Guarantees/Service Level Agreements (SLAs) – Ongoing Services).

3. The Contractor must dispense and ship or resolve Specialty Pharmacy prescriptions as specified in Section 1.022(L)(Performance Guarantees/Service Level Agreements (SLAs) –Ongoing Services).

8. Section 1.022(K)(3) and (4)(Mail Order Services) of the Contract are hereby deleted in their entirety and replaced with the following:

3. The Contractor must dispense and ship routine prescriptions (those prescriptions not requiring intervention) for Mail Service Pharmacy prescriptions as specified in Section 1.022(L)(Performance Guarantees/Service Level Agreements (SLAs) – Ongoing Services).

4. The Contractor must dispense and ship or resolve Mail Service Pharmacy prescriptions as specified in Section 1.022(L)(Performance Guarantees/Service Level Agreements (SLAs) –Ongoing Services).

9. Section 1.042(Reports) of the Contract is hereby amended and replaced with attachment A ORS Report Schedule.

10. Section 2.115 (b)(Errors) of the Contract is hereby amended by deleting the phrase "10%" and replacing it with the phrase "3%".

11. Section 1.022(L)(Performance Guarantees; Service Level Agreement (SLAs) Ongoing Services) of the Contract is hereby deleted in its entirety and replaced with the following:

L. Performance Guarantees/Service Level Agreements (SLAs) - Ongoing Services

The Contractor must ensure that the SLAs are measurable. The Plan Sponsor reserves the right to independently verify the Contractor's assessment of its performance, either by State employee or third party review subject to section 2.112. Disagreements, outside of Vendor self-reported data, will be subject to negotiation by both parties and settled based on mutual agreement. Documentation of how each SLA is measured (which may include what department has responsibility to the process and for the reporting, what quality check efforts are in place to review data, etc.) must be provided by Contractor to Plan Sponsor within 45 days after the execution of the Fifth Amendment to the Agreement and on an as-needed basis after that if any substantial changes to Contractor's processes occur.

Within 45 Days after the end of each calendar quarter, the Contractor must provide the Plan Sponsor with a completed SLA tracking tool provided by Plan Sponsor self-reporting the Contractor's performance under each SLA for the Plan Sponsor. Within 75 Days after the end of each calendar quarter, the Contractor must provide payment for any applicable penalties to the Plan Sponsor based on the self-reported performance. Within 90 Days after the end of each calendar year, Contractor must provide the Plan Sponsor with back-up documentation providing support for self-reported quarterly performance measures. If there are any administrative errors identified, these will be reconciled with the year-end process, within 30 days. Contractor and Plan Sponsor will work together and agree upon back-up documentation content. Inability to support quarterly performance measures through back-up documentation, through failure to provide documentation will result in the SLA being found not-met. Penalties for failure to meet the SLAs listed below will not exceed the penalty amount at risk specified per SLA per Contract year

Plan Sponsor has the right to reallocate the total amount at risk among the various individual guarantees annually. Reallocation cannot increase the annual value of any one component by more than 10% of the original value. Reallocation will not increase the overall aggregate value of the penalties. Any such reallocation must be received by Contractor at least 10 business days prior to the applicable calendar year, otherwise attempted reallocations will be of no effect.

The following SLAs are related to ongoing Services (except the SLA related to Mail Service implementation) and will apply throughout the duration of the Contract, including any optional renewal periods (if exercised). SLAs are for the Services as noted in the table below provided under this Contract for the Plan Sponsor and are Plan Sponsor specific with the exception of system downtime.

1. **EGWP Service Level Agreements.**

SLA #1
Eligibility Uploads
Guarantee
100.00% of all accurate records that pass Contractor's validation edits must be uploaded to the Contractor's eligibility system according to the Plan Sponsor's schedule within one Business Days of receipt. Any records that do not pass the Contractor's validation test must be reported to the Plan Sponsor within one Business Day after the file has been uploaded.
Penalty
The penalty for failure to meet this SLA is $8,000.00 quarterly.

SLA #2
ID Cards
Guarantee
99.00% of Participant identification cards for new enrollees will be mailed within 10 Business Days of Contractor's receipt of (1) clean eligibility data and CMS enrollment data where applicable (for monthly changes) or (2) a request for replacement card from a Plan Participant.
Penalty
The penalty for failure to meet this SLA is $17,000.00 quarterly.

SLA #3
Average Speed of Answer
Guarantee
Contractor's personnel shall answer all calls in queue within an average of 30.00 seconds or less.
Penalty
The penalty for failure to meet this SLA is $4,500.00 quarterly.

SLA #4
Telephone Servicing Factor
Guarantee
80.00% of calls in queue must be answered in 30.00 seconds or less in accordance with CMS requirements. Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is $4,500 quarterly.

SLA #5
Abandonment Rate
Guarantee
The monthly call abandonment rate must not exceed 3.00%. Rate will be measured using calls which abandon after 30.00 seconds.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #6
First Call Resolution
Guarantee
93.00% of calls must be resolved on the first call. Members following up on same issue within seven calendar days cannot be considered resolved. Contractor agrees to commit to a First Call Resolution SLA that will be mutually defined by the two parties. Contractor is in the process of revamping its data collection and reporting capabilities to accurately track this metric and will begin to utilize the new report and methodology for the 1Q 2015 SLAs.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #7
Response Time to Written Inquiries
Guarantee
The Contractor must resolve (99.00% or greater of written inquiries from members submitted within 10 Business Days of receipt from member or Plan Sponsor and 100.00% of written inquiries within 30 Business Days of receipt.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #8
Point-of-Sale Claims Payment Accuracy - Retail
Guarantee
99.99% of POS claims must be paid accurately. Measurement will be based on final audit results.
Penalty
The penalty for failure to meet this SLA is $105,000.00 annually

SLA #9
Paper Claims Processing Time (Direct Member Reimbursement) - Retail
Guarantee
95.00% of all retail paper claims must be paid within 10 Business Days. 100.00% of all retail paper claims must be paid within 15 Business Days.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #10
Point-of-Sale Pharmacy Network Proximity to Members

Guarantee
• At least 90% of Medicare beneficiaries in the sponsor's urban service area, on average, live within two miles of a retail pharmacy participating in the Sponsor's network • At least 90% of Medicare beneficiaries in the sponsor's suburban service area, on average, live within five miles of a retail pharmacy participating in the Sponsor's network • At least 70% of Medicare beneficiaries in the sponsor's rural service area, on average, live within 15 miles of a retail pharmacy participating in the Sponsor's network.
Penalty
The penalty for failure to meet this SLA is $132,000.00 annually.

SLA #11
Point-of-Sale Pharmacy Network System Downtime
Guarantee
Except for scheduled maintenance periods, Contractor's on-line claims adjudication system will be available at least 99.98% of the time.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #12
Point-of-Sale Pharmacy Network - Desk Audits
Guarantee
The Contractor must perform desk audits on the top 10.00% of participating pharmacies by Claim volume (with a minimum of 600 claims per year) at the end of each quarter.
Penalty
The penalty for failure to meet this SLA is $132,000.00 quarterly.

SLA #13
Point-of-Sale Pharmacy Network - On-site Audits
Guarantee
Contractor must perform on-site audits on the top 5.00% of network participating pharmacies (Contractor National Network) by Claim volume (with more a minimum of than 500 claims per year) through on-site compliance audits.
Penalty
The penalty for failure to meet this SLA is $132,000.00 annually.

SLA #14
Timely Production of Medicare Management Reports
Guarantee
The Contractor must provide monthly, quarterly, and annual reports in accordance with Appendix A and section 1.042 of the Contract. Reports and report timeframes are defined in Appendix A. and section 1.042.
Penalty
The penalty for failure to meet this SLA is $3,750.00 quarterly

SLA #15
Rebates
Guarantee
All Rebate payments must be made to the Plan Sponsor within 30 Days of the Contractor's receipt of the Rebates from the manufacturer, wholesaler, or other source but no later than 180 days after the close of the quarter. The Contractor must provide a quarterly Rebate report as described in § 1.022 F(5). Final annual reconciliation (true-up) must be performed and paid out annually within 90 Days of Plan year end.
Penalty
The penalty for failure to meet this reporting requirement of the SLA is $14,500.00 annually and Full Recovery of unpaid rebates plus 100% for the timely annual true-up payment

SLA #16
Prior Authorization Review – Non-Urgent
Guarantee
NON-URGENT: 99.00% of Initial Determination decisions will be made and communicated within five Business Days of receipt of request.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #17
Prior Authorization Review - Urgent
Guarantee
URGENT: 99.00% of Initial Determination decisions will be made and communicated within 48 hours of receipt of request.
Penalty
The penalty for failure to meet this SLA is $ 5,000.00 quarterly.

SLA #18
Appeals Reporting
Guarantee
Standard: 97.00% Standard Redetermination decisions will be made and notified within seven calendar days from receipt of request and 100.00% in 14 calendar days. Expedited: 97.00% of Expedited Redeterminations decisions will be made and notified within 72 hours from receipt of request and 100.00% within five Calendar days.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #19
Member Satisfaction Survey
Guarantee
Contractor will conduct an annual member satisfaction survey of randomly selected members from across the population of members managed by Contractor of Plan Sponsor's membership who have experience with one or more of the following PBM services provided they are delivered and managed by Contractor: 1) general benefits, 2) mail service, and/or 3) Specialty pharmacy. The survey tool must be mutually agreed upon between Catamaran and Plan Sponsor for both Medicare and non-Medicare populations. The survey methodology will be designed to achieve a statistically-valid sample that is representative of ORS members managed by Contractor. A "satisfied" rating is defined as four or greater on a five point scale or another scale equivalent Using the scale definitions of 1-extremely dissatisfied 2 dissatisfied 3- Neutral – 4 very satisfied 5- extremely satisfied Any data collected will be reported, in aggregate, on an annual basis. Contractor guarantees it will achieve an overall satisfaction rate of 85.00% Contractor will make a good faith effort to achieve this sample size but will not be required to pay any of the failure penalty specified, regardless of the outcome, if the number of responses received does not comprise a statistically valid sample.
Penalty
The penalty for failure to meet this SLA is $263,000.00 annually.

2. Non-Medicare Service Level Agreements

SLA #1
Eligibility Uploads
Guarantee
100.00% of all accurate records that pass Contractor's validation edits must be uploaded to the Contractor's eligibility system according to the Plan Sponsor's schedule within one Business Day of receipt. Any records that do not pass the Contractor's validation test must be reported to the Plan Sponsor within one Business Day after the file has been uploaded.
Penalty
The penalty for failure to meet this SLA is $8,000.00 quarterly.

SLA #2
ID Cards
Guarantee
99.00% of Participant identification cards for new enrollees will be mailed within 10 Business Days of Contractor's receipt of (1) clean eligibility data or (2) a request for replacement card from a Plan Participant.
Penalty
The penalty for failure to meet this SLA is $6,000.00 quarterly.

SLA #3
Average Speed of Answer
Guarantee
Contractor's personnel shall answer all calls in queue within an average of 30 seconds or less.
Penalty
The penalty for failure to meet this SLA is $4,500.00 quarterly.

SLA #4
Telephone Servicing Factor
Guarantee
80.00% of calls must be in queue (left IVR) for service less than 30.00 seconds. Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is $4,500.00 quarterly.

SLA #5
Abandonment Rate
Guarantee
The monthly call abandonment rate must not exceed 3.00%. Rate will be measured using calls which abandon after 30.00 seconds.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #6
First Call Resolution
Guarantee
93.00% of calls must be resolved on the first call. Members following up on same issue within seven calendar days cannot be considered resolved. Contractor agrees to commit to a First Call Resolution SLA that will be mutually defined by the two parties. Contractor is in the process of revamping its data collection and reporting capabilities to accurately track this metric and will begin to utilize the new report and methodology for the 1Q 2015 SLAs.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #7
Response Time to Written Inquiries
Guarantee
The Contractor must resolve 99.00% or greater of written inquiries from members submitted within 10 Business Days of receipt from member or Plan Sponsor and 100.00% of written inquiries within 30 Business Days of receipt.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #8
Point-of-Sale Claims Payment Accuracy - Retail
Guarantee
99.99% of POS claims must be paid accurately Measurement will be based on final audit results.
Penalty
The penalty for failure to meet this SLA is $55,000.00 annually.

SLA #9
Paper Claims Processing Time (Direct Member Reimbursement) - Retail
Guarantee
95.00% of all retail paper claims must be paid within 10 Business Days. 100.00% of all retail paper claims must be paid within 15 Business Days.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #10
Point-of-Sale Pharmacy Network Proximity to Members
Guarantee
• At least 90.00% of Medicare beneficiaries in the sponsor's urban service area, on average, live within two miles of a retail pharmacy participating in the Sponsor's network • At least 90.00% of Medicare beneficiaries in the sponsor's suburban service area, on average, live within five miles of a retail pharmacy participating in the Sponsor's network • At least 70.00% of Medicare beneficiaries in the sponsor's rural service area, on average, live within 15 miles of a retail pharmacy participating in the Sponsor's network.
Penalty
The penalty for failure to meet this SLA is $14,000.00 annually.

SLA #11
Point-of-Sale Pharmacy Network System Downtime
Guarantee
Except for scheduled maintenance periods, Contractor's on-line claims adjudication system will be available at least 99.98% of the time.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #12
Point-of-Sale Pharmacy Network - Desk Audits
Guarantee
The Contractor must perform desk audits on the top 10.00% of participating pharmacies by Claim volume (with a minimum of 600 claims per year) at the end of each quarter.
Penalty
The penalty for failure to meet this SLA is $14,000.00 quarterly.

SLA #13
Point-of-Sale Pharmacy Network - On-site Audits
Guarantee
Contractor must perform on-site audits on the top 5.00% of network participating pharmacies (Contractor National Network) by Claim volume (with a minimum of 500 claims per year) through on-site compliance audits.
Penalty
The penalty for failure to meet this SLA is $14,000.00 Annually.

SLA #14
Timely Production of Management Reports
Guarantee
The Contractor must provide monthly, quarterly, and annual reports mutually agreed upon reporting within 45 Days of the end of the month and quarter, and the annual reports within 90 Days of Plan year end in accordance with section 1.042 of the Contract. Reports and report timeframes are defined in section 1.042.
Penalty
The penalty for failure to meet this SLA is $14,000.00 annually.

SLA #15
Rebates
Guarantee
All Rebate payments must be made to the Plan Sponsor within 30 Days of the Contractor's receipt of the Rebates from the manufacturer, wholesaler, or other source but no later than 180 days after the close of the quarter. The Contractor must provide a quarterly Rebate report as described in § 1.022 F(5). Final annual reconciliation (true-up) must be performed and paid out annually within 90 Days of Plan year end.
Penalty
The penalty for failure to meet the reporting portion of this SLA is $12,000.00 annually and Full Recovery of unpaid rebates plus 100% for timely annual true up payment

SLA #16
Prior Authorization Review – Non-Urgent
Guarantee
NON-URGENT: 99.00% of Initial Determination decisions will be made and communicated within five Business Days of receipt of request.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #17
Prior Authorization Review - Urgent
Guarantee
URGENT: 99.00% of Initial Determination decisions will be made and communicated within 48 hours of receipt of request.
Penalty
The penalty for failure to meet this SLA is $ 5,000.00 quarterly.

SLA #18
Appeals Reporting
Guarantee
Standard: 97.00% of Standard Redetermination decisions will be made and notified within seven calendar days from receipt of request and 100.00% in 14 calendar days. Expedited: 97.00% of Expedited Redeterminations decisions will be made and notified within 72 hours from receipt of request and 100% within five Calendar days.
Penalty
The penalty for failure to meet this SLA is $5,000.00 quarterly.

SLA #19
Member Satisfaction Survey
Guarantee
Contractor will conduct an annual member satisfaction survey of randomly selected members from across the population of members managed by Contractor of Plan Sponsor's membership who have experience with one or more of the following PBM services provided they are delivered and managed by Contractor: 1) general benefits, 2) mail service, and/or 3) Specialty pharmacy. The survey tool must be mutually agreed upon between Catamaran and Plan Sponsor for both Medicare and non-Medicare populations. The survey methodology will be designed to achieve a statistically-valid sample that is representative of ORS members managed by Contractor. A "satisfied" rating is defined as four or greater on a five point scale or another scale equivalent Using the scale definitions of 1-extremely dissatisfied 2 dissatisfied 3- Neutral – 4 very satisfied 5- extremely satisfied Any data collected will be reported, in aggregate, on an annual basis. Contractor guarantees it will achieve an overall satisfaction rate of 85.00% Contractor will make a good faith effort to achieve this sample size but will not be required to pay any of the failure penalty specified, regardless of the outcome, if the number of responses received does not comprise a statistically valid sample.
Penalty
The penalty for failure to meet this SLA is $23,000.00 annually.

3. **Mail Order Pharmacy Service Level Agreements. (This section applies to both EGWP and Non-EGWP populations)**

SLA #1
Routine Claims Processing Time – Mail Order
Guarantee
The Contractor must dispense and ship 95.00% of routine prescriptions (those prescriptions not requiring intervention) within a quarterly average of two Business Days of receipt of the order at the Mail Service Pharmacy.
Penalty
The penalty for failure to meet this SLA is $51,000.00 quarterly.

SLA #2
All Claims Processing Time – Mail Order
Guarantee
The Contractor must dispense and ship 99.00% of all prescriptions (including those that require intervention) with a quarterly average of five Business Days of receipt of the order at the Mail Service
Penalty
The penalty for failure to meet this SLA is $51,000.00 quarterly.

SLA #3
All Claims Dispensing Accuracy – Mail Order
Guarantee
Contractor's mail order pharmacy will meet a Dispensing Accuracy Rate of 99.99%. "Dispensing Accuracy Rate" means (i) the number of all mail order pharmacy prescriptions dispensed by Contractor's Mail Service pharmacy less the number of those prescriptions dispensed by Contractor's Mail Service pharmacy which are reported to Contractor's Mail Service pharmacy and verified by Contractor's Mail Service pharmacy as having been dispensed with the incorrect drug, strength, patient, form, or directions, divided by (ii) the number of all mail order pharmacy prescriptions dispensed by Contractor's Mail Service pharmacy.
Penalty
The penalty for failure to meet this SLA is $51,000.00 quarterly.

SLA #4
Mail Order Implementation
Guarantee
Contractor guarantees successful implementation of Contractor's mail service for Plan Sponsor. Successful implementation will be measured by Contractor's ability to successfully implement the Plan Sponsor's mail service pharmacy program as of January 1, 2015, by completing the milestones in an accurate and timely manner according to Contractor's detailed implementation project plan. Guarantee assumes that Plan Sponsor will adhere to all implementation requirements consistent with meeting agreed upon timeframes. The milestones are: (1) Plan Sponsor's coverage will be set up in RxExpress by 11/1/2014; (2) Open Refill Transfer Files will be loaded in RxExpress within three days after receipt of loadable files from the prior vendor; and (3) Initial results from the Open Refill Transfer File load will be delivered to the Plan Sponsor within four days after receipt of files from the prior vendor.
Penalty
The penalty for failure to meet this SLA is $375,000.00.

4. **Specialty Pharmacy Service Level Agreements. (This section applies to both EGWP and Non-EGWP populations)**

SLA #1
All Claims Processing Time - Specialty
Guarantee
The contractor must dispense and ship 98.00% of all prescriptions (including those that require intervention) by the member requested "needs by" date.
Penalty
The penalty for failure to meet this SLA is $102,000.00 quarterly.

SLA #2
All Claims Dispensing Accuracy - Specialty
Guarantee
Contractor's Specialty Pharmacy guarantees 99.95% accuracy in prescription dispensing including correct patient, correct medication, correct strength, correct dosage, and correct sig.
Penalty
The penalty for failure to meet this SLA is $51,000.00 quarterly.

5. Combined EGWP and NON-EGWP

SLA #1	
Account Management Satisfaction Survey	
Guarantee	
Contractor will conduct an annual survey of members of Client's management team to assess the performance of Contractor's Account Service team and the service being provided. Satisfaction will be evaluated using the Plan Sponsor's evaluation tool as used in fiscal year 2013 and the Contractor must achieve a minimum rating of 3.75 on each of the four categories.	
Current Metric	**Question(s) from proposed survey**
Timely issue resolution by the account management team (*e.g.*, issues resolvable by the account management team are acknowledged, responded to within 24 hours and closed within a reasonable period of time)	My Account Manager returns my calls/emails promptly. My Account Manager addresses urgent issues in a timely manner.
Consultative services	Contractor assists with Strategic initiative proposals and strategies to ORS cost.
Timeliness of reporting and annual reviews	Reporting deliverables are delivered in a manner that is timely based on Contract language and business needs.
Frequency of meetings / plan updates	Meetings occur with enough frequency. Plan updates occur in a timely manner.
Penalty	
The penalty for failure to meet this SLA is $161,000.00 annually.	

SLA #2
Non-Financial claims processing accuracy
Guarantee
The Error rate for Non-Financial claims processing errors must not exceed 3% of the total claims audited.
Penalty
The penalty for failure to meet this SLA is $160,000.00 annually

12. This Amendment shall become effective on the Amendment Effective Date. In the event of a conflict between the terms of the Contract and this Amendment, the terms of this Amendment shall control. Except as otherwise amended by this Amendment, all other terms and conditions of the Contract shall continue in full force and effect.

Section 1.042 Report Schedule:

EGWP and Non-EGWP Reports:

Monthly Activity Summary Report	Monthly
Utilization Reports	Monthly
Claim Lag Reports	Monthly
Year to Date Summaries of Monthly Reports	Quarterly
Rebate Reports	Quarterly
Performance Standard Results	Quarterly
Management Summary	Annual
Full Financial and Enrollment Experience	Annual
Top 100 Brand and Generic Drug Report	Annual
Specialty Drug Listing	Annual
Formulary Reimbursement	Annual
Physician Profiling / Other Clinical Effectiveness Reports	Annual
Member Communications Approval Process	Semi-annually
Service Level Agreement (SLA) report	Annual
SLA Tracking Tool	Quarterly
Top Patients by Cost	Quarterly
Industry Updates (as part of PHASR)	Quarterly
Clinical Savings (as part of PHASR)	Quarterly
Government benchmarks and State benchmarks in PHASR reports	Quarterly

EGWP Specific Reports:

Projected Subsidy Based on Accepted PDEs	Quarterly
Late Enrollment Penalty	Monthly
PDP Enrollment / Disenrollment	Weekly
Medicare Enrollment Exceptions Report	Weekly
Subsidy Detail	Monthly
Appeals	Quarterly
Coverage Review and Exception	Quarterly
Grievances	Quarterly
Medication Therapy Management	Annual
Utilization Reports	Monthly
Catastrophic Reinsurance	Annual
Low Income Cost Share (LICS)	Annual
Underwriting Projection CMS Subsidy Report	Annual

Reports Needed On an Ad-Hoc Basis

Communications Campaign Mailing
Access to Extended Days Supplies at Retail
Prescription Drug Event (PDE) report based on Drug Data
Processing System (DDPS) Transaction Validation File

Form No. DTMB-3521 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 4

to

CONTRACT NO. 071B0200095

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Catamaran PBM of Maryland, Inc.	Kathryn Friedman	kfriedman@catamaranrx.com
2441 Warrenville Road, Suite 610	TELEPHONE	CONTRACTOR #, MAIL CODE
Lisle, IL 60532	866-308-4547 ext. 89725	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DTMB	Kerrie Vanden Bosch	(517) 636-6104	vandenboschk@michigan.gov
BUYER	DTMB	Lance Kingsbury	(517) 284-7017	kingsburyl@michigan.gov

CONTRACT SUMMARY:

Pharmacy Benefits Management for MPSERS – Department of Technology, Management and Budget / Office of Retirement Services

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2010	December 31, 2012	4, 1 yr. options	December 31, 2014
PAYMENT TERMS	**F.O.B**	**SHIPPED**	**SHIPPED FROM**
Net 45	N/A	N/A	N/A

ALTERNATE PAYMENT OPTIONS:	AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other	☐ Yes ☒ No

MINIMUM DELIVERY REQUIREMENTS:

N/A

DESCRIPTION OF CHANGE NOTICE:

EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
☐ No ☒ Yes	☒	☐	2 years	December 31, 2016

VALUE/COST OF CHANGE NOTICE:	ESTIMATED REVISED AGGREGATE CONTRACT VALUE:
$800,000.00	$2,931,798,804.00

Effective January 1, 2015, this contract is exercising the option years and is increased by $$800,000. The revised contract expiration date is December 31, 2016. The following document is hereby incorporated into the contract.

All other terms, conditions, specifications, and pricing remain the same. Per contractor and agency agreement, DTMB Procurement approval, and State Administrative Board approval on November 25, 2014.

This Amendment No. 4 (the "Amendment") to Contract No. 071B020095 (the "Contract") between Catamaran PBM of Maryland, Inc. f/k/a Catalyst Rx ("Contractor" or "Catamaran"), a Nevada Corporation, Catamaran Insurance of Ohio, Inc., an Ohio corporation which provides the EGWP related services described in this Amendment ("Catamaran-EGWP") and the State of Michigan Office of Retirement Services ("Plan Sponsor" "Client" or "State") under which Contractor provides Prescription Benefit Management Services to the Michigan Public School Employees Retirement System ("MPSERS"), is made effective as of January 1, 2015 (the "Amendment Effective Date"). Contractor and Plan Sponsor may hereinafter be referred to individually as "Party" and collectively as "Parties."

Per Section 2.002 of the Contract, the Parties hereby agree to exercise the third and fourth one year option terms in the Contract and the extended term is now January 1, 2015, through December 31, 2016.

RECITALS:

WHEREAS, Plan Sponsor provides coverage, including pharmacy coverage, to Members of MPSERS, some of who are Medicare-eligible;

WHEREAS, Contractor provides certain pharmacy benefit management and Employer Group Waiver Plan ("EGWP") services to Plan Sponsor as set forth in the Contract, as amended; and

WHEREAS, the Parties wish to modify and supplement the provisions of the Contract.

NOW, THEREFORE, in consideration of the mutual promises set forth below, the Parties hereto agree as follows:

1. Section 1.022(D)(3) (Communication Material) of the Contract is hereby amended by inserting the following at the end of such Section: "The Parties will establish agreed upon schedule(s) for communication materials identifying the communication material, the date for delivery by Contractor to the Plan Sponsor for review and approval and the date for approval by the Plan Sponsor, with a target of Plan Sponsor having as much time as reasonably possible but not less than 10 day review period. Plan Sponsor will use reasonable best efforts to approve communications materials by the agreed upon approval dates. If not approved by such date, the parties will escalate to resolve any issues as soon as reasonably possible. ".

2. Section 1.022(L)(Performance Guarantees; Service Level Agreement (SLAs) Ongoing Services) of the Contract is hereby amended by inserting the following as a new performance guarantee at the end of such Section:

   SLA #23 Contractor Mail Service Implementation Guarantee.

   Contractor must provide Plan Sponsor a one time performance guarantee of successful implementation of Contractor's mail service for Plan Sponsor. Successful implementation will be measured by Contractor's ability to successfully implement the Plan Sponsor's mail service pharmacy program as of January 1, 2015, by completing mutually accepted key milestones (to be established by September 19, 2014, unless such date is extended by mutual agreement of the Parties) in an accurate and timely manner according to Contractor's detailed implementation project plan. The milestones will be determined prior to implementation. A penalty of $375,000.00 will apply for failure to meet this guarantee.

3. Section 1.062 (Price Term) of the Contract is hereby amended by inserting the phrase "services, utilization, demographics plan design with similar life counts, utilization and total drug spend" immediately after the word "size" in the first sentence of such Section.

4. Attachment A-1(as added under Change Notice No. 3 (Revised)): Commercial "Pass Through" Pricing for PBM Services is hereby deleted in its entirety and replaced with the updated Attachment A-1attached hereto. For clarity and to avoid doubt, Attachment A under the base Contract remains deleted in its entirety (as per Change Notice No. 3) and is replaced with Attachments A-1 and A-2 appended hereto.

5. Attachment A-2(as added under Change Notice No. 3 (Revised)): Claims Billing and EGWP PDP Administrative Fees is hereby deleted in its entirety and replaced with the updated Attachment A-2 attached hereto. For clarity and to avoid doubt, Attachment A under the base Contract remains deleted in its entirety (as per Change Notice No. 3) and is replaced with Attachments A-1 and A-2 appended hereto.

6. Attachment B: EGWP Client Services Agreement is hereby added to the Contract.

7. This Amendment will become effective on the Amendment Effective Date. In the event of a conflict

between the terms of the Contract and this Amendment, the terms of this Amendment will control. Except as otherwise amended by this Amendment, all other terms and conditions of the Contract will continue in full force and effect.

Attachment A-1
Commercial "Pass Through" Pricing for PBM Services

A. Service Fees.

Plan Sponsor will pay Contractor for the services provided herein pursuant to the following table for calendar years 2015 and 2016. Plan Sponsor will be charged actual rates with all discounts and rebates considered minimum guarantees. Administrative fees and Dispensing fees will be considered maximum guarantees.

	PASS THROUGH MODEL*
Administrative Fee	
Base Fees:	$3.32 PCHPM (defined below)
Paper Claim Fee:	Included in Base Fees
Retail Pharmacy Network	
Brand Drugs	AWP minus 16.10%
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 82.00% for 2015 AWP minus 82.50% for 2016
Dispensing Fee (Brand and Generic)	$1.35 Dispensing Fee
Retail Pharmacy Network (Open) (> 83 Days' Supply)	
Brand Drugs	AWP minus 18.70%
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 83.50% for 2015 AWP minus 84.00% for 2016
Dispensing Fee (Brand and Generic)	$0.00 Dispensing Fee
Mail Service Pharmacy**	
Brand Drugs	AWP minus 22.30%
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 85.35%
Dispensing Fee (Brand and Generic)	$5.00 Dispensing Fee for 2015
	$2.00 Dispensing Fee for 2016
Specialty Pharmacy (Preferred or Exclusive)	
See provided Commercial Specialty Pricing Schedule for Individual Drug Level Pricing Information where Contractor is the specialty pharmacy; Dispensing Fee is $0.00	
Rebates (Preferred 3-Tier, Custom Formulary)***	
	Greater of 100.00% or
Retail Minimum	$18.50 per net paid brand claim
Mail Minimum	$30.00 per net paid brand claim
Specialty Minimum	$76.34 per net paid brand claim

**Experience for specific network pharmacies may differ. These rates represent the average net effective rate for the overall network and are based on the AWP as determined by the Medispan Master Drug Data Base, including supplements thereto (post-AWP rollback rates). Plan Sponsor will be charged actual rates but minimum guarantees apply as stated in table.*

***The Parties acknowledge that as of the Amendment Effective Date, Contractor Home Delivery will provide exclusive mail order services to Plan Sponsor under this Contract.*

****Contractor will pass through to Plan Sponsor 100% of Rebates, including manufacturer administrative fees, it receives that can be attributed to allowable utilization of Members hereunder.*

General Notes

- Under the Pass Through Pricing Model, Plan Sponsor shall pay the actual retail pharmacy rates paid by Contractor for prescriptions electronically processed and dispensed to a Member through Contractor's retail pharmacy network. Notwithstanding anything in the Contract to the contrary, Plan Sponsor shall pay for Mail Service Pharmacy and Specialty Pharmacy services in accordance with the rates set forth in the table above (including the Specialty Drug List referenced therein) which may not be the actual rates paid by Contractor for prescriptions processed and dispensed through the Mail Service Pharmacy and Specialty Pharmacy.

- The discounts and the dispensing fees set forth above are guaranteed effective average rates, in aggregate, as measured annually and over the term of the Contract (reported and reconciled annually over successive one year terms). In calculating the effective average discounts, Contractor may include the value of all other discounts delivered in connection with this Contract including but not limited to other savings and reimbursements delivered hereunder by Contractor (e.g., lower of usual & customary (U&C) pricing). Contractor will review the overall annual performance of its rates and report on the net performance by dispensing channel (Retail separate from Mail Order). All proposed guarantees shall be reconciled annually against actual results and shall be backed dollar-for-dollar. For clarity, over-performance in any one component may be used to offset under-performance in any one component within a dispensing channel (Retail separate from Mail Order). Compounds, Direct Member Reimbursement Claims, Coordination of Benefit Claims, Military Treatment Facility (i.e., Veterans Administration & Department of Defense) claims, OTC claims, and claims with ancillary charges will be excluded from the calculations. Specialty Drug claims filled at a retail pharmacy will be excluded from the retail effective average rate calculations. Additionally, claims dispensed in Puerto Rico, Hawaii, Massachusetts and Alaska and claims filled outside the Contractor national network shall be excluded from the calculations.

- Contractor compensation for its services shall be the Administration Fee set forth above and a fee in an amount agreed to by the parties for any additional services authorized by Plan Sponsor. The Administration Fee is on a Per Contract Holder Per Month basis. The Contract Holder count will not include the dependent of each Contract Holder. In addition, Contractor may, from time to time, receive and retain reimbursement from wholesalers and manufacturers as a purchaser of pharmaceutical products for its mail service and specialty pharmacies. The parties acknowledge that Contractor may charge Participating Pharmacies an electronic processing fee for transmission services that Contractor provides to the pharmacies.

- “Net Paid Claim” means all paid Claims minus reversals for a single prescription fill.

- Dispensing fee refers to the amount paid to the participating pharmacy for filling a prescription.

- Single Source Generics will be included in the overall generic drug guarantee.

- The effective overall generic discount rate is the only generic rate guaranteed for purposes of retail and mail service pharmacy rates.

- Contractor negotiates Rebates based on market share over its aggregate book of business and not on behalf of any client. Rebates shall be based upon net paid brand name drug claims submitted on behalf of Plan Sponsor, allocable to Plan Sponsor. The three-tier Rebate guarantees above apply to a qualified three tier plan design with a minimum differential of $15 between preferred and non-preferred brand drugs. Contractor and affiliated third party contractors may receive manufacturer administrative fees for participation in and/or administration of the formulary rebate program; Contractor will pass such manufacturer administrative fees through to Plan Sponsor pursuant to the terms of this Contract.

- Plan Sponsor acknowledges and agrees that certain Member-submitted claims, discount card programs, coordination of benefits (COB) claims whereby Contractor is the secondary payor, and Member claims filled at Participating Pharmacies that are also receiving purchasing price concessions, such as pharmacies who qualify for 340B pricing under section 340B of the Public Health Services Act or pharmacies that are members of group purchasing organizations (GPOs) are not eligible for Rebates. Contractor acknowledges and agrees that Plan Sponsor has a custom formulary and that Plan Sponsor maintains control over its custom formulary, including any changes thereto; provided that, Plan Sponsor acknowledges and agrees that a material change to Plan Sponsor’s custom formulary, one that could result in a 2% or greater loss in Rebates would demonstrate a negative impact on Contractor’s ability to achieve the Rebate guarantees herein and will result in adjustment to the Rebate guarantee commensurate to the impact of the formulary change. In such event of any modification to the rebate guarantees noted in this section, Contractor will provide Plan Sponsor with notice of potential change of the guaranteed Rebates and will provide an illustration of the corresponding economic impact and any equitable adjustment to the guarantees, as may be necessary solely to preserve the parties’ relative economics before such change. Any adjustment to the guaranteed Rebates will be based upon the actual reduction in the Rebates related to the change. The parties will then discuss and negotiate the potential change to the guaranteed Rebates in good faith. During such negotiations, the parties agree that any modified pricing terms will be effective as of the actual implementation date of such pricing adjustment or such other time frame agreed upon by the parties. Contractor will provide a 30 day notice period to Plan Sponsor when distributing the impact evaluation. Notwithstanding the forgoing, Plan Sponsor and Contractor will reach agreement on the pricing adjustment prior to implementation of any change to Plan Sponsor’s custom formulary.

- The Specialty Pharmacy arrangement shall be considered "exclusive" if Contractor is the exclusive Specialty Provider under the Contract and Plan Sponsor Members utilize only Contractor specialty providers. Plan Sponsor may elect to implement an "exclusive" Specialty Pharmacy arrangement upon written notice to Contractor, which Contractor will implement as promptly as possible upon receipt of such notice. Otherwise, the Specialty Pharmacy arrangement shall be considered "preferred". Under the "preferred" Specialty Pharmacy arrangement, Contractor will be responsible to directly communicate with all Members utilizing Specialty Pharmacy services and be responsible to designate and manage the whole Specialty Pharmacy network to offer enhanced care coordination to Members who voluntarily select Contractor as their Specialty Pharmacy and provide enhanced cost savings to the Plan Sponsor. Contractor shall be eligible to dispense any Specialty Prescription under the Contract for Members who select Contractor as their Specialty Pharmacy. The Commercial Specialty Pricing Schedule shall apply for all specialty prescriptions dispensed by Contractor.

- The provided Specialty Drug List may be updated from time to time; provided that Contractor will notify Plan Sponsor of new-to-market Specialty Drugs. New drugs are added as soon as they are available in Medispan (typically on the day or within a few days of product launch). Pricing is available around the same timeline. New Specialty Drugs that fall into an existing therapeutic class will be priced at the therapeutic class rate. If there is no true therapeutic class rate (i.e., multiple AWP discounts for the drugs within a given therapeutic class), the new drug will be priced at the lowest AWP discount within the therapeutic class. For example, if discounts of AWP – 10% and AWP minus 12% exist with the same therapeutic class, new products would be priced at AWP – 10%. Any existing products or newly FDA-approved products that do not fall into an existing therapeutic class will be billed and reimbursed at the default rate of AWP – 14%.

- Contractor reserves the right to modify or amend the financial provisions of this Contract upon prior notice to Plan Sponsor in the event of (a) any government imposed change in federal, state or local laws or interpretation thereof or industry wide change that would make Contractor's performance of its duties hereunder materially more burdensome or expensive; (b) a change in the scope of services to be performed under this Contract upon which the financial provisions included in this Contract are based, including a change in the plan design, custom formulary or the exclusion of a service line (i.e. retail, mail, specialty) from Plan Sponsor's service selection that Contractor can demonstrate impacts its ability to meet the financial provisions in this Contract; (c) a reduction of greater than 30% in the total number of Members from the number provided to Contractor during pricing negotiations upon which the financial provisions included in this Contract are based; (d) unexpected movement of a branded product to off-patent or where there are generic or over-the-counter substitutes available; (e) changes made to the AWP benchmark or the methodology by which AWP is calculated or reported; or (f) Contractor is no longer the exclusive specialty pharmacy provider. To implement such a modification or amendment, Contractor shall, to the extent reasonably possible, provide 60 days prior written notice to Plan Sponsor detailing the adjustment to the financial provisions, accompanied by documentation of an analysis reasonably demonstrating that the adjustment places each party in substantially the same position as before the change. To the extent it is not reasonably possible to provide Plan Sponsor with 60 days prior written notice, Contractor will provide Plan Sponsor with as much notice as reasonably possible given the circumstances. Should the parties not agree that the changes are reasonable, Plan Sponsor may terminate this Contract upon prior written notice to Contractor.

B. Base Services remain as defined and listed in the Contract subject to the revised Amendment pricing. The following services are included in the Base Fees:

SERVICE	INCLUDED IN BASE FEE
Claims processing	Included
Eligibility management using 834 file	Included
Member services	Included
Member website with specific benefit and pricing information for Plan Sponsor	Included
Member communications including customization, postage and handling	Included
Pharmacy network management	Included
Standard reporting	Included
Pharmacy auditing	Included
Account management team including a Clinical Consultant	Included
Formulary administration	Included
Member satisfaction surveys	Included
Participation in commercially reasonable number of member meetings	Included
Rebate administration and reporting	Included

Quarterly review meetings and additional meetings as requested	Included
Retro DUR as follows:	
Contractor Retrospective Drug Utilization Review / Safe & Appropriate Medications	Included
Contractor Retrospective Drug Utilization Review / Abuse Medications	Included
Contractor Retrospective Drug Utilization Review / Gaps in Care	Included

C. Optional Ancillary Services. Certain services as indicated below are not included in the standard Administrative Fee and are available for an additional charge. This is not an inclusive list. Contractor may charge for any products or services not specifically represented herein.

Contractor Medication Therapy Management Program:	$0.50 PMPM with the following allocations: • Comprehensive Medication Review $0.28 PMPM • Appropriateness of Therapy $0.09 PMPM • Inappropriate Medications in Elderly $0.01 PMPM • Compliance and Persistency $0.12 PMPM
Medication Adherence/Member Only Outreach Medication Adherence/Member & Prescriber Outreach	$0.22 PMPM $0.31 PMPM

Attachment A-2: EGWP Claims Billing and EGWP PDP Administrative Fees

A. Service Fees.

Plan Sponsor will pay Catamaran-EGWP for the EGWP services set forth in Attachment B pursuant to the following table. Plan Sponsor will be charged actual rates with all discounts and rebates considered minimum guarantees. Administrative fees and Dispensing fees will be considered maximum guarantees.

	PASS THROUGH MODEL*
Administrative Fee	
Base Fees:	$8.00 PMPM (using Catamaran-EGWP's EGWP Plan)
Paper Claim Fee:	Included in Base Fees
Retail Pharmacy Network	
Brand Drugs	AWP minus 15.90%
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 82.50% for 2015 AWP minus 83.00% for 2016
Dispensing Fee (Brand and Generic)	$1.55 Dispensing Fee
Retail Pharmacy Network (> 83 Days' Supply)	
Brand Drugs	AWP minus 19.90% (Custom Network)
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 89.00% for 2015(Custom Network) AWP minus 89.00% for 2016(Custom Network)
Dispensing Fee (Brand and Generic)	$8.10 Dispensing Fee (Custom Network)
Mail Service Pharmacy**	
Brand Drugs	AWP minus 22.30%
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 84.90%
Dispensing Fee (Brand and Generic)	$5.00 Dispensing Fee for 2015
	$2.00 Dispensing Fee for 2016
Specialty Pharmacy (Open)	
See provided EGWP Specialty Pricing Schedule for Individual Drug Level Pricing Information where Contractor is the specialty pharmacy; Dispensing Fee is $0.00	
Long Term Care (up to 31 Days' Supply)	
Brand Drugs	Lower of AWP minus 10.20% plus $3.55 Dispensing Fee or Usual & Customary Price
Generic Drugs	Lower of AWP minus 10.20% plus $3.55 Dispensing Fee, MAC plus $3.55 Dispensing Fee or Usual & Customary Price
Home Infusion	
Brand Drugs	Lower of AWP minus 9.7% plus $1.00 Dispensing Fee or Usual & Customary Price
Generic Drugs	Lower of AWP minus 9.7% plus $1.00 Dispensing Fee, MAC plus $1.00 Dispensing Fee or Usual & Customary Price
Indian/Tribal/Urban	
Brand Drugs	Lower of AWP minus 10.0% plus $1.00 Dispensing Fee or Usual & Customary Price
Generic Drugs	Lower of AWP minus 10.0% plus $1.00 Dispensing Fee, MAC plus $1.00 Dispensing Fee or Usual & Customary Price
Rebates (Preferred 4-Tier, Custom Formulary)***	
	Greater of 100% or
Retail Minimum	$16.30 per net paid brand claim
Mail Minimum	$38.38 per net paid brand claim
Specialty Minimum	$76.34 per net paid brand claim

**Experience for specific network pharmacies may differ. These rates represent the average net effective rate for the overall network and are based on the AWP as determined by the Medispan Master Drug Data Base, including supplements thereto (post-AWP rollback rates). Plan Sponsor will be charged actual rates but*

minimum guarantees apply as stated in table.

*** The pricing for mail service pharmacy reflected above applies where Catamaran Home Delivery is the mail service pharmacy.*

****Catamaran-EGWP will pass through to Plan Sponsor 100% of Rebates, including manufacturer administrative fees, it receives that can be attributed to allowable utilization of Members hereunder.*

General Notes

- Under the Pass Through Pricing Model, Plan Sponsor shall pay the actual retail pharmacy rates paid by Catamaran-EGWP for prescriptions electronically processed and dispensed to a Member through Catamaran-EGWP's retail pharmacy network. Notwithstanding anything in the Contract to the contrary, Plan Sponsor shall pay for Mail Service Pharmacy and Specialty Pharmacy services in accordance with the rates set forth in the table above (including the Specialty Drug List referenced therein) which may not be the actual rates paid by Catamaran-EGWP for prescriptions processed and dispensed through the Mail Service Pharmacy and Specialty Pharmacy.

- The discounts and the dispensing fees set forth above are guaranteed effective average rates, in aggregate, as measured annually and over the term of the Contract (reported and reconciled annually over successive one year terms). In calculating the effective average discounts, Catamaran-EGWP may include the value of all other discounts delivered in connection with this Contract including but not limited to other savings and reimbursements delivered hereunder by Catamaran-EGWP (e.g., lower of usual & customary (U&C) pricing). Catamaran-EGWP will review the overall annual performance of its rates and report on the net performance by dispensing channel (Retail separate from Mail Order). All proposed guarantees shall be reconciled annually against actual results and shall be backed dollar-for-dollar. For clarity, over-performance in any one component may be used to offset under-performance in any one component within a dispensing channel (Retail separate from Mail Order). Compounds, Direct Member Reimbursement Claims, Coordination of Benefit Claims, Military Treatment Facility (i.e., Veterans Administration & Department of Defense) claims, OTC claims, and claims with ancillary charges will be excluded from the calculations. Specialty Drug claims filled at a retail pharmacy will be excluded from the retail effective average rate calculations. Additionally, claims dispensed in Puerto Rico, Hawaii, Massachusetts and Alaska and claims filled outside the Catamaran-EGWP national network shall be excluded from the calculations.

- Catamaran-EGWP's compensation for its services shall be the EGWP Administrative Fee set forth above and a fee in an amount agreed to by the parties for any additional services authorized by Plan Sponsor. The Administrative Fee is on a Per Part D Eligible Member Per Month basis. In addition, Catamaran-EGWP may, from time to time, receive and retain reimbursement from wholesalers and manufacturers as a purchaser of pharmaceutical products for its mail service and specialty pharmacies. The parties acknowledge that Catamaran-EGWP may charge Participating Pharmacies an electronic processing fee for transmission services that Catamaran-EGWP provides to the pharmacies.

- "Net Paid Claim" means all paid Claims minus reversals for a single prescription fill.

- Dispensing fee refers to the amount paid to the participating pharmacy for filling a prescription.

- Single Source Generics will be included in the overall generic drug guarantee.

- The effective overall generic discount rate is the only generic rate guaranteed for purposes of retail and mail service pharmacy rates.

- Catamaran-EGWP negotiates Rebates based on market share over its aggregate book of business and not on behalf of any client. Rebates shall be based upon net paid brand name drug claims submitted on behalf of Plan Sponsor, allocable to Plan Sponsor. The four-tier Rebate guarantees above apply to a qualified four tier plan design with a minimum differential of $15 between preferred and non-preferred brand drugs. Catamaran-EGWP and affiliated third party contractors may receive manufacturer administrative fees for participation in and/or administration of the formulary rebate program; Catamaran-EGWP will pass such manufacturer administrative fees through to Plan Sponsor pursuant to the terms of this Contract.

- Plan Sponsor acknowledges and agrees that certain Member-submitted claims, discount card programs, coordination of benefits (COB) claims whereby Catamaran-EGWP is the secondary payor, and Member claims filled at Participating Pharmacies that are also receiving purchasing price concessions, such as pharmacies who qualify for 340B pricing under section 340B of the Public Health Services Act or pharmacies that are members of group purchasing organizations (GPOs) are not eligible for Rebates. Catamaran-EGWP acknowledges and agrees that Plan Sponsor has a custom formulary and that Plan Sponsor maintains control

over its custom formulary, including any changes thereto; provided that, Plan Sponsor acknowledges and agrees that a material change to Plan Sponsor's custom formulary, one that could result in a 2% or greater loss in Rebates would demonstrate a negative impact on Catamaran-EGWP's ability to achieve the Rebate guarantees herein and will result in adjustment to the Rebate guarantee commensurate to the impact of the formulary change. In such event of any modification to the rebate guarantees noted in this section, Catamaran-EGWP will provide Plan Sponsor with notice of potential change of the guaranteed Rebates and will provide an illustration of the corresponding economic impact and any equitable adjustment to the guarantees, as may be necessary solely to preserve the parties' relative economics before such change. Any adjustment to the guaranteed Rebates will be based upon the actual reduction in the Rebates related to the change. The parties will then discuss and negotiate the potential change to the guaranteed Rebates in good faith. During such negotiations, the parties agree that any modified pricing terms will be effective as of the actual implementation date of such pricing adjustment or such other timeframe agreed upon by the parties. Catamaran-EGWP will provide a 30 day notice period to Plan Sponsor when distributing the impact evaluation. Notwithstanding the forgoing, Plan Sponsor and Catamaran-EGWP will reach agreement on the pricing adjustment prior to implementation of any change to Plan Sponsor's custom formulary.

- Catamaran-EGWP specialty pharmacies shall be specialty providers under this Contract and Plan Sponsor Members shall utilize Catamaran-EGWP specialty pharmacies and other specialty providers. Additionally, Plan Sponsor Members may utilize any retail pharmacy in the Catamaran-EGWP national network for Specialty Drugs. The EGWP Specialty Pricing Schedule shall apply for all specialty prescriptions dispensed by Contractor. The provided Specialty Drug List may be updated from time to time; provided that Catamaran-EGWP will notify Plan Sponsor of new-to-market Specialty Drugs. New drugs are added as soon as they are available in Medispan (typically on the day or within a few days of product launch). Pricing is available around the same timeline. New Specialty Drugs that fall into an existing therapeutic class will be priced at the therapeutic class rate. If there is no true therapeutic class rate (i.e., multiple AWP discounts for the drugs within a given therapeutic class), the new drug will be priced at the lowest AWP discount within the therapeutic class. For example, if discounts of AWP – 10% and AWP minus 12% exist with the same therapeutic class, new products would be priced at AWP – 10%. Any existing products or newly FDA-approved products that do not fall into an existing therapeutic class will be billed and reimbursed at the default rate of AWP – 14%.

- Catamaran-EGWP reserves the right, to modify or amend the financial provisions of this Contract upon prior notice to Plan Sponsor in the event of (a) any government imposed change in federal, state or local laws or interpretation thereof or industry wide change that would make Catamaran-EGWP's performance of its duties hereunder materially more burdensome or expensive; (b) a change in the scope of services to be performed under this Contract upon which the financial provisions included in this Contract are based, including a change in the plan design, custom formulary or the exclusion of a service line (i.e. retail, mail, specialty) from Plan Sponsor's service selection that Catamaran-EGWP can demonstrate impacts its ability to meet the financial provisions in this Contract; (c) a reduction of greater than 30% in the total number of Members from the number provided to Catamaran-EGWP during pricing negotiations upon which the financial provisions included in this Contract are based; (d) unexpected movement of a branded product to off-patent or where there are generic or over-the-counter substitutes available; or (e) changes made to the AWP benchmark or the methodology by which AWP is calculated or reported. To implement such a modification or amendment, Catamaran-EGWP shall, to the extent reasonably possible, provide 60 days prior written notice to Plan Sponsor detailing the adjustment to the financial provisions, accompanied by documentation of an analysis reasonably demonstrating that the adjustment places each party in substantially the same position as before the change. To the extent it is not reasonably possible to provide Plan Sponsor with 60 days prior written notice, Catamaran-EGWP will provide Plan Sponsor with as much notice as reasonably possible given the circumstances. Should the parties not agree that the changes are reasonable, Plan Sponsor may terminate this Contract upon prior written notice to Catamaran-EGWP.

B. The All-Inclusive EGWP Administration Fee will include all services as defined and listed in the Contract subject to the revised Amendment pricing and the EGWP Exhibit.

C. **Optional Additional Services**. Certain services as indicated below are not included in the standard Administrative Fee and are available for an additional charge. This is not an inclusive list. Catamaran-EGWP may charge for any products or services not specifically represented herein.

Ancillary Services

Other Member or physician communications not mandated by CMS or considered necessary to provide essential plan information or clarifications to members	At Cost

D. **Billing of Claims for Vaccines**. Consistent with CMS regulations, services set forth in this Contract shall include coverage for Part D-covered, provider-administered vaccines. Billing will include (i) an applicable fixed vaccine inoculation fee not to exceed $20 when charged by the administering physician, if any, for all vaccines covered under Part D, and (ii) a third party vendor fee as charged to Catamaran -EGWP not to exceed $4 per paid claim. Claims for vaccines are excluded from Rebates.

E. **Catamaran-EGWP Providing Pass Through of All CMS Payment Components including, but not limited to the following:**

1. Catamaran-EGWP Administrator will pass through to Plan Sponsor 100% of the following CMS payment components:

1.1 Risk-adjusted Direct Per Member Per Month Subsidy (monthly) –This risk-adjusted Direct per member per month subsidy will be based on the CMS-provided National Average subsidy, provided in August or early September of each year. These payments shall be made within fifteen (15) days after the end of the month.

1.2 Annual Reinsurance Payments for Catastrophic Coverage (annually) – The reinsurance payments for catastrophic coverage will equal 80% of the net cost of claims incurred after the member reaches the CMS catastrophic coverage threshold (adjusted annually) in True Out of Pocket Spend, adjusted for Rebates. For purposes of the annual true-up of annual reinsurance payments, only Covered Retirees and Medicare-covered drugs shall be included.

1.3 Low Income Cost Sharing Subsidies (LICS) (annually) – Based on final reconciliation with CMS the LICS shall be payable to Plan Sponsor and shall be reconciled within ninety (90) days following the final reconciliation with CMS based on actual experience.

1.4 Low-Income Premiums Subsidies (LIPS) for Eligible Members (monthly) – The LIPS will be provided for Covered Retirees who qualify for low-income benefits as defined by CMS and the Social Security Administration. These payments shall be made monthly within fifteen (15) days after the end of the month.

1.5 Coverage Gap Discount Program (CGDP) (quarterly) – Based on quarterly reconciliation with CMS and participating Pharmaceutical Manufacturers, the CGDP shall be reconciled and paid to Plan Sponsor by Catamaran-EGWP within thirty (30) calendar days following receipt of the funds.

1.6. Subsidies will ONLY be received on behalf of members approved by CMS as eligible for the PDP. Any Member rejected by CMS will not be eligible for any of the subsidies outlined above. Members not approved by CMS may be covered under the benefit at the Plan Sponsor discretion in accordance with the terms of the Plan Sponsor's commercial Contract.

1.7 If Catamaran -EGWP fails to submit data-- adjusted data-- to CMS accurately or timely, they will be responsible for providing a payment to the Plan Sponsor equal to the amount of lost subsidy. This excludes enrollment or prescription drug event (PDE) records rejected due to eligibility issues for which the Plan Sponsor is responsible.

1.8 Plan Sponsor is responsible for billing and collecting the member's contribution to the premium, less any Low Income Premium Subsidy received from CMS for eligible members, and ensuring that the low income members are billed the appropriate monthly member premium. Catamaran -EGWP will provide Plan Sponsor a monthly list of low-income subsidy eligibles and the related premium amount. Plan Sponsor must refund the premium to the beneficiary within forty-five (45) days of receipt of the low-income premium subsidy payment amount.

2. Plan Sponsor shall receive claim and monthly electronic administrative invoices via a File Transfer Protocol (FTP) consistent with the current commercial invoice billing schedule, if any, applicable in the Contract. Both the claims fees and the monthly administrative fee will appear on the Plan Sponsor invoice. The monthly per member payment charge shall be made to Catamaran -EGWP, as applicable, in accordance with the instruction included in the invoice. The CMS components listed above that Catamaran -EGWP receives from CMS on behalf of Plan Sponsor will appear as a credit on the subsidy statement. These reports will be available on Catamaran -EGWP's website. All invoicing and payments are subject to the Contract.

3. State-to-Payer/Payer-to-Payer – Plan Sponsor will be responsible for any claims paid by the PDP as part of the State-to-Payer and/or Payer-to-Payer reconciliations for any Plan Sponsor enrolled Part D member.

Attachment B
EGWP Client Services Agreement
Between
Catamaran Insurance of Ohio, Inc.
and
State of Michigan Office of Retirement Services

This Employer Group Waiver Plan ("EGWP") Contract No. 071B0200095 Attachment (this "EGWP Agreement") address the terms under which Catamaran Insurance of Ohio, Inc., an Ohio company ("Catamaran-EGWP") provides prescription benefit management services to the Michigan Public School Employees Retirement System ("MPSERS" or "Client" or "Plan Sponsor"). Each of Plan Sponsor and Catamaran-EGWP is referred to as a **"Party"** and together the **"Parties"**. Catamaran-EGWP shall commence processing claims under this EGWP Agreement on January 1, 2014, **"EGWP Commencement Date"**. Per Section 2.002 of the Contract, the Parties hereby agree to exercise the third and fourth one year option terms in the Contract and the extended term is now January 1, 2015, through December 31, 2016.

WHEREAS, Catamaran-EGWP entered into an Employer Group Waiver Plan 800 Series Contract with the Centers for Medicare and Medicaid Services ("CMS") dated October 3, 2006, as amended (hereinafter **"CMS Contract");** and

WHEREAS, Catamaran-EGWP is a PDP Sponsor and provides through itself and its downstream entities, EGWP services to those retired employees or dependent of such retired employees who have met CMS regulations and guidance requirements to enroll in the EGWP; and

WHEREAS, Plan Sponsor is a trustee of a fund who desires to contract with Catamaran-EGWP for EGWP services for its retired employees or dependents of such retired employees who have not opted out of enrollment in Plan Sponsor's EGWP.

NOW THEREFORE, the Parties agree as follows:

Defined terms used throughout Contract No. 071B0200095, as amended ("Contract") and within this EGWP Agreement are incorporated herein by reference. Any term capitalized in this EGWP Agreement and not defined shall be defined as they are in the CMS Medicare Managed Care Manual and/or Prescription Drug Benefit Manual.

1. Obligations of Catamaran-EGWP.

(a) EGWP PBM Services. Catamaran-EGWP, through its affiliated PBM and contracted mail and specialty pharmacies providing services to Plan Sponsor, shall provide claims processing, retail, mail, Specialty, and Rebate services as detailed in the Contract and additionally in accordance with CMS requirements for Plan Sponsor's EGWP Eligible Participants. **"Participants"** or "**Eligible Participants**" shall mean those retired employees or dependents of such retired employees who have met CMS' regulations and guidance requirements to enroll in the EGWP and have not opted out of enrollment in Plan Sponsor's EGWP. Catamaran-EGWP will maintain a pharmacy network which shall meet the pharmacy access requirements set forth in 42 CFR §423.120, as applicable to EGWPs, or other requirements as mandated by the CMS Contract. Catamaran's unaffiliated subcontractors and vendors are available upon request.

(b) EGWP Formulary Services.

(i) CMS Approved Custom Formulary. To the extent Plan Sponsor is using a custom formulary, Catamaran-EGWP will work with Plan Sponsor to create and publish the custom formulary in accordance with the custom formulary Services provision below.

(ii) Custom Formulary Services. Utilization Management programs (e.g., Prior Authorizations, Step Therapy and Quantity Limits) may be selected for inclusion into the custom formulary. The Plan Sponsor shall provide Catamaran-EGWP with any changes to the custom formulary at least ninety (90) days prior to the CMS filing submission date for initial formulary submissions and 60 days prior to the CMS filing submission date for positive custom formulary changes to ensure proper implementation. Should changes be submitted with less than a 90 day notice or 60 day notice, as applicable, Catamaran-EGWP will make a good faith effort to incorporate changes as requested as timely as possible. No negative modifications shall be allowed except for safety or efficacy as required under Federal Drug Administration or CMS regulations and for maintenance changes (e.g., remove brands for newly released generics). New products may be added to the custom formulary from time to time as they enter the market place (which may be more than once per year). Catamaran-EGWP shall make the changes to the adjudication

system accordingly to reflect the approved changes to the custom formulary. Catamaran-EGWP shall not be responsible for changes requested by the Plan Sponsor to the custom formulary which are not communicated to Catamaran-EGWP in the 90 and 60 day timeframes set forth above. Plan Sponsor acknowledges that requests for modifications shall be strictly limited to the custom formulary. Any changes to the custom formulary may impact Rebates under this EGWP Agreement, pursuant to Attachment A-2. Catamaran-EGWP agrees to submit the custom Formulary to CMS on an annual basis for CMS approval.

(c) Pharmacy & Therapeutics (P&T) Committee. The Catamaran-EGWP P&T Committee is an external advisory committee comprised of healthcare professionals (physicians, pharmacists, nurses, etc.) that are responsible for managing and administering the Catamaran-EGWP Formulary, including utilization management strategies. The P&T Committee will develop, maintain, and review the Base Formulary, Plan Sponsor custom formulary, and other Catamaran-EGWP formularies at least annually to ensure that the formularies are appropriate based on existing pharmacy practices and CMS requirements.

(d) EGWP Specific Clinical Services. Catamaran-EGWP will continue to provide all Concurrent Drug Utilization Review, Prior Authorization, and Clinical Communication services as described in Section 1.022. E. of the Contract. In addition, Plan Sponsor acknowledges that Catamaran-EGWP may contact prescribers, as appropriate, to obtain approval for substitution of formulary drugs and contact Participants regarding medication adherence, education or similar programs. Where practicable, Catamaran-EGWP shall use reasonable efforts to provide Plan Sponsor the opportunity to review any non-emergency standard or form Member communication materials before they are distributed to Members by Catamaran-EGWP. Catamaran-EGWP is not obligated to make any changes to such communications, except in the case of material error. The additional EGWP Clinical Services below will be provided under this EGWP Agreement:

(i) Catamaran MTM Program. The Catamaran MTM Program consists of Catamaran-EGWP (in conjunction with necessary third parties that are identified by Catamaran-EGWP to Plan Sponsor) performing a comprehensive medication review and targeted medication review designed to ensure that medications prescribed to Eligible Participants are appropriately used to optimize therapeutic outcomes through improved medication use, and to reduce the risk of adverse events, including adverse medication interactions. Catamaran-EGWP will identify Eligible Participants and will, if applicable, recommend changes in such Eligible Participant's drug regimens to the prescribing physicians and/or the dispensing pharmacists, and if applicable, to the Eligible Participants. This is a mandatory program to comply with CMS regulations.

(ii) Catamaran Basic RetroDUR Program. The Catamaran-EGWP RetroDUR Program consists of Catamaran-EGWP (in conjunction with necessary third parties that are identified by Catamaran-EGWP to Plan Sponsor) performing a retrospective review of Eligible Participant's prescription claims and, if available and agreed to by the Parties, medical data, to evaluate the appropriateness of each Eligible Participant's therapy based upon generally accepted current clinical pharmacy practices. In the event Catamaran-EGWP identifies clinical concerns regarding an Eligible Participant's drug regimen, Catamaran-EGWP will communicate its findings to the prescribing physician and/or the dispensing pharmacist. Plan Sponsor acknowledges that services under this program shall be limited to basic retrospective review. This is a mandatory program to comply with CMS regulations.

(iii) Catamaran Level 3 RetroDUR Program. The Catamaran-EGWP Level 3 RetroDUR Program consists of Catamaran-EGWP (in conjunction with necessary third parties that are identified by Catamaran-EGWP to Plan Sponsor) performing a daily retrospective review of Eligible Participant's prescription claims and, if available and agreed to by the Parties, medical data, to identify Eligible Participants filling multiple prescriptions written by different prescribers and dispensed at different pharmacies for the same or therapeutically equivalent drugs in excess of all medically-accepted norms of dosing specifically as it relates to opioid narcotic medications. In the event Catamaran-EGWP identifies clinical concerns regarding an Eligible Participant's drug regimen, Catamaran-EGWP will communicate its findings to the prescribers. Catamaran-EGWP will provide case management which will include the necessary outreaches to the prescriber, referral for any identified fraudulent activity, implementation of point of sale edits, and Participant & prescriber notifications. This is a mandatory program to comply with CMS regulations.

(e) E-prescribing Services. Catamaran-EGWP shall provide E-prescribing services, which shall be limited to eligibility information, medication history, and formulary benefit management. Electronic Prescription Program or "E-prescribing" program shall mean the electronic transmittal of prescriptions and certain other information required for drugs prescribed for Eligible Participants with designated uniform standards as set forth under Chapter 7 of the CMS Prescription Drug Benefit Manual. This is a mandatory program to comply with CMS regulations.

(f) Actuarial Equivalence Requirements. Catamaran-EGWP will not be subject to the actuarial equivalence requirement set forth in 42 CFR §423.104(e)(5) with respect to the EGWP and may provide less than the defined standard coverage between the deductible and initial coverage limit. Catamaran-EGWP affirms that

its basic prescription drug coverage under the EGWP will satisfy all of the other actuarial equivalence standards set forth in 42 CFR §423.104, including but not limited to the requirement set forth in 42 CFR §423.104(e)(3) that the EGWP has a total or gross value that is at least equal to the total or gross value of defined standard coverage.

(g) Written Agreements. Catamaran-EGWP agrees it shall obtain written agreements from Plan Sponsor which provides that the Plan Sponsor may determine how much of a Participant's' Part D monthly beneficiary premium it will subsidize subject to the restrictions set forth in II. B.3(a) through (g) of the CMS Contract [Section 2(d), subsections 2d(ii) through 2d(vii) below]. Catamaran-EGWP agrees to retain these written agreements with Plan Sponsor, including any written agreements related to items (d) through (f) of the CMS Contract [subsections 2d(v) through 2d(vii) below], and must provide access to this documentation for inspection or audit by CMS (or its designee) in accordance with requirements of 42 CFR 423.504(d) and 423.505(d) and (e).

(h) Plan Sponsor Group Enrollment Process.

(i) Catamaran-EGWP shall enroll and dis-enroll Participants into the EGWP in accordance with applicable CMS regulations and guidance. Plan Sponsor will enroll Part D eligible individuals eligible for its EGWP through a group enrollment process, as such, Catamaran-EGWP will not be subject to the individual enrollment requirements set forth in 42 CFR §423.32(b). Catamaran-EGWP agrees that all Part D eligible individuals eligible for the EGWP will be advised that the Plan Sponsor intends to enroll them into the EGWP through a group enrollment process unless the individual affirmatively opts out of such enrollment. Catamaran-EGWP agrees that all such individuals will be provided this information at least twenty one (21) days prior to the effective date of the individual's enrollment in the EGWP as required by CMS. Catamaran-EGWP agrees the information must include a summary of benefits offered under the EGWP, an explanation of how to get more information on such plan, and an explanation of how to contact Medicare for information on other Part D plans that might be available to the individual. The Parties agree that enrollment information may be submitted to CMS.

(ii) Catamaran-EGWP shall submit the Participant File received from Plan Sponsor (as set forth in Section 2(c)) to CMS for enrollment or dis-enrollment in the Plan within the time frame specified by CMS, which as of the EGWP Commencement Date is seven (7) calendar days. Upon receipt of confirmation of acceptance, denial or rejection of an individual from CMS, Catamaran-EGWP shall load the accepted Eligible Participants into the Plan within 3 business days and report the rejected or denied members back to the Plan Sponsor within two (2) business days for correction or other action. Plan Sponsor shall provide Catamaran-EGWP with any corrections to the rejected or denied members within fourteen (14) days of Plan Sponsor's receipt of the report from Catamaran. Catamaran-EGWP shall not be liable for any prescriptions filled or processed for any ineligible persons due to incorrect or untimely eligibility data provided to Catamaran-EGWP from Plan Sponsor.

(i) CMS Reporting. Catamaran-EGWP shall produce and submit prescription drug event (PDE) files, HPMS reporting, and other required reporting to CMS as part of Catamaran-EGWP's obligation as a PDP Sponsor.

(j) Eligible Participant Services.

(i) Eligible Participant Customer Service. Eligible Participant customer service provides Participants with information regarding pharmacy locations, eligibility, drug coverage, copays/deductibles/out of pocket maximums, coverage determinations, appeals process in accordance with any applicable CMS regulations and guidance, direct member reimbursement instructions, claims status and general information regarding their prescription benefit plan. Participant customer service is available 24 hours a day, seven days a week, 365 days a year (including for TTY and non-English speaking Participants). CMS shall remain the final arbiters of grievances and appeals from Participants with respect to Medicare Part D Claims.

(ii) Participant Materials. Catamaran EGWP shall develop Participant materials, at no additional cost to Plan Sponsor, as required by 42 CFR 423.128. Such materials will consist of CMS approved model templates. These materials may be customized using the Plan Sponsor branding and Plan Sponsor variable paragraphs provided in the CMS required Participant Materials. Plan Sponsor may further customize Participant Materials, to the extent allowed by CMS, if necessary to ensure such Participant Materials are accurate and easy to understand; provided, however, such customizations shall not include changes that are mutually agreed upon to be non-material in nature (e.g., "wordsmithing"). Should the Plan Sponsor send any additional materials related to EGWP Services to Participants, such materials must first be approved by Catamaran-EGWP. If there is a disagreement concerning the interpretations of CMS requirements by either Party, both Parties agree to negotiate in good faith to reach a mutually acceptable resolution. Plan Sponsor acknowledges that CMS mandates that Catamaran-EGWP send Member communications by certain dates and that Catamaran-EGWP will be constrained to send CMS model language if an agreement cannot be reached. Catamaran-EGWP will make reasonable requests to CMS on behalf of Plan Sponsor for requested changes within the timeframes allowed by CMS. As set forth under the CMS Contract, the Parties agree that with respect to the EGWP, Catamaran-EGWP will not be subject to the information requirements set forth in 42 CFR § 423.48 and the prior review and approval of marketing materials and enrollment forms requirements by CMS set forth in

42 CFR §423.2260. Catamaran-EGWP will be subject to all other dissemination requirements contained in 42 CFR §423.128 and in CMS guidance, including Prescription Drug Manual Chapter 2 "Medicare Marketing Materials Guidelines for Medicare Advantage Plans (MAs), Medicare Advantage Prescription Drug Plans (MA-PDs), Prescription Drug Plans (PDPs), and 1876 Cost Plans" as amended **(hereinafter "Chapter 2")** and Chapter 12 "Employer/Union Sponsored Group Health Plans" as amended (hereinafter **"Chapter 12")**. Additionally as set forth in the CMS Contract, the dissemination requirements set forth in 42 CFR §423.128 will not apply with respect to the EGWP if the Plan Sponsor is subject to alternative disclosure requirements (e.g., the Employee Retirement Income Security Act of 1974 ("ERISA") and fully complies with such alternative requirements. Such Participant materials are further detailed on Attachment B-1. Subject to the foregoing, the Parties will establish agreed upon schedule(s) for communication materials identifying the communication material, the date for delivery by Catamaran-EGWP to Plan Sponsor for review and approval and the date for approval by Plan Sponsor, with a target of Plan Sponsor having as much time as reasonably possible but not less than 10 day review period. Plan Sponsor will use reasonable best efforts to approve communications materials by the agreed upon approval dates. If not approved by such date, the parties will escalate to resolve any issues as soon as reasonably possible.

2. Plan Sponsor Obligations.

(a) Plan Design Specifications. Plan Sponsor will provide a Plan Design Document for the EGWP plan administered by Catamaran-EGWP in sufficient detail to permit Catamaran-EGWP to perform its duties and obligations under this EGWP Agreement. Plan Sponsor shall have the ultimate responsibility for approving any pharmacy benefit plan design, however, Plan Sponsor's Plan Design must be compliant to the CMS requirements. In the event that Catamaran-EGWP determines that any aspect of a Plan Sponsor's Plan Design does not meet CMS requirements, Catamaran-EGWP will notify Plan Sponsor to discuss changes needed to bring the Plan Design into compliance. Catamaran-EGWP will be responsible for determining if Plan Sponsor's Plan Design meets CMS compliance requirements. Plan Sponsor reserves the right to utilize outside actuarial services to verify actuarial equivalence and will provide Catamaran with the actuarial certification from a certified actuary. Catamaran-EGWP shall provide support in pharmacy benefit plan development, set-up and administration on behalf of Plan Sponsor. Catamaran-EGWP will establish and maintain pharmacy benefit Plan Designs as requested by Plan Sponsor via plan implementation documents provided by Plan Sponsor. Plan Sponsor and Catamaran-EGWP shall mutually agree on the format of the implementation documents. Any changes to the Plan Design Document will be submitted by Plan Sponsor to Catamaran-EGWP through a revised Plan Design Document no less than ninety (90) days prior to their intended implementation by Plan Sponsor to permit timely implementation and minimal disruption of services for Eligible Participants. Should changes be submitted with less than a ninety (90) day notice, Catamaran-EGWP will make a good faith effort to incorporate changes as requested as timely as possible. Plan Sponsor acknowledges that nothing in this EGWP Agreement shall be deemed to confer upon Catamaran-EGWP the status of fiduciary as defined in the Employee Retirement Income Security Act of 1974, as amended.

(b) Enrollment of Participants.

(i) Enrollment in the EGWP shall be restricted to those Part D Eligible Participants (and/or their Part D eligible spouses and dependents) for the Plan Sponsor's employment-based retiree prescription drug coverage. Catamaran-EGWP agrees to provide basic prescription drug coverage, as defined under 42 CFR § 423.100, under the EGWP, in accordance with Subpart C of 42 CFR Part 423.

(ii) If applicable and available, Plan Sponsor agrees to inform the Catamaran enrollment department upon initial enrollment of creditable coverage history it has on each Participant group enrolled for purposes of assessing the late enrollment penalty.

(iii) The Plan Sponsor agrees to review and process all items in the Daily Actionable Reports in a timely manner. Plan Sponsor shall review, process and submit changes within fourteen (14) days of receipt.

(c) Participant File. Plan Sponsor will provide Catamaran-EGWP a changes only file (each an **"Eligible Participant File"**) on a mutually agreed upon format to Catamaran-EGWP of applicable Eligible Participants Benefit Plan to be serviced by Catamaran-EGWP hereunder. Plan Sponsor will provide an initial enrollment file of all enrollees using the standard 834 transmission format as proscribed by HHS and will provide weekly updates (e.g. additions, terminations, changes). All data exchanges will occur through the Plan Sponsor's Data Exchange Gateway. The Parties acknowledge that CMS will determine eligibility of Participants for the CMS Subsidy. Plan Sponsor will promptly furnish Catamaran-EGWP on electronic media acceptable by Catamaran-EGWP, files of all Eligible Participants whose enrollment has been terminated and an Eligible Participant File containing each new Eligible Participant. Catamaran EGWP shall not be liable for any prescriptions filled or processed for any ineligible persons due to incorrect or untimely eligibility data provided to Catamaran-EGWP from Plan Sponsor.

(d) Participant Subsidy. Catamaran-EGWP and the Plan Sponsor acknowledge that the Plan Sponsor may determine how much of a Participant's Part D monthly beneficiary premium it will subsidize, subject to any restrictions imposed by the CMS Contract set forth below, and CMS and other federal regulations, including all premium regulations set forth in Chapter 12:

(i) Participants will not be permitted to make payment of premiums under 42 CFR §423.293(a) through withholding from the Participant's Social Security, Railroad Retirement Board, or Office of Personnel Management benefit payment.

(ii) The Plan Sponsor can subsidize different amounts for different classes of Participants in the EGWP provided such classes are reasonable and based on objective business criteria, such as years of service, date of retirement, business location, job category, and nature of compensation (e.g., salaried v. hourly). Different classes cannot be based on eligibility for the Low Income Subsidy.

(iii) The Plan Sponsor cannot vary the premium subsidy for individuals within a given class of Participants.

(iv) The Plan Sponsor cannot charge a Participant for prescription drug coverage provided under the EGWP more than the sum of his or her monthly beneficiary premium attributable to basic prescription drug coverage and 100% of the monthly beneficiary premium attributable to his or her non-Medicare Part D benefits (if any). The Plan Sponsor must pass through direct subsidy payments received from CMS to reduce the amount the Participant pays (or, in those instance where the subscriber to or participant in the employer plan pays premiums on behalf of a Medicare Eligible spouse or dependent, the amount the subscriber or participant pays.)

(v) For all Participants eligible for the Low Income Subsidy, the low income premium subsidy amount will first be used to reduce any portion of the monthly beneficiary premium paid by the Participant (or in those instances where the subscriber to or participant in the employer plan pays premiums on behalf of a low-income eligible spouse or dependent, the amount the subscriber or participant pays), with any remaining portion of the premium subsidy amount then applied toward the portion of any monthly beneficiary premium paid by the Plan Sponsor. However, if the sum of the Participant' s monthly premium (or the subscriber's/participant's monthly premium, if applicable) and the Plan Sponsor's monthly premiums (i.e., total monthly premium) are less than the monthly low-income premium subsidy amount, any portion of the low-income subsidy premium amount above the total monthly premium must be returned directly to CMS. Similarly, if there is no monthly premium charged the Participant (or subscriber/participant, if applicable) or Plan Sponsor, the entire low-income premium subsidy amount must be returned directly to CMS and cannot be retained by Catamaran-EGWP, the Plan Sponsor, or the Participant (or the subscriber/participant, if applicable).

(vi) Catamaran-EGWP and the Plan Sponsor may agree that the Plan Sponsor will be responsible for reducing up-front the premium contribution required for Participants eligible for the Low Income Subsidy. In those instances where the Plan Sponsor is not able to reduce up-front the premiums paid by the Participant (or, the subscriber/participant, if applicable), Catamaran-EGWP and the Plan Sponsor may agree that the Plan Sponsor shall directly refund to the Participant (or subscriber/participant, if applicable) the amount of the low-income premium subsidy up to the monthly premium contribution previously collected from the Participant (or subscriber/participant, if applicable). The Plan Sponsor is required to complete the refund on behalf of Catamaran-EGWP within 45 days of the date Catamaran-EGWP receives from CMS the low-income premium subsidy amount payment for the low income subsidy eligible Participant. Plan Sponsor, upon request from Catamaran-EGWP, will provide an attestation to Catamaran-EGWP regarding their compliance with the terms of this section.

(vii) If Catamaran-EGWP does not or cannot directly bill a Plan Sponsor's Participants, CMS will permit Catamaran-EGWP to directly refund the amount of the low-income premium subsidy to the LIS Participant. This refund must meet the above requirements concerning beneficiary premium contributions; specifically, that the amount of the refund may not exceed the amount of the monthly premium contribution by the Participant and/or the Plan Sponsor. In addition, Catamaran-EGWP must refund these amounts to the Participant within a reasonable time period. However, under no circumstances may this time period exceed forty five (45) days from the date that Catamaran-EGWP receives the low-income premium subsidy amount for that Participant from CMS.

(viii) If the low income premium subsidy amount for which a Participant is eligible is less than the portion of the monthly Participant premium paid by the Participant (or subscriber/participant, if applicable), then the Plan Sponsor should communicate to the Participant (or subscriber/participant) the financial consequences of the low-income subsidy eligible Participant enrolling in the EGWP as compared to enrolling in another Part D plan with a monthly Participant premium equal to or below the low income premium subsidy amount.

(e) The Plan Sponsor attests that it has in place eligibility requirements and policies and procedures to manage and process reinstatement requests in accordance with CMS guidance.

(f) In the event Plan Sponsor is unable to determine or provide the amount of the annual premium that is solely related to the prescription drug benefit, Plan Sponsor agrees to provide Catamaran-EGWP with the amount of the illustrative premium and an actuarial certification annually to be used for CMS audit purposes and

Catamaran compliance oversight. For purposes of this attestation, the illustrative premium is equal to the premium the Plan Sponsor would have paid if they had purchased an equivalent product offered by Catamaran-EGWP.

(g) Opt-Out Notices. Plan Sponsor agrees to administer the Opt-Out Notice requirement, subject to the following process that has been mutually agreed upon by the Parties. Pursuant to the foregoing, Catamaran will identify new Eligible Participants and mail the Opt-Out Notices to those Eligible Participants. If an Eligible Participants chooses to opt-out, such Eligible Participant will contact Plan Sponsor (or if Catamaran-EGWP is notified, Catamaran-EGWP will provide to Plan Sponsor) and Plan Sponsor will processes the Opt-Out request and promptly update the eligibility file. Each Party agrees to comply with the Opt-Out Notice Requirements applicable to the Opt-Out Notice functions each are providing. Further, due to the fact that Catamaran-EGWP has delegated certain Opt-Out Notice functions to Plan Sponsor, Plan Sponsor will provide to Catamaran-EGWP documentation of its compliance with applicable Opt-Out Notice Requirements upon request by Catamaran-EGWP or CMS.

(h) Coordination of Benefits.

(i) If the Parties agree to include additional benefits in the EGWP, these benefits will be considered non-Medicare Part D benefits and that such additional benefits may not reduce the value of basic prescription drug coverage (e.g., additional benefits cannot impose a cap that would preclude Participants from realizing the full value of such basic prescription drug coverage).

(ii) Any additional non-Medicare Part D benefits offered under the EGWP will always pay primary to the subsidies provided by CMS to low-income individuals under Subpart P of 42 CFR Part 423 (the "Low-Income Subsidy").

3. Payment.

(a) Administrative Payments to Catamaran-EGWP. Catamaran-EGWP shall invoice Plan Sponsor for Administration Fees set forth on Attachment A-2 to the Agreement. Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 PA 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

(b) Network Claims Funding. Catamaran-EGWP is subject to 42 CFR Part 423.520, which requires payment by Catamaran-EGWP to network pharmacies within 14 days of receipt of clean electronic claims and 30 days for clean paper claims. On a weekly basis, Catamaran-EGWP shall invoice Plan Sponsor for Network Claims Funding (as hereinafter defined). All payments by Plan Sponsor to Catamaran-EGWP for the Catamaran National Network for Covered Prescription Drug Services (**"Network Claims Funding"**) shall be made via electronic fund transfer (**"Electronic Payment"**) debit within ten (10) business days after Plan Sponsor receives correct invoices of the amount due from Catamaran-EGWP. Catamaran-EGWP shall retain cash management responsibilities over the Network Claims Funding to help ensure prompt payment to Participating Pharmacies.

(c) Credit Memo. Catamaran-EGWP shall issue to the Plan Sponsor on a monthly basis a Credit Memo reflecting the CMS Subsidy received by Catamaran-EGWP for Participants. The credit amount will be applied on the last invoice of the month but can only be applied to invoices for EGWP Services provided under this EGWP Agreement. Notwithstanding the foregoing, Plan Sponsor acknowledges that it will be responsible for payment of Administrative Fees, EGWP Participant per Month fee, and the Network Claims Funding even if CMS determines that a Participant is not eligible for the CMS Subsidy subsequent to a prior eligibility determination. To the extent a credit was issued for a Participant, who is subsequently determined to be ineligible by CMS, Catamaran-EGWP shall have the right to recoup such amounts from Plan Sponsor. "CMS Subsidy" shall mean the monthly direct subsidy for each Participant from CMS as governed by the rules of Subpart G of 42 CFR Part 423 and the CMS Contract.

(d) Non-payment. If Plan Sponsor fails to meet the payment obligations of Section 3(a), 3(b), or 3(c) for clean and undisputed invoices within the time specified, Plan Sponsor shall be deemed in breach of this EGWP Agreement. Notwithstanding any other provisions contained herein, if Plan Sponsor fails to cure such breach within 14 business days, Catamaran-EGWP, in its sole discretion, shall have the non-exclusive and cumulative options to: (i) require Plan Sponsor to pre-fund a pharmacy spend account in the amount of two times the average monthly prescription drug spend and related Dispensing Fees of Plan Sponsor; (ii) suspend claims processing; (iii) utilize available deposited or escrowed funds, including the pharmacy spend account; or (iv) set off against any amounts payable to Plan Sponsor (including any Rebates Catamaran receives from manufacturers on behalf of Plan Sponsor and subsidies received from CMS) along with any amounts due to Catamaran-EGWP Catamaran-EGWP shall exercise its right to invoke such payment protection by providing written notice to Plan Sponsor. The Parties acknowledge that Catamaran-EGWP is subject to solvency obligations pursuant to 42 CFR 423.401(a)(1) and O.R.C. Sections 3907.05 and 3090.02.

4. Term.

(a) EGWP Term. This EGWP Agreement will become effective on the date hereof and continue for three years after the Commencement Date (the "Initial Term"), through December 31, 2016.

(b) Return of Materials. Each Party will return to the other Party all papers, materials and properties of the other Party related to this EGWP Agreement.

5. Record Maintenance and CMS Access.

(a) Plan Sponsor Audit. Plan Sponsor shall have audit access under this EGWP Agreement as set forth in Sections 2.112 and 2.114 of the Contract.

(b) Record Maintenance. For the longer of 1) the period required by law or 2) 10 years from the date of rendering any Covered Prescription Drug Service, and as further required under 42 CFR §§ 423.505(b)(10) and 423.505(i)(2) the Parties will maintain records related thereto, including, but not limited to, prescription records and other documentation related to healthcare services provided to Participants.

(c) Catamaran and/or CMS Audit. Catamaran-EGWP and Plan Sponsor acknowledge that CMS may audit records under this EGWP Agreement. The Plan Sponsor shall maintain records, including but not limited to any data related to enrollment (i.e. enrollment data validation reports), disenrollment, eligibility, Participant communications, and other areas covered by this EGWP Agreement. Plan Sponsor agrees it will provide Catamaran and CMS with prompt access to such records to the extent required by and in accordance with 42 CFR 423.504(d) and 423.505(d) and (e) as well as Chapter 2 and 12 of the Prescription Drug Manual. To the extent allowed under law, all information and records reviewed pursuant to this section shall be considered Confidential Information for purposes of this EGWP Agreement.

6. Notices. Notices shall be in accordance with Section 2.025 of the Contract, provided that notices to Catamaran-EGWP shall be addressed as set forth below:

If to Catamaran-EGWP: Catamaran Insurance of Ohio, Inc.
1600 McConnor Parkway
Schaumburg, IL 60173
Attention: Legal Department
Facsimile: (224) 231-1932
E-Mail: legal@catamaranrx.com

7. HIPAA Requirements. Catamaran-EGWP and Plan Sponsor acknowledge that under this EGWP Agreement, both Parties are Covered Entities as defined under HIPAA.

8. Agreement; Order of Precendec. This EGWP Agreement, and any attachments, and any documents incorporated by reference constitute the entire agreement between the Parties regarding the EGWP services to be provided. Should there be any discrepancies between the Contract and this EGWP Agreement, CMS rules or regulations, the order of precedence of interpretation with respect to EGWP services provided by Catamaran shall be: (1) CMS rules or regulations, (2) EGWP Agreement and (3) the Contract. This EGWP Agreement may be modified only by a writing executed by both Parties.

Attachment B-1

Included EGWP Services

A. EGWP Per Participant Per month Fee is set forth in Attachment A-2 to the Contract.
Attachment A-2 to the Contract is incorporated herein by reference. The Parties acknowledge that for calendar year 2014 the pricing set forth on Attachment A-2 contained in Amendment No. 3 to the Contract will apply and that for calendar years 2015 and 2016 the pricing set forth on Attachment A-2 contained in Amendment No. 4 to the Contract will apply.

B. Additional EGWP Services.
The table set forth below outlines the EGWP services included in the Administrative Fee. In the event that CMS issues new program requirements or substantive changes to existing guidance, Catamaran-EGWP and Plan Sponsor shall mutually agree upon any increase in the EGWP Fee to accommodate such changes.

Enrollment / Finance Functions	Included in EGWP Fee
Standard Client Reporting	Included in EGWP Fee
Participant Communications (standard format)	Included in EGWP Fee

• Explanation of Benefits (EOB) / Appendix 10

o CMS compliant document Monthly Print & mail (where applicable)	Standard Package included in EGWP fee.
o Spanish translated EOB, per Eligible Participant's request	
o Client variable information (plan logo, hours of operation, customer service information)	
o Programming changes as required for CMS requirements.	
o Data management and processing	
o Application to enter formulary change information and message to appear on EOBs	
o Viewer tool for Catamaran call center	
o Document retention on-line for 18 months and 10 year archiving	

• Transition Eligible Participant Services*

o Eligible Participant and Physician letter	Included in EGWP Fee
o Daily Transmission Claims Data file	Included in EGWP Fee
o Programming changes as required for CMS requirements	Included in EGWP Fee
o Data management and processing	Included in EGWP Fee
o Daily transition file(s), critical error if applicable	Included in EGWP Fee
o Eligible Participant or customer inquiry support	Included in EGWP Fee

• PDE Management

o CMS Attestations	Included in EGWP Fee
o PDE Creation	Included in EGWP Fee
o Error oversight, trend analysis, and prevention	Included in EGWP Fee
o Error resolution support and best practices	Included in EGWP Fee
o PDE reprocessing as required	Included in EGWP Fee
o CMS report distribution (i.e. P2P, Accum)	Included in EGWP Fee
o Programming as needed for CMS required changes	Included in EGWP Fee
o Reports (i.e. summary, statistics, pre-edit errors)	Included in EGWP Fee
o Report Catalog of CMS generated files	Included in EGWP Fee

• Clinical Programs (Mandatory)

Catamaran MTM	Included in EGWP Fee
Catamaran Retro DUR	Included in EGWP Fee

Catamaran Level 3 Retro DUR	Included in EGWP Fee
E-Prescribing Services	Included in EGWP Fee
Medication Error Identification and Reduction (MEIR) system	Included in EGWP Fee

• Print Fulfillment (as applicable)

ID Cards	Standard Package included in EGWP fee.
Welcome Kits	Standard Package and Plan Sponsor's customizations in accordance with Section 1.j.ii are included in the EGWP fee.
ANOC Mailing / Fulfillment	Standard Package and Plan Sponsor's customizations in accordance with Section 1.j.ii are included in the EGWP fee.
Payment distribution to Eligible Participants and LTC's for adjustments that identified previous overpayments of the Eligible Participant cost share / Drug Refund Checks	Included in EGWP Fee
Medicare Secondary Payer Letters/Survey	Included in EGWP Fee
Low Income Premium Subsidy (LIPS) Refund processing	Not applicable
Disenrollment Letters	Included in EGWP Fee
Return Mail Charge	Included in EGWP Fee
Additional communication materials	Included if required by CMS or reasonably necessary communications related to Contractor EGWP services for participants and physicians

•Add on Medicare Part D Services:

Specialized support for Medicare Post-enrollment Calls (Benefits, eligibility, EOB review, letters, claim resolution)	Included in EGWP Fee
Prior Authorizations (includes clinical Prior Authorization and B vs. D coverage determinations)	Included in EGWP Fee
Comprehensive Pharmacy Program Fraud, Waste, and Abuse Solution (Including Special Investigational Unit coordination and Pharmacy Audit support)	Included in EGWP Fee
Systems Access Fees (claims system, call center system or reporting system)	Included in EGWP Fee
Manual Eligibility Data entry	Included in EGWP Fee
Loading of the required 3-6 months of pharmacy data	Included in EGWP Fee
Website with standard design: Access for Eligible Participants and Physicians.	Included in EGWP Fee
Custom Website Development	$250 per Hour
Catamaran Base Formulary	Included in EGWP fee.
Catamaran custom formulary	Included in EGWP Fee
Catamaran Call Center (Pharmacy/Provider Calls)	Included in EGWP Fee
PBP And Plan Changes	Included in EGWP Fee
Claims Processing	Included in EGWP Fee
Grievances: (pharmacy benefit related grievance)	Included in EGWP Fee
Re-determination of coverage (second level appeals) -- Medical or Administrative	Included in EGWP Fee
Batch processing of Plan Sponsor-caused/initiated adjustments (includes analysis and preparation of data files for processing, adjustment of TrOOP/Drug Spend balances and creation of overpayment and underpayment reports as appropriate)	Included in EGWP Fee
Coordination of Benefits with SPAP's or other mandated programs	Included in EGWP Fee
Pharmacy Audits	Included in EGWP Fee
GeoAccess report (in excess of one annually provided in Core Services)	Included in EGWP Fee
DMR Coverage letter (paper claim)	Included in EGWP Fee

Form No. DTMB-3521 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 3 (REVISED)

to

CONTRACT NO. 071B0200095

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Catamaran PBM of Maryland, Inc.	Miranda Weaver	Miranda.weaver@catamaranrx.com
2441 Warrenville Road, Suite 610	TELEPHONE	CONTRACTOR #, MAIL CODE
Lisle, IL 60532	919-303-5114	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DTMB	Kerrie Vanden Bosch	(517) 636-6104	vandenboschk@michigan.gov
BUYER	DTMB	Lance Kingsbury	(517) 241-3768	kingsburyl@michigan.gov

CONTRACT SUMMARY:

Pharmacy Benefits Management for MPSERS – Department of Technology, Management and Budget / Office of Retirement Services

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2010	December 31, 2012	4, 1 yr. options	December 31, 2013
PAYMENT TERMS	**F.O.B**	**SHIPPED**	**SHIPPED FROM**
Net 45	N/A	N/A	N/A

ALTERNATE PAYMENT OPTIONS:	AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other	☐ Yes ☒ No

MINIMUM DELIVERY REQUIREMENTS:

N/A

DESCRIPTION OF CHANGE NOTICE:

EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
☐ No ☒ Yes	☒	☐	1 year	December 31, 2014

VALUE/COST OF CHANGE NOTICE:	ESTIMATED REVISED AGGREGATE CONTRACT VALUE:
$370,000,000.00	$2,131,798,804.00

Effective April 3, 2013, this contract is hereby extended to December 31, 2014 and increased by $370,000,000.00. PLEASE NOTE THIS CHANGE NOTICE HAS BEEN REVISED TO ADD THE ATTACHED DOCUMENT. All other terms, conditions, pricing and specifications remain the same. Per vendor and agency agreement, DTMB Procurement approval and the approval of the State Administrative Board on April 2, 2013.

This Amendment No. 3 (the "Amendment") to Contract No. 071B020095 (the "Contract") between Catamaran PBM of Maryland, Inc. f/k/a Catalyst Rx ("Contractor" or "Catamaran"), a Nevada Corporation, and the State of Michigan Office of Retirement Services ("Plan Sponsor" "Client" or "State") under which Contractor provides Prescription Benefit Management Services to the Michigan Public School Employees Retirement System ("MPSERS"), is made effective as of January 1, 2013 (the "Amendment Effective Date"). Contractor and Plan Sponsor may hereinafter be referred to individually as "Party" and collectively as "Parties."

RECITALS:

WHEREAS, Plan Sponsor provides coverage, including pharmacy coverage, to Members of MPSERS, some of who are Medicare-eligible;

WHEREAS, Contractor provides certain pharmacy benefit management and Employer Group Waiver Plan ("EGWP") services to Plan Sponsor as set forth in the Contract, as amended; and

WHEREAS, the Parties wish to modify and supplement the provisions of the Contract, including those terms related to the EGWP 800 Series Plan;

NOW, THEREFORE, in consideration of the mutual promises set forth below, the Parties hereto agree as follows:

1. The following definitions of Single Source Generic and Multi-Source Generic are hereby added to the "Definitions" section of the Contract. In addition, the definition of Rebate will be deleted and replaced by the following:

Single Source Generic means a generic drug set forth in Medispan's National Drug Data File, or such other nationally recognized source, as reasonably determined by Catamaran, manufactured by two or less FDA-approved generic manufacturers.

Multi-Source Generic means a generic drug set forth in Medispan's National Drug Data File, or such other nationally recognized source, as reasonably determined by Catamaran, that is available in sufficient supply from multiple FDA-approved generic manufacturers of such drug.

Rebate(s) mean all drug company revenues associated with other pharmaceutical manufacturer or third-party payments, including, but not limited to, base, formulary, incentive and market share rebates, payments related to administrative fees, data fees, aggregate utilization rebates (e.g. "book of business"), educational payments, information sales, specialty rebates and all other revenues from pharmaceutical manufacturers or other third-parties related to Member utilization under this Contract.

2. The following language is added to the end of the "Pass-Through Pricing" definition in the "Definitions" section of the Contract: "and such other fees as set forth in Attachment A-1 and Attachment A-2."

3 The definition of "Fiduciary" in the "Definitions" section of the Contract is hereby deleted, including any references thereto.

4. The following market check language is hereby added as Section 1.065 of the Contract:

On an annual basis, Plan Sponsor's representatives may review the financial terms of this Contract to comparable financial offerings (of comparable size and plan design) available in the marketplace. Should market conditions result in a 1% or greater savings, Plan Sponsor or its representative will provide a report of the market check findings to Contractor. Upon receipt of such report, Contractor will have 10 days to offer a comparable or better financial arrangement. Contractor's financial proposal must be in the form of a contract amendment and must be effective January 1 of the following contract year, beginning January 1, 2014. If, after good faith negotiations, Contractor and Plan Sponsor are unable to agree to the terms of an amendment, Plan Sponsor may terminate this Contract, without penalty, on 90 days prior written notice to Contractor. Plan Sponsor will calculate savings based upon the same metrics used to evaluate this proposal. Contractor confirms that Plan Sponsor will not be required to provide Contractor with details of other financial arrangements or proposals. Plan Sponsor will use a mutually agreed upon third party to conduct the market check, which agreement will not be unreasonably withheld.

5. Section 2.112 of the Contract is hereby deleted in its entirety and is replaced with the following:

For seven years from the date the Contractor provides any work under this Contract ("Audit Period"), Contractor will maintain records related thereto, including, but not limited to, prescription records and other documentation related to healthcare services provided to Members. The State's authorized representatives may once annually audit Contractor in relation to its duties and obligations under this Contract at reasonable times during regular

business hours, and with 15 days prior written notice to Contractor. Subject to the terms herein, the State's authorized representatives will be granted full access to Contractor's books and records, in print or electronic form, for examination and audit purposes. The State may examine and, to the extent not prohibited by a third party obligation solely based on non-disclosure of trade secrets, copy any of Contractor's books, records, documents and papers pertinent to showing adherence to, compliance and accuracy with applicable rules and laws, as well as, against the approved plan design and pricing under this Contract for the purpose of establishing Contractor's compliance with the Contract. The terms herein also apply to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing Services in connection with the Contract. Additionally, to the extent a third party agreement prohibits Client from viewing certain aspects of the third party's information, neither Client nor its auditors will have any rights under this Contract to view such prohibited third party information to the extent that it is unrelated to confirming Catamaran's compliance with the terms of this Contract; provided, however, that Contractor must ensure its contracts with pharmaceutical manufacturers and/or third party rebate aggregators involved in the rebate submission, collection or distribution process provide the right for Client to audit the terms of the Contract (or portion thereof) to confirm payment received by Client of all Rebates earned by its utilization. Client or Client's auditors agree that all information reviewed under this provision will be used solely for the purpose of conducting an audit and for no other purpose. To the extent required by Contractor's contract with a third party pharmaceutical manufacturer or rebate aggregator, Client will use a big ten accounting firm to conduct such audit.

Subject to the foregoing, the State reserves the right to examine any and all Formulary and/or Rebate agreements between the Contractor and (i) its Rebates intermediary, aggregator, or subcontractor, and (ii) any pharmaceutical manufacturer with which Contractor has a direct contract, to the extent applicable to this Contract. Contractor agrees that it will monitor and audit its Rebate intermediaries, aggregators, or subcontractors as necessary to ensure services are provided in accordance with Catamaran's agreement with such Rebate intermediary, aggregator or subcontractor. Each time that Catamaran audits its Rebates intermediary, aggregator or subcontractor, Catamaran will provide Client with a detailed audit summary including the assessment of rebate detail including Client's utilization to demonstrate Catamaran's oversight. This detailed audit summary will be provided to Client no later than 60 days after the closure of this audit by Catamaran. To the extent required for Medicare Part D reporting, Catamaran will obtain attestations from its Rebate intermediary, aggregator or subcontractor to support information supplied to CMS.

The parties acknowledge that audits will review multiple items pursuant to the terms of this Section 2.112, including but not limited to:

1. Review of Rebate contracts with an intermediary, aggregator, subcontractor and, as applicable, pharmaceutical manufacturers
2. Contracts with pharmacies and subcontractors
3. Recoveries by the Contractor from provider audits
4. Contractor compliance with Contract pricing terms
5. Adherence to SLAs
6. Proper and accurate administration of the Plan designs
7. Any claims paid by the Contractor to ineligible persons

No third party representative of the State may be allowed or designated to conduct an audit without an executed nondisclosure agreement with Contractor prior to the date of the audit, ensuring the confidentiality of Contractor's confidential information, and the prior written consent of the party whose records are being audited. Notwithstanding the Audit Period, the audit scope will cover a period not to exceed 48 months immediately preceding the date of audit. An audited period may not be re-audited once the audit is complete with the exception of an audit scope for which the original audit and timeframe did not address. The State may not initiate an audit of Contractor pursuant to this Contract more than 24 months after the date of the termination of this Contract. Client's auditor will not be an individual or entity that is: a competitor of the Contractor, a pharmaceutical manufacturer representative, or any retail, mail or specialty drug pharmacy representative or vendor.

5. Section 2.113 is hereby deleted in its entirety and is replaced with the following:

Contractor must maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract according to generally

accepted accounting principles and other procedures specified in this Section. Subject to Section 2.112 above, financial and accounting records must be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

6. Section 2.114 of the Contract is hereby deleted and is replaced with the following:

If necessary, the Contractor and the State will meet to review each audit report promptly after issuance. The Contractor must respond to each audit report in writing within 90 days from receipt of the report, unless a shorter response time is specified in the report. The Contractor must develop, and the State must agree to an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in the audit report. The Contractor cannot hold a Member, a pharmacy provider or the Plan Sponsor financially responsible for the Contractor's errors that are identified in an audit. If a pattern of payment errors is identified for a particular pharmacy, the Contractor must assume the cost of auditing that pharmacy.

7. Section 2.115 (a) of the Contract is hereby deleted and is replaced with the following:

(a) If the final agreed upon audit report and action plan demonstrates any errors resulting in a shortfall to or overpayment by Client then the parties will agree, in writing, on the amount ("Reimbursement Amount") and payment terms, subject to the following. The Reimbursement Amount will be paid through a credit to Client on the next invoice and, if necessary, in subsequent successive invoices not to exceed four invoice cycles, until the Reimbursement Amount is paid in full. Client may assess a penalty of 3% interest payable by Catamaran on the portion of the Reimbursement Amount not credited to Client (or if no invoice is available paid to Client) within 60 days following the parties' final agreement on the Reimbursement Amount.

8. Attachment A Commercial "Pass Through" Pricing Financial Proposal for PBM Services and EGWP Pricing Proposal for EGWP Services / Schedule Pricing Terms is hereby deleted in its entirety and replaced with Attachment A-1: Commercial "Pass Through" Pricing for PBM Services and Attachment A-2: EGWP Pricing Proposal for EGWP Services.

9. This Amendment will become effective on the Amendment Effective Date. In the event of a conflict between the terms of the Contract and this Amendment, the terms of this Amendment will control. Except as otherwise amended by this Amendment, all other terms and conditions of the Contract will continue in full force and effect.

Attachment A-1
Commercial "Pass Through" Pricing for PBM Services

A. Service Fees.

Plan Sponsor will pay Contractor for the services provided herein pursuant to the following table. Client will be charged actual rates with all discounts and rebates considered minimum guarantees. Administrative fees and Dispensing fees will be considered maximum guarantees.

	PASS THROUGH MODEL*
Administrative Fee	
Base Fees:	$3.32 PCHPM (defined below)
Paper Claim Fee:	Included in Base Fees
Retail Pharmacy Network	
Brand Drugs	AWP minus 15.60% for 2013 AWP minus 15.85% for 2014
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 80.00% for 2013 AWP minus 80.50% for 2014
Dispensing Fee (Brand and Generic)	$1.35 Dispensing Fee
Retail Pharmacy Network (Open) (> 83 Days' Supply)	
Brand Drugs	AWP minus 18.70%
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 81.50% for 2013 AWP minus 82.00% for 2014
Dispensing Fee (Brand and Generic)	$0.00 Dispensing Fee
Mail Service Pharmacy**	
Brand Drugs	AWP minus 22.30%
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 85.35%
Dispensing Fee (Brand and Generic)	$8.10 Dispensing Fee
Specialty Pharmacy (Open/Exclusive)	
See Attached Specialty Pricing Schedules for Individual Drug Level Pricing Information for both the Open and Exclusive Specialty Pharmacy Networks; Dispensing Fee is $0.00	
Rebates (Preferred 3-Tier, Custom Formulary)***	
	Greater of 100.00% or
Retail Minimum	$10.05 per net paid brand claim
Mail Minimum	$14.65 per net paid brand claim
Specialty Minimum	$76.34 per net paid brand claim

*Experience for specific network pharmacies may differ. These rates represent the average net effective rate for the overall network and are based on the AWP as determined by the Medispan Master Drug Data Base, including supplements thereto (post-AWP rollback rates). Client will be charged actual rates but minimum guarantees apply as stated in table.
**The Parties acknowledges that as of the Amendment Effective Date, Plan Sponsor uses ESI's mail service pharmacy, any change to the mail service pharmacy will be mutually agreed upon by the Parties.
***Catamaran will pass through to Client 100% of Rebates, including manufacturer administrative fees, it receives that can be attributed to allowable utilization of Members hereunder.

General Notes

- Under the Pass Through Pricing Model, Client will pay the actual retail pharmacy rates paid by Catamaran for prescriptions electronically processed and dispensed to a Member through Catamaran's retail pharmacy network.

- The discounts and the dispensing fees set forth above are guaranteed effective average rates, in aggregate, as measured annually and over the term of the Contract (reported and reconciled annually over successive one year terms). In calculating the effective average discounts, Catamaran may include the value of all other discounts delivered in connection with this Contract including but not limited to other savings and reimbursements delivered hereunder by Catamaran (e.g., lower of usual & customary (U&C) pricing). Catamaran will review the overall annual performance of its rates and report on the net performance by dispensing channel (Retail separate from Mail Order). All proposed guarantees must be reconciled annually against actual results and must be backed dollar-for-dollar. For clarity, over-performance in any one component may be used to offset under-performance in any one component within a dispensing channel (Retail separate from Mail Order). Compounds, Direct Member Reimbursement Claims, Coordination of Benefit Claims, Military Treatment Facility (i.e., Veterans Administration & Department of Defense) claims, OTC claims, and claims with ancillary charges will be excluded from the calculations. Specialty Drug claims filled at a retail pharmacy will be excluded from the retail effective average rate calculations. Additionally, claims dispensed in Puerto Rico, Hawaii, Massachusetts and Alaska and claims filled outside the Catamaran national network must be excluded from the calculations.

- Catamaran compensation for its services will be the Administration Fee set forth above and a fee in an amount agreed to by the parties for any additional services authorized by Client. The Administration Fee is on a Per Contract Holder Per Month basis. The Contract Holder count will not include the dependent of each Contract Holder. In addition, Catamaran may, from time to time, receive and retain reimbursement from wholesalers and manufacturers as a purchaser of pharmaceutical products for its mail service and specialty pharmacies. The parties acknowledge that Catamaran may charge Participating Pharmacies an electronic processing fee for transmission services that Catamaran provides to the pharmacies.

- “Net Paid Claim” means all paid Claims minus reversals for a single prescription fill.

- Dispensing fee refers to the amount paid to the participating pharmacy for filling a prescription.

- Single Source Generics will be included in the overall generic drug guarantee.

- The effective overall generic discount rate is the only generic rate guaranteed for purposes of retail and mail service pharmacy rates.

- Catamaran negotiates Rebates based on market share over its aggregate book of business and not on behalf of any client. Rebates will be based upon net paid brand name drug claims submitted on behalf of Client, allocable to Client. The three-tier Rebate guarantees above apply to a qualified three tier plan design with a minimum differential of $15.00 between preferred and non-preferred brand drugs. Catamaran and affiliated third party contractors may receive manufacturer administrative fees for participation in and/or administration of the formulary rebate program; Catamaran must pass such manufacturer administrative fees through to Client pursuant to the terms of this Contract.

- Client acknowledges and agrees that certain Member-submitted claims, discount card programs, coordination of benefits (COB) claims whereby Catamaran is the secondary payor, and Member claims filled at Participating Pharmacies that are also receiving purchasing price concessions, such as pharmacies who qualify for 340B pricing under section 340B of the Public Health Services Act or pharmacies that are members of group purchasing organizations (GPOs) are not eligible for Rebates. Catamaran acknowledges and agrees that Client has a custom formulary and that Client maintains control over its custom formulary, including any changes thereto; provided that, Client acknowledges and agrees that a material change to Client’s custom formulary, one that could result in a 2% or greater loss in Rebates would demonstrate a negative impact on Catamaran’s ability to achieve the Rebate guarantees herein will result in adjustment to the Rebate guarantee commensurate to the impact of the formulary change. In such event of any modification to the rebate guarantees noted in this section, Catamaran will provide Client with notice of potential change of the guaranteed Rebates and will provide an illustration of the corresponding economic impact and any equitable adjustment to the guarantees, as may be necessary solely to preserve the parties’ relative economics before such change. Any adjustment to the guaranteed Rebates will be based upon the actual reduction in the Rebates related to the change. The parties will then discuss and negotiate the potential change to the guaranteed Rebates in good faith. During such negotiations, the parties agree that any modified pricing terms will be effective as of the actual implementation date of such pricing adjustment or

such other time frame agreed upon by the parties. Catamaran will provide a 30 day notice period to Client when distributing the impact evaluation. Notwithstanding the forgoing, Client and Catamaran will reach agreement on the pricing adjustment prior to implementation of any change to Client's custom formulary.

- Catamaran specialty pharmacies must be specialty providers under this Contract and Client Members shall utilize Catamaran specialty pharmacies and other specialty providers. Additionally, Client Members may utilize any retail pharmacy in the Catamaran national network for Specialty Drugs. The attached Specialty Drug Lists may be updated from time to time; provided that Catamaran will notify Client of new-to-market Specialty Drugs. New drugs are added as soon as they are available in Medispan (typically on the day or within a few days of product launch). Pricing is available around the same timeline. New Specialty Drugs that fall into an existing therapeutic class will be priced at the therapeutic class rate. If there is no true therapeutic class rate (i.e., multiple AWP discounts for the drugs within a given therapeutic class), the new drug will be priced at the lowest AWP discount within the therapeutic class. For example, if discounts of AWP – 10% and AWP minus 12% exist with the same therapeutic class, new products would be priced at AWP – 10%. Any existing products or newly FDA-approved products that do not fall into an existing therapeutic class will be billed and reimbursed at the default rate of AWP – 14%.

- Catamaran reserves the right to modify or amend the financial provisions of this Contract upon prior notice to Client in the event of (a) any government imposed change in federal, State or local laws or interpretation thereof or industry wide change that would make Catamaran's performance of its duties hereunder materially more burdensome or expensive; (b) a change in the scope of services to be performed under this Contract upon which the financial provisions included in this Contract are based, including a change in the plan design, custom formulary or the exclusion of a service line (i.e. retail, mail, specialty) from Client's service selection that Catamaran can demonstrate impacts its ability to meet the financial provisions in this Contract; (c) a reduction of greater than 30% in the total number of Members from the number provided to Catamaran during pricing negotiations upon which the financial provisions included in this Contract are based; (d) unexpected movement of a branded product to off-patent or where there are generic or over-the-counter substitutes available; or (e) changes made to the AWP benchmark or the methodology by which AWP is calculated or reported. To implement such a modification or amendment, Catamaran must, to the extent reasonably possible, provide 60 days prior written notice to Client detailing the adjustment to the financial provisions, accompanied by documentation of an analysis reasonably demonstrating that the adjustment places each party in substantially the same position as before the change. To the extent it is not reasonably possible to provide Client with 60 days prior written notice, Catamaran must provide Client with as much notice as reasonably possible given the circumstances. Should the parties not agree that the changes are reasonable, Client may terminate this Contract upon prior written notice to Catamaran.

B. Base Services remain as defined and listed in the Contract subject to the revised Amendment pricing.

C. <u>Optional Ancillary Services</u>. Certain services as indicated below are not included in the standard Administrative Fee and are available for an additional charge. This is not an inclusive list. Catamaran may charge for any products or services not specifically represented herein.

Catamaran Medication Therapy Management Program:	$1.17 PMPM
Catamaran Retrospective Drug Utilization Review	$0.36 PMPM or $0.15 PMPM if purchased with Medication Therapy Management Program
Explanation of Benefits ("EOB")	$3.00 per EOB plus postage, shipping and handling

Attachment A-2: Claims Billing and EGWP PDP Administrative Fees

A. Service Fees.

Client will pay Catamaran for the services provided herein pursuant to the following table. Client will be charged actual rates with all discounts and rebates considered minimum guarantees. Administrative fees and Dispensing fees will be considered maximum guarantees.

	PASS THROUGH MODEL*
Administrative Fee	
Base Fees:	$8.29 PMPM (defined below) (using ESI's EGWP Plan) $8.00 PMPM (using Catamaran's EGWP Plan)
Paper Claim Fee:	Included in Base Fees
Retail Pharmacy Network	
Brand Drugs	AWP minus 15.35% for 2013 AWP minus 15.60% for 2014
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 81.50% for 2013 AWP minus 82.00% for 2014
Dispensing Fee (Brand and Generic)	$1.55 Dispensing Fee
Retail Pharmacy Network (> 83 Days' Supply)	
Brand Drugs	AWP minus 18.20% (Open Network) AWP minus 19.90% (Custom Network)
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 83.00% for 2013 (Open Network) AWP minus 89.00% for 2013(Custom Network) AWP minus 83.50% for 2014 (Open Network) AWP minus 89.00% for 2014(Custom Network)
Dispensing Fee (Brand and Generic)	$0.00 Dispensing Fee (Open Network) $8.10 Dispensing Fee (Custom Network)
Mail Service Pharmacy**	
Brand Drugs	AWP minus 22.30%
Effective Overall Generic Guarantee (ingredient cost)	AWP minus 84.85%
Dispensing Fee (Brand and Generic)	$8.10 Dispensing Fee
Specialty Pharmacy (Open)	
See Attached Specialty Pricing Schedule for Individual Drug Level Pricing Information; Dispensing Fee is $0.00	
Long Term Care (up to 31 Days' Supply)	
Brand Drugs	Lower of AWP minus 10.20% plus $4.75 Dispensing Fee or Usual & Customary Price
Generic Drugs	Lower of AWP minus 10.20% plus $4.75 Dispensing Fee, MAC plus $4.75 Dispensing Fee or Usual & Customary Price
Home Infusion	
Brand Drugs	Lower of AWP minus 9.7% plus $1.00 Dispensing Fee or Usual & Customary Price
Generic Drugs	Lower of AWP minus 9.7% plus $1.00 Dispensing Fee, MAC plus $1.00 Dispensing Fee or Usual & Customary Price
Indian/Tribal/Urban	
Brand Drugs	Lower of AWP minus 10.0% plus $1.00 Dispensing Fee or Usual & Customary Price
Generic Drugs	Lower of AWP minus 10.0% plus $1.00 Dispensing Fee, MAC plus $1.00 Dispensing Fee or Usual & Customary Price
Rebates (Preferred 3-Tier, Catamaran Managed Formulary)***	
	Greater of 100.00% or
Retail Minimum	$16.30 per net paid brand claim
Mail Minimum	$38.38 per net paid brand claim
Specialty Minimum	$76.34 per net paid brand claim

*Experience for specific network pharmacies may differ. These rates represent the average net effective rate for the overall network and are based on the AWP as determined by the Medispan Master Drug Data Base, including supplements thereto (post-AWP rollback rates). Client will be charged actual rates but minimum guarantees apply as stated in table.
**The Parties acknowledges that as of the Amendment Effective Date, Plan Sponsor uses ESI's mail service pharmacy, any change to the mail service pharmacy will be mutually agreed upon by the Parties.
***Catamaran will pass through to Client 100% of Rebates, including manufacturer administrative fees, it receives that can be attributed to allowable utilization of Members hereunder.

General Notes

- Under the Pass Through Pricing Model, Client will pay the actual retail pharmacy rates paid by Catamaran for prescriptions electronically processed and dispensed to a Member through Catamaran's retail pharmacy network.

- The discounts and the dispensing fees set forth above are guaranteed effective average rates, in aggregate, as measured annually and over the term of the Contract (reported and reconciled annually over successive one year terms). In calculating the effective average discounts, Catamaran may include the value of all other discounts delivered in connection with this Contract including but not limited to other savings and reimbursements delivered hereunder by Catamaran (e.g., lower of usual & customary (U&C) pricing). Catamaran will review the overall annual performance of its rates and report on the net performance by dispensing channel (Retail separate from Mail Order). All proposed guarantees shall be reconciled annually against actual results and shall be backed dollar-for-dollar. For clarity, over-performance in any one component may be used to offset under-performance in any one component within a dispensing channel (Retail separate from Mail Order). Compounds, Direct Member Reimbursement Claims, Coordination of Benefit Claims, Military Treatment Facility (i.e., Veterans Administration & Department of Defense) claims, OTC claims, and claims with ancillary charges will be excluded from the calculations. Specialty Drug claims filled at a retail pharmacy will be excluded from the retail effective average rate calculations. Additionally, claims dispensed in Puerto Rico, Hawaii, Massachusetts and Alaska and claims filled outside the Catamaran national network must be excluded from the calculations.

- Catamaran's compensation for its services will be the EGWP Administrative Fee set forth above and a fee in an amount agreed to by the parties for any additional services authorized by Client. The Administrative Fee is on a Per Part D Eligible Member Per Month basis. To the extent applicable, the EGWP Administrative Fee will be divided between ESI (formerly Medco) and Catamaran according to the level of services provided. In addition, Catamaran may, from time to time, receive and retain reimbursement from wholesalers and manufacturers as a purchaser of pharmaceutical products for its mail service and specialty pharmacies. The parties acknowledge that Catamaran may charge Participating Pharmacies an electronic processing fee for transmission services that Catamaran provides to the pharmacies.

- "Net Paid Claim" means all paid Claims minus reversals for a single prescription fill.

- Dispensing fee refers to the amount paid to the participating pharmacy for filling a prescription.

- Single Source Generics will be included in the overall generic drug guarantee.

- The effective overall generic discount rate is the only generic rate guaranteed for purposes of retail and mail service pharmacy rates.

- Catamaran negotiates Rebates based on market share over its aggregate book of business and not on behalf of any client. Rebates must be based upon net paid brand name drug claims submitted on behalf of Client, allocable to Client. The three-tier Rebate guarantees above apply to a qualified three tier plan design with a minimum differential of $15.00 between preferred and non-preferred brand drugs. Catamaran and affiliated third party contractors may receive manufacturer administrative fees for participation in and/or administration of the formulary rebate program; Catamaran must pass such manufacturer administrative fees through to Client pursuant to the terms of this Contract.

- Client acknowledges and agrees that certain Member-submitted claims, discount card programs, coordination of benefits (COB) claims whereby Catamaran is the secondary payor, and Member claims filled at

Participating Pharmacies that are also receiving purchasing price concessions, such as pharmacies who qualify for 340B pricing under section 340B of the Public Health Services Act or pharmacies that are members of group purchasing organizations (GPOs) are not eligible for Rebates. Catamaran acknowledges and agrees that Client has a custom formulary and that Client maintains control over its custom formulary, including any changes thereto; provided that, Client acknowledges and agrees that a material change to Client's custom formulary, one that could result in a 2% or greater loss in Rebates would demonstrate a negative impact on Catamaran's ability to achieve the Rebate guarantees herein will result in adjustment to the Rebate guarantee commensurate to the impact of the formulary change. In such event of any modification to the rebate guarantees noted in this section, Catamaran will provide Client with notice of potential change of the guaranteed Rebates and will provide an illustration of the corresponding economic impact and any equitable adjustment to the guarantees, as may be necessary solely to preserve the parties' relative economics before such change. Any adjustment to the guaranteed Rebates will be based upon the actual reduction in the Rebates related to the change. The parties will then discuss and negotiate the potential change to the guaranteed Rebates in good faith. During such negotiations, the parties agree that any modified pricing terms will be effective as of the actual implementation date of such pricing adjustment or such other timeframe agreed upon by the parties. Catamaran will provide a 30 day notice period to Client when distributing the impact evaluation. Notwithstanding the forgoing, Client and Catamaran will reach agreement on the pricing adjustment prior to implementation of any change to Client's custom formulary.

- Catamaran specialty pharmacies will be specialty providers under this Contract and Client Members shall utilize Catamaran specialty pharmacies and other specialty providers. Additionally, Client Members may utilize any retail pharmacy in the Catamaran national network for Specialty Drugs. The attached Specialty Drug Lists may be updated from time to time; provided that Catamaran will notify Client of new-to-market Specialty Drugs. New drugs are added as soon as they are available in Medispan (typically on the day or within a few days of product launch). Pricing is available around the same timeline. New Specialty Drugs that fall into an existing therapeutic class will be priced at the therapeutic class rate. If there is no true therapeutic class rate (i.e., multiple AWP discounts for the drugs within a given therapeutic class), the new drug will be priced at the lowest AWP discount within the therapeutic class. For example, if discounts of AWP – 10% and AWP minus 12% exist with the same therapeutic class, new products would be priced at AWP – 10%. Any existing products or newly FDA-approved products that do not fall into an existing therapeutic class will be billed and reimbursed at the default rate of AWP – 14%.

- Catamaran must provide Client with a discount credit in the amount as follows to be credited to Client against Client invoices: $71,458.34 per month during calendar year 2013 and $71,458.38 per month during calendar year 2014. It is the intention of the Parties that, for the purposes of the Federal Anti-Kickback Statute and any required government reporting, the credit will constitute and will be treated by Client as a discount against the price of drugs within the meaning of 42 U.S.C. 1320a-7b(b)(3)(A).

- Catamaran reserves the right to modify or amend the financial provisions of this Contract upon prior notice to Client in the event of (a) any government imposed change in federal, State or local laws or interpretation thereof or industry wide change that would make Catamaran's performance of its duties hereunder materially more burdensome or expensive; (b) a change in the scope of services to be performed under this Contract upon which the financial provisions included in this Contract are based, including a change in the plan design, custom formulary or the exclusion of a service line (i.e. retail, mail, specialty) from Client's service selection that Catamaran can demonstrate impacts its ability to meet the financial provisions in this Contract; (c) a reduction of greater than 30% in the total number of Members from the number provided to Catamaran during pricing negotiations upon which the financial provisions included in this Contract are based; (d) unexpected movement of a branded product to off-patent or where there are generic or over-the-counter substitutes available; or (e) changes made to the AWP benchmark or the methodology by which AWP is calculated or reported. To implement such a modification or amendment, Catamaran shall, to the extent reasonably possible, provide 60 days prior written notice to Client detailing the adjustment to the financial provisions, accompanied by documentation of an analysis reasonably demonstrating that the adjustment places each party in substantially the same position as before the change. To the extent it is not reasonably possible to provide Client with 60 days prior written notice, Catamaran must provide Client with as much notice as reasonably possible given the circumstances. Should the parties not agree that the changes are reasonable, Client may terminate this Contract upon prior written notice to Catamaran.

- Catamaran will strive to ensure a successful transition from the current EGWP administrator to the Catamaran-administered benefit program to be effective January 1, 2014. To demonstrate Catamaran's confidence in being an EGWP PDP in 2014 and to demonstrate Catamaran's commitment to providing a successful and satisfactory transition, Catamaran agrees to the attached guarantees relating to the EGWP transition for the 2014 plan year. Should Catamaran not be able to provide services as an EGWP PDP in 2014, Catamaran will facilitate an alternative EGWP PDP at the EGWP fees set forth herein.

- Catamaran must provide Client with a pre-implementation audit allowance relating to the 2014 EGWP implementation of $30,000.00, which may be drawn upon by Client for reimbursement of the cost to conduct a one-time audit of Catamaran to review the accuracy of claims processing, plan design set-up, and other similar implementation-related services related to the 2014 EGWP program. Client will submit to Catamaran (1) a description of the audit services, and (2) the actual cost of the audit services at fair market value, and (3) if not readily apparent, a clear description of how the audit services relate to Client's completion of the validation audit. Catamaran shall reimburse Client for such expenses from this audit allowance within 30 days of receipt of adequate written documentation of such expenses from Client.

B. The All-Inclusive EGWP Administration Fee will include all services as defined and listed in the Contract subject to the revised Amendment pricing.

C. **Optional Additional Services**. Certain services as indicated below are not included in the standard Administrative Fee and are available for an additional charge. This is not an inclusive list. Catamaran may charge for any products or services not specifically represented herein.

Ancillary Services

Other Member or physician communications not mandated by CMS	At Cost
Enhanced Medication Therapy Management	$0.24 PMPM
Enhanced Retrospective DUR	$0.25 PMPM

D. **Billing of Claims for Vaccines**. Consistent with CMS regulations, services set forth in this Contract will include coverage for Part D-covered, provider-administered vaccines. Billing will include (i) an applicable fixed vaccine inoculation fee not to exceed $20.00 when charged by the administering physician, if any, for all vaccines covered under Part D, and (ii) a third party vendor fee as charged to EGWP Administrator not to exceed $4.00 per paid claim. Claims for vaccines are excluded from Rebates.

E. **EGWP Administrator Providing Pass Through of All CMS Payment Components including, but not limited to the following:**

1. EGWP Administrator will pass through to Plan Sponsor 100% of the following CMS payment components:

1.1 Risk-adjusted Direct Per Member Per Month Subsidy (monthly) – This risk-adjusted Direct per member per month subsidy will be based on the CMS-provided National Average subsidy, provided in August or early September of each year. These payments must be made within 15 days after the end of the month.

1.2 Annual Reinsurance Payments for Catastrophic Coverage (annually) – The reinsurance payments for catastrophic coverage will equal 80% of the net cost of claims incurred after the member reaches the CMS catastrophic coverage threshold (adjusted annually) in True Out of Pocket Spend, adjusted for Rebates. For purposes of the annual true-up of annual reinsurance payments, only Covered Retirees and Medicare-covered drugs shall be included.

1.3 Low Income Cost Sharing Subsidies (LICS) (annually) – Based on final reconciliation with CMS the LICS must be payable to MPSERS and must be reconciled within 90 days following the final reconciliation with CMS based on actual experience.

1.4 Low-Income Premiums Subsidies (LIPS) for Eligible Members – The LIPS will be provided for Covered Retirees who qualify for low-income benefits as defined by CMS and the Social Security Administration. These payments must be made monthly within 15 days after the end of the month.

1.5 Coverage Gap Discount Program (CGDP) (quarterly) – Based on quarterly reconciliation with CMS and participating Pharmaceutical Manufacturers, the CGDP must be reconciled and paid to MPSERS by Catamaran within 15 days following receipt of the funds.

1.6. Subsidies will ONLY be received on behalf of members approved by CMS as eligible for the PDP. Any Member rejected by CMS will not be eligible for any of the subsidies outlined above. Members not approved by CMS may be covered under the benefit at the MPSERS discretion in accordance with the terms of the MPSERS's commercial agreement.

1.7 If EGWP Administrator fails to submit data--adjusted data--to CMS accurately or timely, they will be responsible for providing a payment to the Plan Sponsor equal to the amount of lost subsidy. This excludes enrollment or prescription drug event (PDE) records rejected due to eligibility issues for which the Plan Sponsor is responsible.

1.8 MPSERS is responsible for billing and collecting the member's contribution to the premium, less any Low Income Premium Subsidy received from CMS for eligible members, and ensuring that the low income members are billed the appropriate monthly member premium. EGWP Administrator will provide Plan Sponsor a monthly list of low-income subsidy eligibles and the related premium amount. MPSERS will refund the premium to the beneficiary within 45 days of receipt of the low-income premium subsidy payment amount.

2. Plan Sponsor must receive claim and monthly electronic administrative invoices via a File Transfer Protocol (FTP) consistent with the current commercial invoice billing schedule, if any, applicable in the Contract. Both the claims fees and the monthly administrative fee must appear on the MPSERS invoice. The monthly per member payment charge must be made to EGWP Administrator, as applicable, in accordance with the instruction included in the invoice. The CMS components listed above that EGWP Administrator receives from CMS on behalf of MPSERS will appear as a credit on the subsidy statement. These reports will be available on EGWP Administrator's website. All invoicing and payments are subject to the Contract.

3. Plan Sponsor must receive all claims on a monthly basis and prescription drug event (PDE) data on a bi-weekly basis.

4. State-to-Payer/Payer-to-Payer – MPSERS will be responsible for any claims paid by the PDP as part of the State-to-Payer and/or Payer-to-Payer reconciliations for any MPSERS enrolled Part D member.

5. In the event that the Client uses Catamaran as the EGWP administrator for 2014, all applicable provisions and guidance as required by CMS will be provided in a subsequent agreement to ensure full compliance with standards.

Performance Standard Category	Catamaran Performance Guarantee	Maximum Dollar Amount for Plan Year 2014 EGWP Implementation
Readiness to Administer Client EGWP		
Readiness to Administer Client EGWP on 01/01/14	Catamaran will submit all necessary agreements and filings required to enable Catamaran, through its insured affiliate Catamaran Insurance of Ohio, Inc., to legally operate as an EGWP PDP for and during the 2014 plan year and the client will receive all expected (based on applicable CMS formulas and methodology) EGWP subsidies and coverage gap discount program payments (CGDP) from pharmaceutical manufacturers for the 2014 plan year.	**Guarantee: $10,000,000.00*** *This will be reduced to the extent that a loss or reduction of subsidies or payments is related to client's actions/inactions or items beyond Catamaran's control.
EGWP Implementation Performance Guarantees		
Implementation of Plan Designs	Catamaran guarantees that 99.5% of Plan Sponsor's benefit designs will be implemented and tested and approved by Plan Sponsor as accurate. Catamaran must receive final plan designs no later than September 1, 2013 to offer this performance guarantee.	**Implementation Guarantee: $300,000.00**
Eligibility accuracy	99.5% of usable eligibility files received by November 15, 2013, will be loaded and tested as accurate in the Catamaran system.	**Implementation Guarantee: $250,000.00**
ID Cards Production (Initial)	Catamaran guarantees that initial ID cards will be mailed no later than December 15, 2013, assuming all member materials have been approved and Plan Sponsor has provided clean eligibility data to Catamaran no later than November 15, 2013.	**Implementation Guarantee: $100,000.00**
Formulary Setup	Formulary set up will be completed with 98.0% accuracy based on mutually agreed upon terms regarding metrics of accuracy determination.	**Implementation Guarantee: $250,000.00**
Member Communications	99.0% of initial membership materials (set forth below) will be accurate and mailed to participants or mutually agreed upon locations according to CMS guidelines. • Welcome Packet • Opt Out Letter • EOC	**Implementation Guarantee: $50,000.00 per membership material mailing, not to exceed $150,000.00**
MTM	Catamaran will submit the required custom MTM description by May 6, 2013, (or such other date that may be designated by CMS) to be in compliance with CMS EGWP regulations and report this filing to Plan Sponsor.	**Implementation Guarantee: $200,000.00**
Low Income Premium Subsidy	Catamaran will define and establish a process for the Low Income Premium Subsidy pass-through to Members in accordance with CMS guidelines.	**Implementation Guarantee: $200,000.00**
Claim History Data Transfer	Catamaran guarantees that 99.5% of applicable historical claims data will be loaded to the EGWP plans according to the agreed upon implementation timeline.	**Implementation Guarantee: $200,000.00**
PA History Data Transfer and Open Refill files under Mail Order, if applicable	Catamaran guarantees that 99.5% of applicable historical PA data and open mail order refills, if applicable, will be loaded to the EGWP plans according to the agreed upon implementation timeline.	**Implementation Guarantee: $200,000.00**
Monthly Update	Catamaran guarantees that it will provide a monthly update to the implementation plan showing progress against the agreed upon dates.	**Implementation Guarantee: $150,000.00 (For clarity, Catamaran will pay $150,000.00 if it misses even one monthly update)**

Implementation Satisfaction Guarantee Implementation Satisfaction will be defined by Catamaran's ability to meet the above stated EGWP implementation performance guarantees. Payment, if any, for this Implementation Satisfaction Guarantee will be based upon the number of missed EGWP implementation performance guarantees as outlined below. An EGWP implementation performance guarantee will be considered "missed" if Catamaran must pay a penalty based on failure to achieve the guarantee.	
10 out of 10 guarantees met	**Satisfaction Implementation Guarantee:** No Penalty
9 out of 10 guarantees met	**Satisfaction Implementation Guarantee:** $600,000.00
8 out of 10 guarantees met	**Satisfaction Implementation Guarantee:** $1,500,000.00
7 out of 10 guarantees met	**Satisfaction Implementation Guarantee:** $3,750,000.00
6 (or less) out of 10 guarantees met	**Satisfaction Implementation Guarantee:** $6,000,000.00

Within 45 days after the EGWP implementation date (January 1, 2014), Contractor must provide Client with a report assessing (i) Contractor's compliance with the "readiness" guarantee, (ii) Contractor's performance of the EGWP implementation performance guarantees, and (iii) Client's satisfaction based upon the Implementation Satisfaction Guarantee, above. Contractor must provide the corresponding payment for any of the foregoing guarantees that were not achieved.

Form No. DTMB-3521 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

April 25, 2013

CHANGE NOTICE NO. 3

to

CONTRACT NO. 071B0200095

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Catamaran PBM of Maryland, Inc.	Miranda Weaver	Miranda.weaver@catamaranrx.com
2441 Warrenville Road, Suite 610	TELEPHONE	CONTRACTOR #, MAIL CODE
Lisle, IL 60532	(866) 643-6924 ext 22980	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DTMB	Kerrie Vanden Bosch	(517) 636-6104	vandenboschk@michigan.gov
BUYER	DTMB	Lance Kingsbury	(517) 241-3768	kingsburyl@michigan.gov

CONTRACT SUMMARY:

Pharmacy Benefits Management for MPSERS – Department of Technology, Management and Budget / Office of Retirement Services

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2010	December 31, 2012	4, 1 yr. options	December 31, 2013
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other			☐ Yes ☒ No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:

EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
☐ No ☒ Yes	☒	☐	1 year	December 31, 2014

VALUE/COST OF CHANGE NOTICE:	ESTIMATED REVISED AGGREGATE CONTRACT VALUE:
$370,000,000.00	$2,131,798,804.00

Effective April 3, 2013, this contract is hereby extended to December 31, 2014 and increased by $370,000,000.00. All other terms, conditions, pricing and specifications remain the same. Per vendor and agency agreement, DTMB Procurement approval and the approval of the State Administrative Board on April 2, 2013.

Form No. DTMB-3521 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 2

to

CONTRACT NO. 071B0200095

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Catamaran PBM of Maryland, Inc.	Miranda Weaver	Miranda.weaver@catamaranx.com
2441 Warrenville Road, Suite 610	TELEPHONE	CONTRACTOR #, MAIL CODE
Lisle, IL 60532	(866) 643-6924 ext 22980	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DTMB	Kerrie Vanden Bosch	(517) 636-6104	vandenboschk@michigan.gov
BUYER	DTMB	Lance Kingsbury	(517) 241-3768	kingsburyl@michigan.gov

CONTRACT SUMMARY:

Pharmacy Benefits Management for MPSERS – Department of Technology, Management and Budget / Office of Retirement Services

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2010	December 31, 2012	4, 1 yr. options	December 31, 2013
PAYMENT TERMS	**F.O.B**	**SHIPPED**	**SHIPPED FROM**
Net 45	N/A	N/A	N/A

ALTERNATE PAYMENT OPTIONS:	AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other	☐ Yes ☒ No

MINIMUM DELIVERY REQUIREMENTS:

N/A

DESCRIPTION OF CHANGE NOTICE:

EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
☒ No ☐ Yes	☐	☐	N/A	December 31, 2013

VALUE/COST OF CHANGE NOTICE:	ESTIMATED REVISED AGGREGATE CONTRACT VALUE:
$0.00	$999,999,999.00

Per Agency ITRAC request dated 12/17/12 and vendor letter dated 2/13/13, the Vendor name will change from Catalyst Rx to Catamaran PBM of Maryland, Inc. (the FEIN stays the same). All other terms, conditions, specifications and pricing remain unchanged.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET **December 29, 2011**
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B0200095
Between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR **Catalyst Rx** **800 King Farm Boulevard** **Rockville, MD 20850** **tloney@catalystrx.com**	TELEPHONE (724) 444-8707 **Troy Loney** BUYER (517) 241-3768 **Lance Kingsbury**
Contract Compliance Inspector: Kerrie Vanden Bosch (517) 636-6104 **Pharmacy Benefits Management for MPSERS – Department of Management and Budget/ORS**	
CONTRACT PERIOD From: **January 1 , 2010**	To: **December 31, 2013**
TERMS **Net 45**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

THIS CONTRACT IS EXTENDED TO LOCAL UNITS OF GOVERNMENT

NATURE OF CHANGE(S):

Effective immediately, this Contract is hereby EXTENDED to December 31, 2013, and the Contract value is INCREASED by $440,000,000.00.

Effective January 1, 2012, the attached amendment regarding a Medicare Part D Employer Group Waiver Plan 800 Series Prescription Drug Program (EGWP 800 Series Plan) and Commercial Wrap Coverage to Part D Eligible MPSERS Members, is hereby incorporated into the Contract.

Catalyst agrees to provide, in exchange for DTMB exercising the first Contract option year, a loyalty discount, from amounts otherwise payable under the MPSERS Contract, payable to MPSERS at a rate of $71,458.43 per month during the Contract timeframe of January 1, 2012, to December 31, 2013, for an aggregate discount of $1,715,000.00.

Catalyst agrees to compensate ORS $9,000,000.00 if Catalyst fails to implement either a Medicare Part D Employer Group Waiver Plan 800 Series Prescription Drug Program (EGWP 800 Series Plan) or a Commercial Wrap Coverage to Part D Eligible MPSERS Members in CY2012.

Please note the buyer has been changed to Lance Kingsbury (kingsburyl@michigan.gov)

All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per Contractor/DTMB-ORS agreement, DTMB Procurement approval, and Ad Board approval on December 12, 2011.

INCREASE: $440,000,000.00

TOTAL REVISED CONTRACT VALUE: $1,761,798,804.00

AMENDMENT TO
CONTRACT NO. 071B0200095 BETWEEN
THE STATE OF MICHIGAN AND CATALYST Rx

This Amendment (the "Amendment") to Contract No. 071B0200095 (the "Contract"), between Catalyst Rx ("Contractor"), a Nevada Corporation, and the State of Michigan, Office of Retirement Services ("Plan Sponsor") under which Contractor provides Prescription Benefit Management Services to the Michigan Public School Employees Retirement System ("MPSERS"), is made effective as of January 1, 2012 (the "Amendment Effective Date") to enable the State of Michigan to offer a Medicare Part D Employer Group Waiver Plan 800 Series Prescription Drug Program ("EGWP 800 Series Plan") and Commercial Wrap coverage to Part D Eligible MPSERS-Members.

RECITALS:

WHEREAS, Plan Sponsor provides coverage, including pharmacy coverage, to Members of MPSERS, some of who are Medicare-eligible;

WHEREAS, the Centers for Medicare and Medicaid Services ("CMS") have adopted regulations set forth in 42 C.F.R. Parts 423 *et seq*. ("CMS regulations") implementing the Medicare Prescription Drug Benefit ("Part D") established by Section 101 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 as codified in Section 1860D-1 through 1860D-41 of the Social Security Act, which regulations allow for a CMS-approved employer group retiree-only Prescription Drug Program ("Employer Group Waiver Plan PDP" or "EGWP 800 Series Plan");

WHEREAS, Plan Sponsor intends to offer an EGWP 800 Series Plan product to Part D Eligible Members, in accordance with CMS regulations; and

WHEREAS, Contractor has engaged as a subcontractor Medco Health Solutions, Inc. ("CMS-Contracted PDP Sponsor"), which, through its affiliated entities, is an approved CMS-contracted PDP sponsor for an EGWP 800 Series Plan in accordance with CMS regulations, in order to deliver an EGWP 800 Series Plan product to Part D Eligible Members; and

WHEREAS, Plan Sponsor and Contractor desire to amend the Contract as set forth below.

NOW, THEREFORE, in consideration of the mutual promises set forth below, the Parties hereto agree as follows:

I. Definitions

A. The following definitions are added to the Definitions in the Contract:

Commercial Wrap means the self-insured, commercial (non-Part D) wrap-around coverage for Part D Eligible Members that supplements the EGWP 800 Series Plan.

EGWP 800 Series Plan means the Plan Sponsor's program which provides prescription drug coverage to Part D Eligible Members. EGWP 800 Series Plan is a subsection of the Plan and is treated differently only where expressly referenced below.

Part D Eligible Member means a Member who is eligible, as determined by CMS, for Medicare Part D benefits.

II. Scope of Work and Deliverables and Services.

A. The second paragraph of Section 1.022.A. Plan Design is deleted in its entirety and replaced with the following new paragraph:

Plan design is subject to change throughout the duration of this Contract. The Contractor must implement Plan changes as requested by the Plan Sponsor in a timely fashion, at no additional cost to the Plan Sponsor. Plan Sponsor understands and agrees that, as applied to the EGWP 800 Series Plan, some plan design elements are subject to CMS regulation and approval.

The Plan Sponsor offers Part D Eligible Members the same pharmaceutical coverage as non-Medicare Members and will provide this type of coverage through the combination of the EGWP 800 Series Plan and the Commercial Wrap.

Contractor and/or CMS-Contracted PDP Sponsor will administer both the EGWP 800 Series Plan and the Commercial Wrap pursuant to CMS regulations (as applicable) and the Contract terms, except where specifically indicated otherwise in this Amendment.

B. Section 1.022.D.3. Communication Materials is amended to add the following paragraph after subsection c:

Member Communications to be distributed to Part D Eligible Members will comply with CMS regulations set forth at 42 C.F.R §§ 423.2260-2276 and Chapter 3 of the Medicare Prescription Drug Manual (the Medicare Marketing Guidelines), and applicable EGWP 800 Series Plan waivers. The Plan Sponsor retains all final rights of approval, understanding that certain member communications are subject to CMS regulations.

C. Section 1.022 F Formulary and Rebates is amended to add the following sentences at the end of the first sentence:

The custom formulary and any changes thereto, applicable to the EGWP 800 Series Plan and Part D Eligible Members, will comply with the requirements of Chapters 6 & 12 of the Medicare Prescription Drug Manual. No formulary updates, changes, or submissions will be made by any entity on behalf of the Plan Sponsor without the express approval of the same.

D. Sections 1.022.G Eligibility Subsections 4 and 5 are deleted in their entirety and replaced with the following new Sections 1.022.G.4 and 1.022.G.5:

4. The Contractor must be able to accept the Plan Sponsor's electronic eligibility files and process change transactions to maintain up-to-date information for eligibility certification. The file must be processed and Member eligibility and/or enrollment update completed within 12 hours of notification from the Plan Sponsor or its designee, with confirmation of changes submitted to the Plan Sponsor and number of records loaded.

Notwithstanding the previous sentence, as applied to an eligibility file for Part D Eligible Members, the Contractor or CMS-Contracted PDP Sponsor will submit the enrollment file to CMS for approval within 72 hours of receipt. Upon receipt of CMS approval, the CMS-Contracted PDP Sponsor will process the Part D Eligible Member eligibility and/or enrollment file within 12 hours and in accordance with CMS regulations and guidance. CMS-Contracted PDP Sponsor must also accept a full audit file on a quarterly basis. Acceptance to Part D is contingent upon approval by CMS. Members awaiting such approval (a "Pending Part D Eligible Member") must continue to

have their pharmacy coverage administered by Contractor pursuant to the terms and conditions of the Contract. Enrollment issues within the reasonable control of the Contractor or CMS-Contracted PDP Sponsor must be resolved, and a Pending Part D Eligible Member enrolled into the EGWP 800 Series Plan, within 30 days of the enrollment issue being identified by any party. For enrollment issues requiring multiple parties' input to resolve, Contractor and CMS-Contracted PDP Sponsor must work collaboratively with Plan Sponsor in resolution of such issues.

5. Upon verbal notification, Member eligibility and/or enrollment updates must be completed in the Contractor's system in real-time. Once updated in the Contractor's system, eligibility and/or enrollment updates for a Pending Part D Eligible Member must be processed and included in CMS-Contracted PDP Sponsor's enrollment file to CMS for approval within 72 hours of such update.

E. Section 1.022. L Performance Guarantees/Service Level Contracts (SLAs)-Ongoing Services is amended by replacing existing language with the following, relative only to the Contractor and/or CMS-Contracted PDP Sponsor's administration of the EGWP 800 Series Plan and Commercial Wrap. Underlying source documentation must be made available for review for the performance on each SLA. Penalties are based on the total administrative fees paid by Plan Sponsor to Contractor on behalf of the administration of the EGWP 800 Series Plan and Commercial Wrap ("Administrative Fee"):

SLA# 1
ID Cards
Guarantee
ID Cards for all new Contract Holders must be mailed within 10 Days of Contractor receiving the eligibility confirmation from CMS. The Contractor must measure and report CMS-Contracted PDP Sponsor's performance on this SLA on a quarterly basis. Performance must be able to be substantiated by documentation providing proof of mailing date.
Penalty
The penalty for failure to meet this SLA is **.5% of each missed quarter's** Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #2
Eligibility Uploads for Part D Eligible Members
Guarantee
All Eligibility files must be uploaded with 100% accuracy into the Catalyst system within 12 hours of receipt from Plan Sponsor. The CMS-Contracted PDP Sponsor will submit the enrollment file to CMS for approval within 72 hours of receipt The Contractor must measure CMS-Contracted PDP Sponsor's performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.2% of each missed month's** Administrative Fee paid to the Contractor by the Plan Sponsor.

SLA # 3
Satisfaction Surveys for Part D Eligible Members
Guarantee
One Random Sample Member survey must be completed annually on a Plan Sponsor specific basis. A response of "satisfied" or higher, from a minimum of 90% of survey respondents, is required. The respondent pool must be statistically valid based on the Plan Sponsor's total Medicare-Eligible population.
Penalty
The penalty for failure to meet this SLA is **2%** of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA # 4
Customer Service Call - Average Speed of Answer for EGWP 800 Series Plan and Commercial Wrap
Guarantee
On a monthly basis 95% of the calls must be answered within an average of 30 seconds or less. The Contractor must measure the CMS-Contracted PDP Sponsor's performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.2% of each missed month's** Administrative Fees paid to the Contractor by the Plan Sponsor for each month that the SLA is not met.

SLA # 5
Customer Service Response Time – Blockage Rate (Busy Signal) for EGWP 800 Series Plan and Commercial Wrap
Guarantee
The monthly blockage rate must not exceed 2%. Blockage is defined as a caller receiving a busy signal. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% of each missed month's** Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA # 6
First Call Resolution for EGWP 800 Series Plan and Commercial Wrap
Guarantee
90% of calls must be resolved on the first call. Members following up on same issue within five Days cannot be considered resolved. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% of each missed month's** Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #7
Customer Service Response Time to Written Inquiries for EGWP 800 Series Plan and Commercial Wrap
Guarantee
The Contractor must respond to 95% or more of written inquiries within five business days, and 100% of written inquiries within 10 business days. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% of each missed month's** Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #8
Customer Service Response Time - Percent of Calls Abandoned for EGWP 800 Series Plan and Commercial Wrap
Guarantee
The monthly call abandonment rate must not exceed 3%. A call will be considered abandoned if the Member hangs up at any time after initiating a transfer out of the IVR. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% of each missed month's** Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #9
Timely Provision of Reports, Claims, and Prescription Drug Event (PDE) Records for EGWP 800 Series Plan and Commercial Wrap
Guarantee
The Contractor must provide copies of all reports set forth on Appendix 1 at the applicable frequencies set forth on Appendix 1 as they pertain to CMS-Contracted PDP Sponsor's administration of the EGWP Series 800 Plan and Commercial Wrap. The Contractor must measure and report its performance on this SLA on a quarterly basis, except for those reports that are provided annually.
Penalty
The penalty for failure to meet this SLA is **.1%** of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #10
Point-of-Sale (POS) Claims Accuracy for EGWP 800 Series Plan and Commercial Wrap
Guarantee
100% of POS claims must be processed and paid accurately. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis. Notwithstanding Section 1.022L, the Contractor will provide to the Plan Sponsor the report assessing the performance under this SLA within 50 days after the end of the calendar quarter.
Penalty
The penalty for failure to meet this SLA is **.1% of each missed month's** Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #11
Paper Claims Processing Time -– POS for EGWP 800 Series Plan and Commercial Wrap
Guarantee
• 95% of all retail paper claims must be paid within 10 business days. • 100% of all retail paper claims must be paid within 15 business days. Turnaround time is measured beginning the day the claim is received by the Contractor to the day the claim is processed. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% of each missed month's** Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #12
Retail Network – POS for EGWP 800 Series Plan and Commercial Wrap
Guarantee
The Contractor must provide one or more Participating Pharmacies located within a convenient distance of Member residences, provided there is a pharmacy available, using the parameters below: • 1-mile distance in urban areas • 3-mile distance in suburban areas • 10-mile distance in rural areas The Contractor must measure and report its performance on this SLA on an annual basis.
Penalty
The penalty for failure to meet this SLA is **1%** of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #13
Point-of-Sale Network System Downtime for EGWP 800 Series Plan and Commercial Wrap
Guarantee
Contractor's POS system must be available 99.5% of the time with the exception of pre-established scheduled down time. The Contractor must measure a report on its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% of each missed month's** Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #14
Prior Authorizations and Exceptions for EGWP 800 Series Plan and Commercial Wrap
Guarantee
The Contractor must provide a final determination of all requests for Prior Authorization within 72 hours. The Contractor must monitor the Prior Authorization and Exception Processes of CMS-Contracted PDP Sponsor. Contractor agrees to effectuate customizations, as necessary, to these processes based on their review by Contractor and Plan Sponsor. The Contractor must measure CMS-Contracted PDP Sponsor's performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% of each missed month's per month's** Administrative Fees paid to the Contractor by the Plan Sponsor.

F. Section 1.022.N Medicare Part D is amended by deleting the second paragraph in its entity and adding the following paragraphs:

The Contractor must collect Medicare Part D payments directly from the CMS-Contracted PDP Sponsor any payments received by CMS-Contracted PDP Sponsor from CMS, on behalf of Plan Sponsor's Part D Eligible Members. All CMS payments received either directly by Contractor or by CMS-Contracted PDP Sponsor on behalf of Plan Sponsor's Part D Eligible Members or claims are subject to the full pass through requirements of the Contract and are subject to audit.

Plan Sponsor and Contractor will abide by all applicable Federal and State laws and regulations and CMS regulations as applied to the EGWP 800 Series Plan, including all applicable waivers.

Specifically, the Plan Sponsor agrees to comply with all CMS regulations relative to: Enrollment & Eligibility (42 C.F.R. Subpart B, §§ 423.30-56, Chapter 3 of Medicare Prescription Drug Manual, and Chapter 12 of Medicare Prescription Drug Manual), Premium Collection (Chapter 12 of Medicare Prescription Drug Manual), and Low Income Subsidies (42 C.F.R. §§423.771-800 and Chapter 12 of Medicare Prescription Drug Manual), and Prompt Payment as applied to pharmacy claims (42 C.F.R. § 423.520).

The Contractor and/or CMS-Contracted PDP Sponsor will provide Explanation of Benefits (EOBs) to each Part D Eligible Member in accordance with applicable CMS guidance and in accordance with CMS-approved formats.

Plan Sponsor will take under advisement CMS guidance in areas where regulations are absent. In cases where there exists a variance among the parties in the interpretation of CMS guidance, Contractor and Plan Sponsor will work together to reconcile inconsistencies in interpretations. Upon request by Plan Sponsor, Contractor and/or CMS-Contracted PDP Sponsor will, from time to time, contact CMS for further guidance.

Plan Sponsor also agrees to provide any attestations or other data or documentation required by the United States Department of Health & Human Services.

V. Contractor agrees that in the event of a conflict between this Contract and Contractor's agreement with the CMS-Contracted PDP Sponsor, that the terms of its Contract with Plan Sponsor, as amended, will control.

VI. Attachments

A. Attachment A, Commercial and RDS "Pass Through" Pricing Financial Proposal for PBM Services is deleted in its entirety and replaced with the new Attachment A, Commercial "Pass Through" Pricing Financial Proposal for PBM Services and EGWP Pricing Proposal for EGWP Services attached hereto.

VII. This Amendment shall become effective on the Amendment Effective Date. In the event of a conflict between the terms of the Contract and this Amendment, the terms of this Amendment shall control. Except as otherwise amended by this Amendment, all other terms and conditions of the Contract shall continue in full force and effect.

Appendix 1

Report	Frequency
Change indicator report	Weekly
Communications campaign mailing	Biweekly
Coverage gap discount program	Quarterly
Late enrollment penalty report	Monthly
PDP enrollment / disenrollment	Weekly
Pre-edit report	Varies, dependent on the timing of file submissions to Medco
Subsidy detail report	Monthly
Access to extended day supplies at retail pharmacies	Annually
Appeals	Quarterly
Coverage review and exceptions	Quarterly
Grievances	Quarterly
Medication therapy management	Annually
Prescription Drug Event (PDE) report based on Drug Data Processing System (DDPS) Transaction Validation file	Biweekly beginning in April 2012

SCHEDULE
PRICING TERMS

Plan Sponsor shall be charged for Services under this Agreement, for the January 1, 2012 to December 31, 2013 period, as follows:

1. CLAIMS BILLING AND EGWP PDP ADMINISTRATIVE FEES –

1.1 Monthly EGWP Administrative Fee – MPSERS shall be charged (i) a per Part D Eligible Member per month fee for administering the benefit in accordance with this Agreement, and (ii) specific charges per piece for certain required communications, as follows:

1.1.1 Core EGWP Services Fee – The administrative fee covers the core services costs, outlined below, associated with the administrative aspects of the EGWP PDP benefit and is: $4.79 per Part D Eligible Member per month for Employer Group Waiver Plan services including: 60 day notice, ANOC's & Welcome Kits, B/D Coverage determination, concurrent drug utilization review (CDUR), Clinical Reviews, Copay / Administrative Appeals, Refill too Soon, Dispensing Quantity Limits, Enrollment Submission & Customer Service, EOB's, High Utilization, Disease Management, MTM, Prior authorization Rules, Quantity Dose Duration, retrospective drug utilization review (RDUR), Retail Customer Service, Transition Supply, Use of Medco's LTC / HI / ITU Pharmacy Networks. Postage increases and customization charges are the responsibility of Catalyst. Additional Programs not referenced above will be quoted upon request.

1.1.2 EGWP Commercial GAP Wrap Fee: The EGWP Commercial GAP Wrap Fee covers the services costs associated with the EGWP Commercial Wrap as set forth on Schedule G and is: $3.50 per Part D Eligible Member per month.

1.1.3 Payments—Payment for Core EGWP Services Fee, EGWP Commercial GAP Wrap Fee, and all eligible Claims will be made by Plan Sponsor exclusively to Contractor.

1.1.4 Allocation – The EGWP PDP administrative fee shall be divided between Medco and Catalyst according to the level of services provided.

1.2 Billing Of Claims for Vaccines – Consistent with CMS regulations, services set forth in this Agreement shall include coverage for Part D-covered, provider-administered vaccines. Billing will include (i) an applicable fixed vaccine inoculation fee not to exceed $20 when charged by the administering physician, if any, for all vaccines covered under Part D, and (ii) a third party vendor fee as charged to Medco not to exceed $4 per paid claim. Claims for vaccines are excluded from rebates.

2. MEDCO AND CATALYST NETWORKS AND FORMULARY PRICING

A. Pricing Table

MPSERS Rebate Share	Pass-Through Pricing
Rebate Per Retail Paid Brand Claim	$14.38
Rebate Per Mail Paid Brand Claim	$25.23
Rebate Per Specialty Paid Brand Claim	$76.34

Retail Effective Rates	Brand	Minimum Annual Aggregate Discount: AWP – 17% Maximum Annual Aggregate Dispense Fee: $1.58
	Overall Generic:	Minimum Annual Aggregate Discount: AWP – 77% Maximum Annual Aggregate Dispense Fee: $1.68
Mail Order Effective Rates	Brand	Minimum Annual Aggregate Discount: AWP – 22.45% Maximum Annual Aggregate Dispense Fee: $8.10
	Overall Generic:	Minimum Annual Aggregate Discount: AWP – 88.95% Maximum Annual Aggregate Dispense Fee: $8.10
Specialty Effective Rates	Brand	Minimum Annual Aggregate Discount: AWP – 19.75% Maximum Annual Aggregate Dispense Fee: $0.00
	Overall Generic	Minimum Annual Aggregate Discount: AWP – 53.0% Maximum Annual Aggregate Dispense Fee: $0.00
Long Term Care (up to 31 day supply)	Brand	Lower of AWP – 9.5% plus $4.75 dispensing fee or Usual and customary price
	Generic	Lower of AWP – 9.5% plus $4.75 dispensing fee, MAC plus $4.75 dispensing fee or Usual and customary price
Home Infusion	Brand	Lower of AWP – 12.6% plus $1.00 dispensing fee or Usual and customary price
	Generic	Lower of AWP – 12.6% plus $1.00 dispensing fee, MAC plus $1.00 dispensing fee or Usual and customary price
Indian / Tribal / Urban	Brand	Lower of AWP – 13.6% plus $1.00 dispensing fee or Usual and customary price
	Generic	Lower of AWP – 13.6% plus $1.00 dispensing fee, MAC plus $1.00 dispensing fee or Usual and customary price

B. Pricing terms are subject to Section 1.062 of the Contract.

C. Loyalty Discount: An aggregate discount of $1,715,000.00 will be paid to Plan Sponsor by Contractor, payable over 24 months in the amount of $71,458.34/month.

D. Contractor confirms that 1) it will provide a quarterly list of drugs with MAC pricing and 2) it will use a MAC list that is in accord with the definition of "MAC" and section 1.061 of the Contract for the duration of this agreement and that will contain the same drugs and MAC pricing used today, with reasonable updates for current market changes.

E. MEDCO SPECIALTY BENEFIT MANAGEMENT SERVICE

Medco will be the preferred administrator of Specialty Drugs to the MPSERS EGWP PDP while this Agreement is in effect. Specialty Drugs may be provided by Medco or other third-party specialty pharmacy that has a written arrangement with Medco or Catalyst. Medco or Catalyst, as applicable, will make a good faith effort to contract with each specialty pharmacy as requested by MPSERS. 100% of Specialty Rebates are passed through to the MPSERS.

MEDCO PASS THROUGH OF CMS PAYMENT COMPONENTS

2.1 Medco will pass through to MPSERS 100% of the following CMS payment components:

2.1.1 **Risk-Adjusted Direct Per Member Per Month Subsidy (monthly)** – The risk-adjusted Direct per member per month subsidy will be based on the CMS-provided National Average subsidy, provided in August or early September of each year. These payments shall be made within fifteen (15) days after the end of the month.

2.1.2 **Annual Reinsurance Payments for Catastrophic Coverage (annually)** – The reinsurance payments for catastrophic coverage will equal 80% of the net cost of claims incurred after the member reaches the CMS catastrophic coverage threshold (adjusted annually) in True Out of Pocket Spend, adjusted for rebates. For purposes of the annual true-up of annual reinsurance payments, only Covered Retirees and Medicare-covered drugs shall be included.

2.1.3 **Low Income Cost Sharing Subsidies (LICS) (annually)** – Based on final reconciliation with CMS the LICS shall be payable to MPSERS and shall be reconciled within ninety (90) days following the final reconciliation with CMS based on actual experience.

2.1.4 **Low-Income Premiums Subsidies (LIPS) for Eligible Members (monthly as received by CMS)** – The LIPS will be provided for Covered Retirees who qualify for low-income benefits as defined by CMS and the Social Security Administration. These payments shall be made within fifteen (15) days after the end of the month.

2.1.5 **Coverage Gap Discount Program (CGDP) (quarterly)** – Based on quarterly reconciliation with CMS and participating Pharmaceutical Manufacturers, the CGDP shall be reconciled and paid to MPSERS by Catalyst Rx within 15 days following receipt of the funds by Medco.

2.1.6 Subsidies will ONLY be received on behalf of members approved by CMS as eligible for the PDP. Any Member rejected by CMS will not be eligible for any of the subsidies outlined above. Members not approved by CMS may be covered under the benefit at the MPSERS discretion in accordance with the terms of MPSERS's commercial agreement.

2.1.7 If Medco fails to submit data--adjusted data--to CMS accurately or timely, they will be responsible for providing a payment to the Plan Sponsor equal to the amount of lost subsidy. This excludes enrollment or prescription drug event (PDE) records rejected due to eligibility issues for which the Plan Sponsor is responsible.

2.1.8 MPSERS is responsible for billing and collecting the member's contribution to the premium, less any Low Income Premium Subsidy received from CMS for eligible members, and ensuring that the low income members are billed the appropriate monthly member premium. Medco will provide MPSERS a monthly list of low-income subsidy eligibles and the related premium amount. MPSERS must refund the premium to the beneficiary within forty-five (45) days of receipt of the low-income premium subsidy payment amount.

2.2 Plan sponsors shall receive claim and monthly electronic administrative invoices via a File Transfer Protocol (FTP) consistent with the current commercial invoice billing schedule, if any, applicable in the Agreement. Both the claims fees and the monthly administrative fee will appear on the MPSERS invoice. The monthly per member payment charge shall be made to Medco Containment Insurance Company of New York or Medco Containment Life Insurance Company from Catalyst, as applicable, in accordance with the instruction included in the Medco invoice. The CMS components listed above that Medco receives from CMS on behalf of MPSERS will appear as a credit on the subsidy statement. These reports will be available on Medco website. All invoicing and payments are subject to Section 2.029 and 2.068.

2.3 Plan Sponsor must receive all claims on a monthly basis and prescription drug event (PDE) dataon a bi-weekly basis.

2.4 State-to-Payer/Payer-to-Payer Reconciliations – MPSERS will be responsible for any claims paid by the PDP as part of the State-to-Payer and/or Payer-to-Payer reconciliations for any MPSERS enrolled Part D Member.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CONTRACT NO. 071B0200095
Between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	TELEPHONE (724) 444-8707 **Troy Loney**
Catalyst Rx **800 King Farm Boulevard** **Rockville, MD 20850** **tloney@catalystrx.com**	CONTRACTOR NUMBER/MAIL CODE
	BUYER (517) 241-4225 **Kevin Dunn**

Contract Compliance Inspector: Brian McLane (517) 322-1926
Pharmacy Benefits Management for MPSERS – Department of Management and Budge/ORS

CONTRACT PERIOD	From: **January 1 , 2010**	To: **December 31, 2012**

TERMS	SHIPMENT
Net 45	**N/A**
F.O.B.	SHIPPED FROM
N/A	**N/A**

MINIMUM DELIVERY REQUIREMENTS
N/A

MISCELLANEOUS INFORMATION:

THIS CONTRACT IS EXTENDED TO LOCAL UNITS OF GOVERNMENT

The terms and conditions of this Contract are attached.

Current Authorized Spend Limit: $1,321,798,804.00

FOR THE CONTRACTOR:	**FOR THE STATE:**
Catalyst Rx	
Firm Name	Signature
	Sergio Paneque, Director
Authorized Agent Signature	Name/Title
	Business Services Administration
Authorized Agent (Print or Type)	Division
Date	Date

STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations

Contract No. 071B0200095
Pharmacy Benefits Management - for MPSERS

Buyer Name: Kevin Dunn
Telephone Number: 517-241-4225
E-Mail Address: dunnk3@michigan.gov

Table of Contents

ATTACHMENTS:

Attachment A, Pricing

DEFINITIONS

24x7x365 means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).

Additional Service means any Services within the scope of the Contract, but not specifically provided under any Statement of Work.

Administrative Fee means the agreed upon amount that will be paid to the Contractor by the Plan Sponsor for administration of the pharmacy benefit Plan.

Audit Period means the seven year period following Contractor's provision of any work under the Contract.

Average Wholesale Price or AWP means the average wholesale price of a prescription pharmaceutical published in a nationally recognized reporting service purchased or licensed by the Contractor.

Brand Name Drug means a pharmaceutical that has a trade name, is patent protected and can be produced and sold only by the company holding the patent and that is labeled as such in a nationally recognized data source.

Business Associate means a person assisting a Covered Entity in connection with its payment, treatment or health care operations, as more fully defined in 45 CFR §160.103.

Business Day means any day other than a Saturday, Sunday or State-recognized legal holiday from 8:00am EST through 5:00pm EST unless otherwise stated.

Blanket Purchase Order is an alternate term for Contract and is used in the Plan Sponsor' computer system.

Contract Holder means an active employee, retiree, pension beneficiary or COBRA participant who satisfies all of the eligibility criteria necessary to receive pharmacy coverage through the appropriate Plan Sponsor.

Coinsurance means that portion of the charge for Covered Products, calculated as a percentage of the charge, which is to be paid by Members pursuant to the Plan Sponsor's Plan Guidelines (or for certain Participating Pharmacies, if less, the U&C of the Covered Products).

Coordination of Benefits means claims administration when Members are covered by more than one pharmacy benefit plan.

Copayment means a fixed dollar portion of the charge for Covered Products which must be paid by Members pursuant to the Plan Sponsor's Plan Guidelines (or for certain Participating Pharmacies, if less, the U&C of the Covered Products).

Covered Entity means a health plan, a health care clearinghouse, or a health care provider who transmits any health information in electronic form in connection with a HIPAA transaction. See Part II, 45 CFR 160.103.

Covered Products means the prescription pharmaceuticals, ancillary devices, and supplies covered under the Plan Sponsor's Plan Guidelines.

CSC means the Michigan Civil Service Commission.

Days means calendar days unless otherwise specified.

Deductible means a predetermined amount of money that a Member must pay before benefits are eligible for payment as stated in the Plan Sponsor's Plan Guidelines. The Deductible applies to each Member each contract year. Only charges for Covered Products calculated in accordance with the Plan benefit design may be used to satisfy the Deductible.

Deliverable means physical goods and/or services required or identified in a Statement of Work.

Dependent means an individual who satisfies the eligibility criteria necessary to receive pharmacy benefits under a Plan Sponsor's Plan and is identified by a Plan Sponsor to the Contractor.

Direct Reimbursement Claim means a request for reimbursement of one or more Covered Products dispensed by a pharmacy and submitted by a Participating Pharmacy, a Non-Participating Pharmacy, a Member, or Contract Holder in a form acceptable to the Pharmacy Benefit Manager.

Discount Credit is a payment by the Contractor to the Plan Sponsor to offset both implementation and on-going expenses.

Disruption Analysis means a review of where Members are obtaining their prescriptions under the current program, followed by a review to determine if any of them will no longer have the same access under the new Contract. It also includes the identification of any Members so affected, along with proposed remediation.

DMB means the Michigan Department of Management and Budget.

DQM means Drug Quantity Management.

DUR means Drug Utilization Review.

EBD means the Employee Benefits Division.

FDA means the United States Food and Drug Administration.

Fiduciary means the Contractor's relationship to the Plan Sponsor in relation to Pass-Through pricing, and disclosure of Contractor's interests and the Transparency requirements of this Contract.

Formulary means a list of FDA-approved Covered Products developed by the Contractor's Pharmacy and Therapeutics Committee, subject to the Plan Sponsor's Plan Guidelines and coverage decisions. This also refers to the existing list of FDA-approved Covered Products for the Plan Sponsor.

Generic Drug or Generic Pharmaceutical means a pharmaceutical designated as generic according to the pharmaceutical reporting service agreed upon pursuant to this Contract. It must also mean a prescribed pharmaceutical that is paid by the Contractor to the participating pharmacy as a generic (e.g., Brand Pharmaceutical priced at MAC).

HIPAA means the Health Insurance Portability and Accountability Act of 1996.

Incident means any interruption in any function performed for the benefit of a Plan Sponsor.

Key Personnel means any personnel identified in **Section 1.031** as Key Personnel.

MAC- The term "MAC" means Maximum Allowable Costs and refers to, for Generic Pharmaceuticals (and brand pharmaceuticals that are dispensed as its generic formulation), the MAC price reimbursed to the Participating Pharmacy, as established by the Contractor. The Contractor must establish MAC prices in order to: (i) enable the Contractor to generate cost-effective and marketing competitive prices, and (ii) decrease such prices as generic prices decrease in the market place. Accordingly, the Contractor is obligated to establish such prices, and thereafter adjust such prices, to provide the Plan Sponsor with prices accurately reflecting Contractor's acquisition and/or reimbursement costs. The Contractor represents that it currently has only one proprietary MAC list used to reimburse all retail, Mail Order and Specialty Pharmacies and to invoice all clients (other than those few clients who may have created certain customized changes to the Contractor's MAC list). Should the Contractor in the future establish multiple MAC lists as alternative proprietary MAC lists for Participating Pharmacies, the Contractor must provide to the Plan Sponsor the lowest MAC price for each Generic Pharmaceutical (and each brand pharmaceutical that is dispensed as a generic) on any of its MAC lists. The Contractor also represents that it currently reviews adjustments to its proprietary MAC list at least monthly, and that it will continue to do so, using Pass-Through Pricing as defined herein as a basis for its adjustments. The Contractor must pass-through to the Plan Sponsor all financial benefits obtained from all pharmaceutical manufacturers, wholesalers, and any other sources, and all amounts paid to Participating Pharmacies, without any markup.

Mail Order Services means the dispensing of prescriptions, by the Contractor's Mail Service Pharmacy, for home delivery to the Member, per the Plan Sponsor's Plan designs.

Mail Service Pharmacy means a pharmacy where prescriptions are filled and delivered to Members via the United States Postal Service, United Parcel Service or other delivery service, and which has entered into an agreement with the Contractor to dispense Covered Products to Members.

Medicare Part D Subsidy means a subsidy program offered through the Centers for Medicare & Medicaid Services (CMS) for providing prescription drug coverage to Medicare eligible retirees.

Medicare Prescription Drug Plan (MPDP) means stand-alone Medicare Part D Prescription drug coverage to Medicare recipients.

Medication Therapy Management means a pharmaceutical therapy management program that may be provided by a pharmacist and that is designed to assure, with respect to targeted Members, that covered pharmaceuticals under the Plan are appropriately used to optimize therapeutic outcomes through improved medication use, and to reduce the risk of adverse events, including adverse pharmaceutical interactions.

Member means each Contract Holder and eligible Dependent.

MPSERS means the Michigan Public School Employees Retirement System.

New Work means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, such that once added will result in the need to provide the Contractor with additional consideration. "New Work" does not include Additional Service.

Non-Participating Pharmacy means a USA licensed pharmacy that does not have an agreement with the Contractor to dispense Covered Products to Members.

ORS means Office of Retirement Services.

Pass-Through Pricing means that the Contractor must pass-through to the Plan Sponsor all financial benefits (including, but not limited to, 100% pass-through of all Rebates, and associated fees and revenue streams) obtained from all pharmaceutical manufacturers, wholesalers, and other sources. Additionally, the Contractor must not charge the Plan Sponsor more than the amount paid to the Participating Pharmacy (without markup). The only fee or revenue the Contractor may derive under this Contract is the agreed upon Administrative Fee.

Participating Pharmacy means a pharmacy, or a company authorized to represent one or more subsidiary, affiliated, or franchised pharmacies, which has entered into an agreement with Pharmacy Benefit Manager to dispense Covered Products to Members. For purposes of this Contract, a Participating Pharmacy is not considered a representative, subcontractor, or agent of the Contractor and will include the Mail Service Pharmacy and the Specialty Pharmacy.

Pharmacy and Therapeutics Committee (P & T Committee) refers to the Contractor's group responsible for developing, managing, updating and administering a Formulary.

Pharmacy Benefit Manager (PBM) means a third party administrator of prescription pharmaceutical programs that has been assigned a Business Identification Number (BIN) by The National Council for Prescription Pharmaceutical Programs, Inc (NCPDP).

Plan means the Plan Sponsor's programs which provides prescription drug coverage to Members.

Plan Guidelines means a description of the Plan Sponsor's Plan related to pharmacy benefits and limitations thereto, including the framework of policies, interpretations, rules, practices and procedures applicable to such benefits, required and signed by the Plan Sponsor and submitted to PBM.

Plan Sponsor means a public entity that provides for funded prescription care coverage for a defined group of beneficiaries. For the purposes of this Contract, the Plan Sponsor are ORS and CSC.

Practitioner means a licensed physician or other licensed health care provider authorized to prescribe pharmaceuticals to Members.

Prior Authorization (PA) means an advance verification or confirmation that certain criteria required by the Plan Sponsor are satisfied for specific Covered Products before processing the Claim for Covered Products.

Protected Health Information (PHI) means individually identifiable health information related to the past, present, or future physical or mental health or condition of a Member; the provision of health care to a Member; or the past, present or future payment for the provision of health care to a Member, as more fully defined in 45 CFR §164.501 or otherwise considered confidential under federal or state law.

Rebate(s) mean refund(s) or discount(s) received by the Contractor pursuant to a contract with a pharmaceutical manufacturer, wholesalers, and other sources and which are, either directly or indirectly, attributable to the Formulary and Covered Product utilization by Members. Rebate(s) include all management fees and the like paid by pharmaceutical manufacturers, wholesalers, and other sources, to the Contractor.

RFP means a Request for Proposal used to solicit proposals for Services.

SAS-70 means is an auditing standard developed by the American Institute of Certified Public Accountants (AICPA).

Services means any function performed for the benefit of the Plan Sponsor as required in the Statement of Work.

Specialty Drugs means those biotech and other Covered Products identified as Specialty Drugs by the Contractor.

Specialty Pharmacy means a pharmacy that has entered into an agreement to dispense Covered Products including Specialty Drugs to Members.

State Location means any physical location where the Plan Sponsor performs work. State Location may include state-owned, or leased space.

Subcontractor means a company selected by the Contractor to perform a portion of the Services, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.

Third Party Administrator (TPA) means an entity who processes claims pursuant to a service contract and who may also provide one or more other administrative services pursuant to a service contract, other than under a worker's compensation self-insurance program pursuant to Section 611 of the Worker's Disability Compensation Act of 1969, 1969 PA 317, MCL 418.611. Third Party Administrator does not include a carrier or employer sponsoring a plan.

Transparency means full disclosure by the Contractor as to all of its sources of revenue that enables the Plan Sponsor (and their agents) to have complete and full access to all information necessary to determine and verify that the Contractor has met all terms of this Contract, and satisfied all Pass-Through Pricing requirements.

Unauthorized Removal means the removal of Key Personnel without the prior written consent of the appropriate Plan Sponsor.

Usual and Customary Price (**U&C)** means the retail price, including any minimum price, charged by a Non-Participating Pharmacy or a Participating Pharmacy for a Covered Product in a cash or uninsured transaction on the date the pharmaceutical is dispensed. It also includes non-funded prescription discount programs managed or promoted by the pharmacy.

Work in Progress means a Deliverable that has been partially prepared, but has not been presented to the Plan Sponsor for Approval.

Work Product means any data compilations, reports, and other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of, and in furtherance of, performing the services required by this Contract.

Article 1 – Statement of Work (SOW)

1.010 Project Identification

1.011 Project Request
This Contract is for administration of prescription benefit management Services for eligible Members of the MPSERS administered by the ORS.

The Contract is effective January 1, 2010 through December 31, 2012.

The Contractor must begin providing all Services to the Plan Sponsor, without interruption, on January 1, 2010.

1.012 Background
ORS administers the MPSERS Plan which provides post-employment health coverage, including prescription drug benefits, to non-Medicare eligible and Medicare eligible retirees and their eligible Dependents enrolled in the health plan. These health benefits are provided to retired employees of local school districts, intermediate school districts, tax-supported community or junior colleges, and certain universities. Financing for MPSERS is provided through public school employer contributions and Member premiums. ORS currently manages drug benefits for approximately 190,000 Members in the MPSERS health plan. Approximately 40% of the retirees are non-Medicare eligible and 60% are Medicare eligible. The Plan does not include participants in the HMOs.

1.020 Scope of Work and Deliverables

1.021 In Scope
Covered services considered within the scope of this Contract include, but are not limited to, the following:

A. Provide retail, Mail Order Services, and Specialty Drug benefit programs and a pharmacy network with convenient access for Members.
B. Provide claim services, claim eligibility verification, claim payment or denial, claims tracking and review of claim appeals.
C. Reduce and control the cost of prescription drugs.
D. Introduce innovative services that improve physician prescribing and treatment.
E. Provide a fully transparent, Pass-Through Pricing model that results in quality coverage, and must operate in the best interest of the Plan Sponsor not only on a per claim basis but also in a comprehensive manner relating to overall costs.

This Contract is for the MPSERS Plan Members only. However, the State reserves the right at any time, at the State's sole discretion, to add additional Plans (such as the CSC Plan) to this Contract at any time. For purposes of this Contract, addition of any other Plan is not considered a change in scope.

1.022 Work and Deliverable
Contractor must provide all Deliverables/Services and staff, and must do all things necessary for or incidental to the performance of the work as set forth below:

A. Plan Design
Contractor must administer prescription drug benefits in accordance with the Plan. The Contractor must duplicate the current programs for the Plan Sponsor.

Plan designs are subject to change throughout the duration of this Contract. The Contractor must implement Plan changes as requested by the Plan Sponsor in a timely fashion, at no additional cost to the Plan Sponsor.

B. Claims Processing
1. The Contractor must process all prescription drug claims for all Members.

2. The Contractor must pre-load a one-year claim history file, including claims and Prior Authorizations for the Plan Sponsor.

3. Claims processing must include, at a minimum, the following:

   a. A pharmacy network with an electronic "Point-Of-Sale" (POS) computerized administrative and claims payment system that provides:
      1. Electronic collection and recording of retail charges.
      2. Records of individual Member prescription drug purchases (based upon the Comprehensive Claim Format published by the National Council for Prescription Pharmaceutical Programs, Inc.) to include, at a minimum:
         - Member name, sex, social security number or unique Member identifier and relationship to Contract Holder
         - Prescription drug name, strength, dosage and days supply
         - Eleven digit National Drug Code (NDC) number
         - Rx number
         - New fill or refill indicator
         - Date filled
         - Pharmacy NABP/NCPDP number
         - Pharmacy name
         - National Provider Identifier Number (NPI) and DEA number
         - If a compound prescription, list of ingredients and quantities
         - Usual, customary, and reasonable retail price
         - DAW indicators

   b. On-line access with pharmacies for the following:
      1. Eligibility
      2. Non-covered items
      3. Pharmaceutical to pharmaceutical interactions
      4. Pharmaceutical to sex edit
      5. Pharmaceutical to age edit
      6. Early refill edit
      7. Duplicate Claim edit
      8. On-line pricing

   c. Maintenance of confidentiality of all data by the Contractor, according to all applicable laws, rules, and regulations.

   d. Transmittal of prescription drug utilization data to current health plan vendors, in support of the disease management programs they administer on behalf of the Plan Sponsor.

C. Provider Network

1. The Contractor must manage the provider network for Members.

2. The Contractor's system must comply with HIPAA.

3. The Contractor must maintain a network of retail pharmacies in areas where Members reside.

4. The Contractor's network is expected to provide one or more Participating Pharmacies located within a convenient distance of Member residences, provided there is a pharmacy available. Otherwise, the standard must be the nearest available pharmacy. Convenient distances, for purposes of this Contract, are defined to be:
   - 1-mile distance in urban areas
   - 3-mile distance in suburban areas
   - 10-mile distance in rural areas

5. The Contractor must administer a complete, comprehensive audit program that will include both desk and on-site audits. The Contractor must manage the audit and compliance programs for its own network, including appropriate sanctions and recoveries.
    a. The Contractor must perform initial credentialing, monitoring, and re-credentialing of network pharmacies.
    b. The Contractor must perform periodic on-site audits of Participating Pharmacies.
        1. 100% of all audit recoveries will be returned to the appropriate Plan Sponsor within 90 days.
        2. Audit results must be reported each quarter and must be made available to the Plan Sponsor upon request.

D. Customer Support

The Contractor must provide a Michigan-based call center, where it must maintain staff dedicated to supporting the needs of the Plan Sponsor's Members. The Michigan-based call center must be fully operational and providing support the Members no later than October 1, 2010.

The Contractor must provide web-based (Internet) support to the Plan Sponsor and its Members. This must be a plan-specific website dedicated solely to the Plan Sponsor and its Members.

1. Telephone and Internet Support

    a. Customer service activities to include but not limited to:

        1. Single front-end toll-free telephone number with touch-tone routing (if necessary) for Member services to respond to requests for participating pharmacy locations, recipient questions on claims and access, and complaints about pharmacists practices and services.
            - Inquiry/service responsiveness for both retail and Mail Order Services must be integrated.
            - The system must be scalable to demand in the future.
            - The Contractor must have an advanced telephone system that provides the Plan Sponsor with management tracking and reporting capabilities.

        2. A voice response system with a user-friendly menu. There must be separate dedicated toll-free numbers for Members, physicians, and pharmacies.

    b. The Contractor must have professional (licensed) medical and pharmacological advisory staff and other resources to provide pharmacists at the point of sale, with advice pertaining to the proper use of prescription drugs, consistent with prospective drug utilization and other medical standards, as they apply to each Member's Plan. Telephone services must be provided 24x7x365.

    c. The Contractor must produce reports on usage of the toll-free numbers, including number of inquiries, types of inquiries, and timeliness of responses (see Section 1.042).

    d. The Contractor's process must provide a way for Members to locate nearby pharmacies for special situations, such as 24-hour pharmacies or those dispensing compound pharmaceuticals, etc.

        1. The Contractor's customer service staff must have complete on-line access to all computer files and databases that support the system for applicable programs. System access must be restricted on a client-specific basis.
        2. The Contractor's system must be able to inform the customer service staff exactly where a mail service or specialty prescription is within the dispensing process, i.e. doctor call area, fulfillment or shipping. The ability to only track if a prescription was received or sent out does not meet the intent of this requirement.
        3. The Contractor must be able to provide all of the above-stated services through the Internet as well as telephonically.

e. The Contractor must provide Services and functions to the Plan Sponsor and Members via Internet portal. This must include, but not be limited to, access to Member refill requests.

f. One random sample member survey must be completed annually on a Plan Sponsor specific basis. A minimum of a 90% rating of "Satisfactory" is required.

2. Communication Meetings
The Contractor must provide speakers at meetings designated by the Plan Sponsor.

The Contractor must provide activity reports within two weeks following the close of each calendar quarter. The reports must contain the date, location, and size of the meetings as well as the sponsoring organization and contact person.

In addition to the Plan Sponsor's designated meetings, the Contractor may receive requests through the Plan Sponsor for speakers from employee or retiree support organizations. Reasonable effort must be made to accommodate requests for in-state meetings.

3. Communication Material
The Contractor must prepare and cover the cost of all announcements, letters, notices, brochures, forms, postage and other supplies and services for distribution to Members. Customized Member communications must be provided at no additional charge, subject to the Plan Sponsor's approval. All communication materials must be approved by the appropriate Plan Sponsor in advance of distribution. Specific material requirements include but are not limited to:

a. Plan Sponsor specific Plan booklet for Members
b. Reimbursement/Claim forms, when applicable
c. Electronic copies of Member communication materials for the appropriate Plan Sponsor's review. The Plan Sponsor intend to provide access to designated electronic documents on their websites.

E. Utilization and Clinical Management Programs

The Contractor must provide state-of-the-art utilization management programs, such as PA, clinical authorization, step therapy, and DQM programs for the Plan Sponsor, according to the specifications listed in this section and the Plan Sponsor's current Plan Design.

1. Prescription drug benefits are to be provided only if medically necessary and only if prescribed by a Practitioner.

2. The Contractor must utilize effective and innovative programs for DUR, physician and pharmacist profiling.

3. The Contractor must utilize effective clinical programs that eliminate waste but do not impede compliance in certain disease categories.

4. Utilization management programs must include, but are not limited to, the following:

a. Concurrent, prospective, and retrospective DUR
b. Academic detailing, which must include physician education including face-to-face counter detailing on proper drug and dosage prescribing protocols, choice of medications for certain diagnoses, proper dosages, selection of Generic Drugs when available and utilization of preferred single source product as needed.
c. Formulary/physician interventions
d. Prescriber and pharmacy profiling
e. Case management
f. Demand management/Nurse advice lines
g. Medication adherence programs

F. Formulary And Rebates

The Contractor must be able to administer a Formulary, as approved by the Plan Sponsor that maximizes savings through Formulary management.

The Contractor must fulfill the following requirements relative to Formulary and Rebates:

1. The Contractor must provide and manage a Formulary that ensures quality and the use of a lowest net cost strategy.

2. The Formulary must be updated periodically.

3. The Contractor must have a P&T Committee that is staffed by independent physicians and clinical pharmacists.

4. The P&T Committee must include specialists in diverse areas of practice, such as, cardiologists, obstetricians, pediatricians, gerontologists and internal medicine specialists.

5. The Contractor must provide quarterly Rebate reports to Plan Sponsor that include, but not limited to, the following data elements:
    a. Manufacturer, wholesaler, or other source
    b. By product including:
        - NDC (11 digit)
        - Number of claims
        - Quantity
        - Total sales
        - Total Rebate dollars
        - Total Administrative Fee dollars
        - Total of all dollars received
    c. Total for manufacturer
    d. Summary totals by manufacturers, wholesalers, or any other sources of rebates
    e. Rebates per Rx for time period
    f. Rebates per Brand Rx for time period
    g. Top 25 rebated product
    h. Source of rebate
    i. Date rebate received from manufacturer, wholesale, or other source

6. Rebate payments must be submitted to the Plan Sponsor on a monthly basis.

G. Eligibility

ORS is responsible for transmitting eligibility and enrollment information for Members of MPSERS and their Dependents.

The Contractor must meet the following requirements:

1. Member information must be maintained by the Contractor.

2. The Contractor must have the capability to accept electronic data transfer on a weekly basis from ORS, or its designee, in a HIPAA compliant 834 file provided through a data exchange gateway.

3. The Contractor must work with the Plan Sponsor in the implementation of this data transfer. The Contractor is responsible for any changes to its systems or processes required to support the receipt and processing of the Plan Sponsor's enrollment files.

4. The Contractor must be able to accept the Plan Sponsor's electronic enrollment files and process change transactions to maintain up-to-date information for eligibility certification. The file must be processed and Member eligibility and/or enrollment update completed within 12 hours of notification from the Plan Sponsor or its designee, with confirmation of changes submitted to the Plan Sponsor and number of records loaded. The Contractor must also accept a full audit file on a quarterly basis.

5. Upon verbal notification, Member eligibility and/or enrollment updates must be completed in real-time.

6. The Contractor must have appropriate staff of information technology professionals to provide timely programming when needed to implement system changes and produce reports.

7. The Contractor must use the State of Michigan's SSL Message Center, or provide a similar secure system, for all administrative communications concerning individual Members, including transport of electronic files containing confidential information.

8. Communication involving any identifiable Member information must be protected using passwords and a File Transfer Protocol for retrieval.

9. The Contractor must comply with all requirements of HIPAA.

10. The Contractor must maintain separate records for the Plan Sponsor for auditing and management information reporting and analysis.

H. Identification Cards

The Contractor must produce and issue Identification (ID) cards to Members according to the Plan Sponsor's requirements. The ID cards must conform to the National Council for Prescription Drug Programs (NCPDP) specifications. ID cards must include the toll-free number for the Contractor's Member services for the Plan Sponsor. Upon request of the Plan Sponsor, the Contractor must support the inclusion of the development and production of a joint medical/pharmacy ID card that includes the Contractor's information on a medical ID card.

I. Specialty Pharmacy (SRX)

The Contractor must provide a dedicated and separate Specialty Pharmacy facility, for the delivery of Specialty Drugs. It should be a center of excellence for the major diseases states that are treated with these drugs. The Contractor must work with the Plan Sponsor and the hospital/medical vendor to integrate the management of Specialty Drugs administered in clinical settings that are not billed to the Plan Sponsor through the Contractor. At a minimum, the following components must be included in the Contractor's Specialty Drug program:

1. The Contractor must maintain the Specialty Drug list and ensure that it includes all dosage forms and package sizes of products.

2. The Contractor must dispense and ship 95% of routine prescriptions (those prescriptions not requiring intervention) within two business days of receipt of the order at the Specialty Pharmacy.

3. The Contractor must dispense and ship, or resolve, 100% of all prescriptions within five business days of receipt of the order at the Specialty Pharmacy.

4. The Contractor must have adequate infrastructure and staff to provide this Service in accordance with the Plan Sponsor's requirements.

5. The Contractor must notify the Plan Sponsor monthly, in writing, of all changes to the Specialty Drug list. The Contractor must provide written documentation to the Plan Sponsor supporting the addition of medications to the Specialty Drugs list, including clinical evidence of the medications efficacy as well as evidence showing that its inclusion meets with generally accepted industry standards. The Plan Sponsor reserves the right to not cover additions to the Specialty Drug list.

6. The Contractor must have a comprehensive program for managing the care of Members taking Specialty Drugs. It must include, at a minimum, the following elements:

    a. Intake and initial assessment
    b. A plan of care including:
        - PA
        - Coordination of benefits
        - Coordination with the Plan Sponsor's hospital and medical benefits
        - Dosage optimization
    c. Education and support
    d. Counseling to patients by qualified staff 24X7X365
    e. Adherence monitoring

f. Controlled dispensing and distribution, including suitable temperature controls
g. Ongoing re-assessment
h. Detailed reporting
i. Trend management

J. SAS-70

The Contractor must conduct a Type II Statement of Auditing Standards ("SAS") 70 audit on an annual basis. A copy of the annual audit, exceptions and corrective action plans (if applicable) must be sent to the Plan Sponsor.

K. Mail Order Services

The Contractor must comply with the following requirements pertaining to Mail Order Services:

1. The Contractor must offer the Member the option of obtaining maintenance drugs via mail order.

2. The Contractor's Mail Service Pharmacy must provide controls on prescription errors and Member services.

3. The Contractor must dispense and ship 95% of routine prescriptions (those prescriptions not requiring intervention) within two business days of receipt of the order at the Mail Service Pharmacy.

4. The Contractor must dispense and ship, or resolve, 100% of all prescriptions within five business days of receipt of the order at the Mail Service Pharmacy.

5. The Contractor must not perform any therapeutic interchange program without the Plan Sponsor's approval.

6. The Contractor must provide a complete therapeutic interchange list on a quarterly basis.

L. Performance Guarantees/Service Level Agreements (SLAs) – Ongoing Services

The Contractor must ensure that the SLAs are measurable using the Contractor's standard management information systems. The Plan Sponsor reserves the right to independently verify the Contractor's assessment of its performance, either by State employee or third party review. Disagreements regarding SLAs will be subject to Dispute Resolution (Section 2.190).

Within 45 Days after the end of each calendar quarter, the Contractor must provide the Plan Sponsor with a report assessing the Contractor's performance under each SLA for the Plan Sponsor, and provide payment for any applicable penalties to the Plan Sponsor.

Penalties for failure to meet the SLAs listed below will not be assessed for the time period of January 1, 2010 through March 31, 2010.

The following SLAs are related to ongoing Services and will apply throughout the duration of the Contract, including any optional renewal periods (if exercised). SLAs are for all Services provided under this Contract for the Plan Sponsor.

SLA# 1
ID Cards
Guarantee
ID Cards for all new Contract Holders must be mailed within seven Days of Contractor receiving eligibility record. The Contractor must measure and report its performance on this SLA on a quarterly basis. Performance must be able to be substantiated by documentation providing proof of mailing date.
Penalty

The penalty for failure to meet this SLA is **.5% per quarter not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA# 2
Eligibility Uploads
Guarantee
All Eligibility files must be uploaded according to the Plan Sponsor's schedules (as defined in 1.022G) with 100% accuracy. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.2% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor for each month that the SLA is not met.

SLA# 3
Account Management - Satisfaction
Guarantee
The Plan Sponsor's satisfaction with account management services must be rated as satisfactory. The Contractor must work with the Plan Sponsor to develop an annual survey to assess the Senior Account Manager's performance within following categories: 1. Timely issues resolution by the account management team (e.g. issues resolvable by account management are acknowledged, responded to within 24 hours and closed within a reasonable period of time). 2. Consultative services. 3. Timeliness of reporting and annual reviews 4. Frequency of meetings/plan updates. The annual survey must allow the Plan Sponsor to rate performance on a scale of 1 to 5. The Contractor must achieve a minimum rating of 3.75 on each of the four categories.
Penalty
The penalty for failure to meet this SLA is **1%** of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA # 4
Satisfaction Surveys
Guarantee
One Random Sample Member survey must be completed annually on a Plan Sponsor specific basis. A response of "satisfied" or higher, from a minimum of 90% of survey respondents, is required. The respondent pool must be statistically valid based on the Plan Sponsor's total population.
Penalty
The penalty for failure to meet this SLA is **2%** of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA # 5
Customer Service Call - Average Speed of Answer
Guarantee
On a monthly basis 95% of the calls must be answered within an average of 30 seconds or less. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.2% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor for each month that the SLA is not met.

SLA # 6
Customer Service Response Time – Blockage Rate (Busy Signal)
Guarantee
The monthly blockage rate must not exceed 2%. Blockage is defined as a caller receiving a busy signal. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA # 7
First Call Resolution
Guarantee
90% of calls must be resolved on the first call. Members following up on same issue within seven calendar days cannot be considered resolved. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #8
Customer Service Response Time to Written Inquiries
Guarantee
The Contractor must respond to 95% or more of written inquiries within five business days, and 100% of written inquiries within 10 business days. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #9
Customer Service Response Time - Percent of Calls Abandoned
Guarantee
The monthly call abandonment rate must not exceed 3%. A call will be considered abandoned if the Member hangs up at any time after initiating a transfer out of the IVR. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #10
Turnaround Time for Prescriptions – Mail Order Services
Guarantee
The Contractor must resolve or dispense and ship 95% of routine prescriptions (those prescriptions not requiring intervention) within a quarterly average of two business days of receipt of the order at the Mail Service Pharmacy. The Contractor must resolve or dispense and ship 100% of all prescriptions with a quarterly average of five business days of receipt of the order at the Mail Service Pharmacy. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #11
Turnaround Time for Prescriptions – Specialty Pharmacy
Guarantee
The Contractor must resolve or dispense and ship 95% of routine prescriptions (those prescriptions not requiring intervention) within a quarterly average of two business days of receipt of the order at the Specialty Pharmacy. The Contractor must resolve or dispense and ship 100% of all prescriptions with a quarterly average of five business days of receipt of the order at the Specialty Pharmacy. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #12
Timely Production of Management Reports
Guarantee
The Contractor must provide monthly and quarterly reports within 45 Days of the end of the month and quarter, and annual reports within 90 Days of Plan year end. The Contractor must measure and report its performance on this SLA on an annual basis.
Penalty
The penalty for failure to meet this SLA is **.1%** of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #13
Point-of-Sale (POS) Claims Accuracy
Guarantee
100% of POS claims must be processed and paid accurately. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #14
Paper Claims Processing Time - POS
Guarantee
95% of all retail paper claims must be paid within10 business days. 100% of all retail paper claims must be paid within 15 business days. Turnaround time is measured beginning the day the claim is received by the Contractor to the day the claim is processed. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #15
Network - POS
Guarantee
The Contractor must provide one or more Participating Pharmacies located within a convenient distance of Member residences, provided there is a pharmacy available, using the parameters below: • 1-mile distance in urban areas • 3-mile distance in suburban areas • 10-mile distance in rural areas The Contractor must measure and report its performance on this SLA on an annual basis.
Penalty
The penalty for failure to meet this SLA is **1%** of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #16
Point-of-Sale Network System Downtime
Guarantee
Contractor's POS system must be available 99.5% of the time with the exception of pre-established scheduled down time. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #17
Member Access to Pharmacist in Call Center
Guarantee
During the hours of 9:00 a.m. to 5:00 pm EST., Monday through Friday with the exception of official State of Michigan holidays, 95% of calls requesting to speak to a pharmacist must be connected within two minutes of making the request. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #18
Rebates
Guarantee
All Rebate payments must be made to the Plan Sponsor within 30 Days of the Contractor's receipt of the Rebates from the manufacturer, wholesaler, or other source. Rebate payments must be submitted in a consolidated monthly payment to the applicable Plan Sponsor. The Contractor must provide a quarterly Rebate report as described in Section 1.022F-5. Final annual reconciliation must be performed and paid out within 90 Days of Plan year end. The Contractor must measure and report its performance on this SLA on a monthly basis.
Penalty
The Contractor must, in addition to full recovery of any unpaid rebates, pay the Plan Sponsor an additional **100% of the recovery** on a monthly basis.

SLA #19
Desk Audits - POS
Guarantee
The Contractor must perform desk audits on at least 10% of Participating Pharmacies in each year of the Contract, including any optional renewal periods which may be exercised. This standard must be measured and reported quarterly.
Penalty
The penalty for failure to meet this SLA is **1% per quarter not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #20
On-site Audits - POS
Guarantee
The Contractor must physically perform on-site audits on at least the top 3% of all of Contractor's Participating Pharmacies. The top 3% must be determined based on annual number of prescriptions filled at the Participating Pharmacy. This standard must be measured and reported annually.
Penalty
The penalty for failure to meet this SLA is **1%** of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #21
Prior Authorizations
Guarantee
The Contractor must provide a final determination of all requests for Prior Authorization within 72 hours. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

SLA #22
Mail Order Services Dispensing Accuracy
Guarantee
The Mail Service Pharmacy must dispense 100% of all prescriptions without Dispensing Errors. Dispensing Error is defined as incorrect patient, drug, strength, dose, or form, label or directions. The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
Penalty
The penalty for failure to meet this SLA is **.1% per month not met**, of the total annual Administrative Fees paid to the Contractor by the Plan Sponsor.

M. 90 Day Retail Maintenance Drug Program
MPSERS may elect to include the option of allowing non-Medicare Members to obtain maintenance medicines at retail pharmacies.

N. Medicare Part D
The Contractor must be able to provide Center for Medicare and Medicaid (CMS) compliant Prescription Pharmaceutical Subsidy Plan and/or Medicare Prescription Drug Plan (MPDP), on an administrative-only arrangement for the Plan Sponsor, as per their Plan requirements.

The Contractor must collect Medicare Part D payments directly from CMS on behalf of the Plan Sponsor. The Plan Sponsor offers Medicare eligible Members the same pharmaceutical coverage plan as non-Medicare eligible Members and expects to continue to provide this type of MPDP. The Contractor must provide detailed Explanation of Prescriptions (EOPs) that provide information about the prescription, including the cost of the prescription to the Plan.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities

The Contractor must provide an account team, which must include a dedicated Senior Account Manager (SAM).

A. The Contractor must provide a dedicated SAM for the Plan Sponsor who will be the single point of accountability. For purposes of this Contract, the SAM is considered Key Personnel. Kimberly Altman will be the interim SAM for this Contract

B. The SAM must be made available to the Plan Sponsor, at a location to be determined by the Plan Sponsor, upon request of the Plan Sponsor.

C. The SAM must have the authority to make decisions regarding Service issues on a daily basis. The Contractor must also provide escalation procedures and contact information for issues which need to be escalated above the SAM.

D. The SAM must have the authority within the Contractor's organization to obtain the use of all Contractor's resources, both direct and indirect, as are necessary

E. The SAM must have at least one qualified back-up who must be involved in account management and who is capable of performing the responsibilities of the SAM in the event that the SAM is unavailable. The back-up must be familiar with the requirements of this Contract.

F. The Contractor must work with the Plan Sponsor to develop an annual survey to assess the SAM's performance.

G. The Contractor must provide a dedicated Implementation Manager for the Plan Sponsor. For purposes of this Contract, the Implementation Manager is considered Key Personnel. The Implementation Manager for this Contract is Jennifer Garrett.

H. The Implementation Managers must provide regular updates to the Plan Sponsor during scheduled weekly meetings tracking the status of the implementation. The Contractor's SAMs will conduct a post-implementation review meeting with the Plan Sponsor within 30 days after the effective date of the Plan's services

I. The Contractor's account team must be comprised of individuals responsible for, at a minimum, the following functions:
    1. Account management
    2. Pharmacist(s)
    3. Member communications
    4. Claims processing
    5. Enrollment and eligibility
    6. Customer service

J. The account team's Pharmacists must work under the direction of the Plan Sponsor and will provide day-to-day assistance to the Plan Sponsor in interfacing with Contractor.

K. The Contractor must promptly notify the Plan Sponsor of administrative changes in the Contractor's systems or procedures that impact the Plan Sponsor and/or Members.

1. Management meetings must be held between the Contractor and the Plan Sponsor on a regular basis to review Plan performance. The Contractor must review all open projects and present the status, progress and results of each project. The Contractor must provide data and cost analysis upon request.

2. Quarterly meetings will be held at a location as determined by the Plan Sponsor, and additional meetings may be held each year.

3. The Contractor must participate in strategic planning sessions to provide the following:
    a. Data analysis with commensurate recommendations and cost-benefit analysis to provide support for proposed plan modifications.
    b. Review of changes in the market and identification of emerging trends.
    c. Provide seminars on related topics for the Plan Sponsor.

4. The Contractor must meet with the Plan Sponsor to review plan performance, report on progress, and identify improvement opportunities. On a quarterly basis, the Contractor must present a comprehensive review of the cost and utilization experience of the Plan to include:
    a. Proposed solutions to performance variances (such as cost, utilization, and administrative performance and their root causes.
    b. Working collectively with Plan Sponsor's other benefits administrators (such as hospital/medical vendor, vision plan administrator, and dental plan administrator) on joint Plan improvement projects.

1.040 Contract Implementation & Reporting

1.041 Deleted/Not Applicable

1.042 Reports

The Contractor must provide reports to the Plan Sponsor, including but not limited to, the reports listed below:

A. The Contractor must provide monthly and quarterly reports within 45 days of the end of the month and quarter, and annual reports within 90 days of year end.

B. The Contractor must provide (monthly) an electronic copy of all paid claims to the Plan Sponsor or their designee.

C. The Plan Sponsor must receive the Contractor's standard report package and, at a minimum, the reports described below for their Members:

1. Monthly activity summaries including a brief narrative of significant accomplishments, administrative issues, outstanding problems, etc., which occurred in the month, as well as developments in major new drugs, Brand Name Drugs going Generic or OTC, etc.
2. Monthly reports, to be split among retail and mail order, 90 day retail and specialty, between Brand and Generic and Formulary compliance, for the following: Number of prescriptions, average wholesale ingredient cost, discounted ingredient cost charged, Member cost share, dispensing fees and amount paid.
3. Claims lag reports showing total payments by "incurred" and "paid" months, separated by retail and mail order.
4. All reports must be provided for active, COBRA, and retiree Members and also a combined report for all of these.
5. Quarterly Rebate reports according to the requirements in Section 1.022F.

D. The Contractor must provide the following quarterly reports:

1. Year-to-date summaries of the monthly reports.
2. Quarterly performance standard results.

E. The Contractor must provide the following annual reports:

1. Management summary.
2. Full financial and enrollment experience.
3. Top 100 Brand Name and Generic Drugs.
4. Separate detailed report on the usage of Specialty Drugs.
5. Formulary reimbursement reports.
6. Physician profiling/other clinical effectiveness reports.

F. The Contractor must provide the following with regards to ad hoc reporting:

1. An ad hoc reporting tool that Plan Sponsor can use to access utilization and other data without assistance from the Contractor
2. Perform ad hoc reporting upon request and specification of the Plan Sponsor.

1.050 Acceptance

1.051 Criteria

Implementation must be accomplished within the agreed upon timeframes per the implementation plan for the Plan Sponsor. The Plan Sponsor will determine acceptance of implementation and will give final approval for Contractor to begin providing Services.

1.052 Final Acceptance – Deleted/Not Applicable

1.060 Contract Pricing

1.061 Contract Pricing

The Contractor must establish MAC prices in order to: (i) enable the Contractor to generate cost-effective and marketing competitive prices, and (ii) decrease such prices as generic prices decrease in the market place. Accordingly, the Contractor is obligated to establish such prices, and thereafter adjust such prices, to provide the Plan Sponsor with prices accurately reflecting Contractor's acquisition and/or reimbursement costs. The Contractor represents that it currently has only one proprietary MAC list used to reimburse all retail, Mail Order and Specialty Pharmacies and to invoice all clients (other than those few clients who may have created certain customized changes to the Contractor's MAC list). Should the Contractor in the future establish multiple MAC lists as alternative proprietary MAC lists for Participating Pharmacies, the Contractor must provide to the Plan Sponsor the lowest MAC price for each Generic Pharmaceutical (and each brand pharmaceutical that is dispensed as a generic) on any of its MAC lists. The Contractor also represents that it currently reviews adjustments to its proprietary MAC list at least monthly, and that it will continue to do so, using Pass-Through Pricing as defined herein as a basis for its adjustments. The Contractor must pass-through to the Plan Sponsor all financial benefits obtained from all pharmaceutical manufacturers, wholesalers and any other sources, and all amounts paid to Participating Pharmacies, without any markup.

For purposes of this Contract the Contractor is the Plan Sponsor' Fiduciary and must administer the Plans in accordance with the Contract's Pass-Through Pricing and Transparency requirements.

The Contractor must disclose the source of its AWP list to the Plan Sponsor upon request. The Plan Sponsor reserves the right to approve the source and to require a change in source.

Each minimum guaranteed discount, dispensing fee, and rebate must stand on its own such that any shortfall in one area must be trued up on a dollar for dollar basis without benefit of making up such shortfall by excesses in other areas, with the exception that shortfalls within the areas of retail discounts and dispensing fees may be made up by excesses within other retail discount and dispensing fee areas. In addition, all existing retail 90 claims that move to mail are included in this calculation.

1.062 Price Term

This is a firm, fixed price Contract, subject to the following conditions:

If at any time during the term of this Contract, the Contractor implements or provides for any other client of lesser or comparable size pricing terms more favorable than the aggregate pricing terms to the Plan Sponsor, then the Contractor must offer such pricing terms to the Plan Sponsor within 30 days of implementing or providing such terms to another party. The Contractor must compare the following factors to determine whether Plan Sponsor is entitled to such revised pricing terms, including:

- The Administrative Fee
- The Aggregate pricing terms of such applicable clients, inclusive of the program savings, rebates and guarantees;
- The Services provided by Contractor to such clients;
- The Plan design of such clients, which may include Plan Formulary, Brand Name and Generic Drug utilization information and mail and retail utilization information.

In the event that the more favorable pricing terms are not readily adaptable to the pricing terms of the Plan Sponsor programs, the Contractor and the State must negotiate in good faith to reach mutually acceptable pricing terms.

For each year of the Contract, including any optional renewal periods (if exercised), on the anniversary of the Contract start date, the Contractor must provide a written certification stating that the Contractor is in full compliance with this Section for that Contract year.

The Contractor must regularly and continuously review their contract rates with retail, Mail Order, and Specialty Participating Pharmacies. The Contractor must provide a report annually, on each anniversary of the Contract start date, including any optional renewal periods (if exercised) reflecting the results of these on-going reviews.

1.063 Tax Excluded from Price

(a) Sales Tax: The Michigan Constitution exempts from sales and use tax the sale of prescription drugs, Const 1963, art 9,8. Prices must not include Michigan sales taxes.

(b) Federal Excise Tax: The State may be exempt from Federal Excise Tax, or the taxes may be reimbursable, if articles purchased under any resulting Contract are used for the State's exclusive use. Certificates showing exclusive use for the purposes of substantiating a tax-free, or tax-reimbursable sale will be sent upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices must not include the Federal Excise Tax.

1.064 Expenses

Contractor's out-of-pocket travel expenses are not separately reimbursable by the Plan Sponsor unless, on a case-by-case basis for unusual expenses, a Plan Sponsor has agreed in advance and in writing to reimburse Contractor for the expense at the State of Michigan's current travel reimbursement rates. See **www.michigan.gov/dmb** for current rates.

1.070 Additional Requirements

1.071 Additional Terms and Conditions specific to this Contract

The Contractor must make the Pass-Through Pricing (Attachment A) available to any MiDEAL member that requests to participate in the Contract. The Contractor must honor all DEFINITIONS in this Contract when providing pricing to any MiDEAL member. The Contractor must negotiate in good faith with any MiDEAL member to offer the Services required specific to the MiDEAL member's Plan for a reasonable Administrative Fee.

Article 2, Terms and Conditions

2.000 Contract Structure and Term

2.001 Contract Term
This Contract is for a period of three years beginning January 1, 2010 through December 31, 2012. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.002 Options to Renew
This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to four additional one year periods.

2.003 Legal Effect
Contractor must show acceptance of this Contract by signing two copies of the Contract and returning them to the Contract Administrator. The Contractor must not proceed with the performance of the work to be done under the Contract, including the purchase of necessary materials, until both parties have signed the Contract to show acceptance of its terms, and the Contractor receives a contract release/purchase order that authorizes and defines specific performance requirements.

Except as otherwise agreed in writing by the parties, the State assumes no liability for costs incurred by Contractor or payment under this Contract, until Contractor is notified in writing that this Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a Purchase Order against the Contract has been issued.

2.004 Attachments & Exhibits
All Attachments and Exhibits affixed to any and all Statement(s) of Work, or appended to or referencing this Contract, are incorporated in their entirety and form part of this Contract.

2.005 Ordering
The State will issue a written Purchase Order, Blanket Purchase Order, Direct Voucher or Procurement Card Order, which must be approved by the Contract Administrator or the Contract Administrator's designee, to order any Services/Deliverables under this Contract. All orders are subject to the terms and conditions of this Contract. No additional terms and conditions contained on either a Purchase Order or Blanket Purchase Order apply unless they are also specifically contained in that Purchase Order's or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown, however, the Contractor will be required to furnish all such materials and services as may be ordered during the Contract period. Quantities specified, if any, are estimates based on prior purchases, and the State is not obligated to purchase in these or any other quantities.

2.006 Order of Precedence
The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to the subject matter**.**

2.007 Headings
Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of the Contract.

2.008 Form, Function & Utility – Deleted/Not Applicable

2.009 Reformation and Severability
Each provision of the Contract is severable from all other provisions of the Contract and, if one or more of the provisions of the Contract is declared invalid, the remaining provisions of the Contract remain in full force and effect.

2.010 Consents and Approvals
Except as expressly provided otherwise in the Contract, if either party requires the consent or approval of the other party for the taking of any action under the Contract, the consent or approval must be in writing and must not be unreasonably withheld or delayed.

2.011 No Waiver of Default
If a party fails to insist upon strict adherence to any term of the Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of the Contract.

2.012 Survival
Any provisions of the Contract that impose continuing obligations on the parties, including without limitation the parties' respective warranty, indemnity and confidentiality obligations, survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

2.020 Contract Administration

2.021 Issuing Office
This Contract is issued by the Department of Management and Budget, Purchasing Operations, collectively, including all other relevant State of Michigan departments and agencies, the "State". Purchasing Operations is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. Purchasing Operations **is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.** The Contractor Administrator within Purchasing Operations for this Contract is:

Melissa Castro, CPPB
Purchasing Operations
Department of Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Email: castrom@michigan.gov
Phone: 517-373-1080

2.022 Contract Compliance Inspector (CCI)
The persons named below, or any other persons so designated, will monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by DMB Purchasing Operations**. The Contract Compliance Inspectors for this Contract are:

For EBD:
Susan Kant
Civil Service Commission, Employee Benefits Division
Email: kants@michigan.gov
Phone: 517-335-3068

For MPSERS:
Brian McLane
Office of Retirement Services
Email: mclaneb@michigan.gov
Phone: 517-322-1926

2.023 Project Manager – Deleted/Not Applicable

2.024 Change Requests

During the course of ordinary business, it may become necessary for the State to discontinue certain business practices or create Additional Services/Deliverables. The State reserves the right, by giving Contractor written notice of a change request within a reasonable time, to request any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the Contract. In such an event, the Contractor must provide a detailed outline of all work to be done, including tasks necessary to accomplish the services/deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed proposal to implement the change.

The State may accept a Contractor's proposal for change, reject it, or reach another agreement with Contractor. Should the parties agree on carrying out a change, a written Contract Change Notice must be prepared and issued under this Contract, describing the change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice"). No proposed Change may be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Purchasing Operations. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities.

If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a change to the Statement of Work, the Contractor must notify the State that it believes the requested activities are a change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. If the Contractor commences performing work outside the scope of this Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect the Contract.

2.025 Notices

Any notice given to a party under the Contract must be deemed effective, if addressed to the party as addressed below, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile or via email if a copy of the notice is sent by another means specified in this Section; (iii) the third Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

State:
State of Michigan
Purchasing Operations
Attention: Kevin Dunn
PO Box 30026
530 West Allegan
Lansing, Michigan 48909

Contractor:
Catalyst Rx
Attention: Rick Bates
800 King Farm Boulevard
Rockville, MD 20850

Either party may change its address where notices are to be sent by giving notice according to this Section.

2.026 Binding Commitments

Representatives of Contractor must have the authority to make binding commitments on Contractor's behalf within the bounds set forth in this Contract.

2.027 Relationship of the Parties

The relationship between the State and Contractor is that of client and independent contractor. No agent, employee, or servant of Contractor or any of its Subcontractors must be deemed to be an employee, agent or servant of the State for any reason. Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of the Contract.

2.028 Covenant of Good Faith
Each party must act reasonably and in good faith. Unless stated otherwise in the Contract, the parties will not unreasonably delay, condition or withhold the giving of any consent, decision or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under the Contract.

2.029 Assignments
(a) Neither party may assign the Contract, or assign or delegate any of its duties or obligations under the Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor. The State may withhold consent from proposed assignments, subcontracts, or novations when the transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. If the State permits an assignment, the Contractor is not relieved of its responsibility to perform any of its contractual duties, and the requirement under the Contract that all payments must be made to one entity continues.

(c) If the Contractor requests consent to assign the Contract or any of the Contractor's rights or duties under the Contract, the Contractor must notify the State in writing at least 180 days before the proposed assignment would take effect. The Contractor also must provide the State with adequate information about the assignee within a reasonable amount of time before the assignment for the State to determine whether to approve the assignment.

2.030 General Provisions

2.031 Media Releases
News releases (including promotional literature and commercial advertisements) pertaining to the RFP and Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the RFP and Contract are to be released without prior written approval of the State and then only to persons designated.

2.032 Contract Distribution
Purchasing Operations retains the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Purchasing Operations.

2.033 Permits
Contractor must obtain and pay any associated costs for all required governmental permits, licenses and approvals for the delivery, installation and performance of the Services. The State must pay for all costs and expenses incurred in obtaining and maintaining any necessary easements or right of way.

2.034 Website Incorporation
The State is not bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of the content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representative of the State.

2.035 Future Bidding Preclusion – Deleted/Not Applicable

2.036 Freedom of Information
All information in any proposal submitted to the State by Contractor and this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 PA 442, MCL 15.231, et seq (the "FOIA").

2.037 Disaster Recovery
Contractor and the State recognize that the State provides essential services in times of natural or man-made disasters. Therefore, except as so mandated by Federal disaster response requirements, Contractor personnel dedicated to providing Services/Deliverables under this Contract must provide the State with priority service for repair and work around in the event of a natural or man-made disaster.

2.040 Financial Provisions

2.041 Fixed Prices for Services/Deliverables – Deleted/Not Applicable

2.042 Adjustments for Reductions in Scope of Services/Deliverables
If the scope of the Services/Deliverables under any Statement of Work issued under this Contract is subsequently reduced by the State, the parties must negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope.

2.043 Services/Deliverables Covered – Deleted/Not Applicable

2.044 Invoicing and Payment – In General
Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 PA 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

2.045 Pro-ration
To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services must be pro-rated for any partial month.

2.046 Antitrust Assignment
The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of this Contract.

2.047 Final Payment
The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under the Contract, nor will it constitute a waiver of any claims by one party against the other arising from unsettled claims or failure by a party to comply with this Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor's acceptance of final payment by the State under this Contract constitutes a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.048 Electronic Payment Requirement
Electronic transfer of funds is required for payments on State Contracts. Contractors are required to register with the State electronically at http://www.cpexpress.state.mi.us. As stated in 1984 PA 431 of 1984, all contracts that the State enters into for the purchase of goods and services must provide that payment will be made by electronic fund transfer (EFT).

2.050 Taxes

2.051 Employment Taxes
Contractors must collect and pay all applicable federal, state, and local employment taxes.

2.052 Sales and Use Taxes
Contractors must be registered and remit sales and use taxes on taxable sales of tangible personal property or services delivered into the State. Contractors that lack sufficient presence in Michigan to be required to register and pay tax must do so as a volunteer. This requirement extends to: (1) all members of any controlled group as defined in § 1563(a) of the Internal Revenue Code and applicable regulations of which the company is a member, and (2) all organizations under common control as defined in § 414(c) of the Internal Revenue Code and applicable regulations of which the company is a member that make sales at retail for delivery into the State are registered with the State for the collection and remittance of sales and use taxes. In applying treasury regulations defining "two or more trades or businesses under common control" the term "organization" means sole proprietorship, a partnership (as defined in § 701(a)(2) of the Internal Revenue Code), a trust, an estate, a corporation, or a limited liability company.

2.060 Contract Management

2.061 Contractor Personnel Qualifications

All persons assigned by Contractor to the performance of Services under this Contract must be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and must be fully qualified to perform the work assigned to them. Contractor must include a similar provision in any subcontract entered into with a Subcontractor. For the purposes of this Contract, independent contractors engaged by Contractor solely in a staff augmentation role must be treated by the State as if they were employees of Contractor for this Contract only; however, the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

2.062 Contractor Key Personnel

(a) The Contractor must provide the Contract Compliance Inspector with the names of the Key Personnel.

(b) Key Personnel must be dedicated as defined in the Statement of Work to the Contract for its duration in the applicable Statement of Work.

(c) The State reserves the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor must notify the State of the proposed assignment, must introduce the individual to the appropriate State representatives, and must provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection.

(d) Contractor must not remove any Key Personnel from their assigned roles or the Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal ("Unauthorized Removal"). Unauthorized Removals does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation, or for cause termination of the Key Personnel's employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.

(e) The Contractor must notify the Contract Compliance Inspector and the Contract Administrator at least 10 business days before redeploying non-Key Personnel, who are dedicated to primarily to the Project, to other projects. If the State does not object to the redeployment by its scheduled date, the Contractor may then redeploy the non-Key Personnel.

2.063 Re-assignment of Personnel at the State's Request

The State reserves the right to require the removal from the Contract of Contractor personnel found, in the judgment of the State, to be unacceptable. The State's request must be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request must be based on legitimate, good-faith reasons. Replacement personnel for the removed person must be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed personnel, the State agrees to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any incident with removed personnel results in delay not reasonably anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted for a time as agreed to by the parties.

2.064 Contractor Personnel Location – Deleted/Not Applicable

2.065 Contractor Identification

Contractor employees must be clearly identifiable while on State property by wearing a State-issued badge, as required. Contractor employees must clearly identify themselves and the company they work for whenever making contact with State personnel by telephone or other means.

2.066 Cooperation with Third Parties
Contractor must cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel. As reasonably requested by the State in writing, the Contractor must provide to the State's agents and other contractors reasonable access to Contractor's Project personnel, systems and facilities to the extent the access relates to activities specifically associated with this Contract and must not interfere or jeopardize the safety or operation of the systems or facilities.

2.067 Contractor Return of State Equipment/Resources – Deleted/Not Applicable

2.068 Contract Management Responsibilities
The Contractor must assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State considers the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of Subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted.

2.070 Subcontracting by Contractor

2.071 Contractor Full Responsibility
Contractor must have full responsibility for the successful performance and completion of all of the Services and Deliverables. The State will consider Contractor to be the sole point of contact with regard to all contractual matters under this Contract, including payment of any and all charges for Services and Deliverables.

2.072 State Consent to Delegation
Contractor must not delegate any duties under this Contract to a Subcontractor unless the Department of Management and Budget, Purchasing Operations has given written consent to such delegation. The State reserves the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request will be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request will be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor must be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonably anticipated under the circumstances and which is attributable to the State, the applicable SLA for the affected Work will not be counted for a time agreed upon by the parties.

2.073 Subcontractor Bound to Contract
In any subcontracts entered into by Contractor for the performance of the Services, Contractor must require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of this Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by this Contract, assumes toward the State. The State reserves the right to receive copies of and review all subcontracts. The management of any Subcontractor will be the responsibility of Contractor, and Contractor must remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor must make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract will not relieve Contractor of any obligations or performance required under this Contract.

2.074 Flow Down
Except where specifically approved in writing by the State on a case-by-case basis, Contractor must flow down the obligations in **Sections 2.030, 2.060, 2.100, 2.110, 2.120, 2.130, 2.200** in their entirety, in all of its agreements with any Subcontractors.

2.075 Competitive Selection
The Contractor must select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the Contract.

2.080 State Responsibilities – Deleted/Not Applicable

2.090 Security

2.091 Background Checks

On a case-by-case basis, the State may investigate the Contractor's personnel before they may have access to State facilities and systems. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations will include Michigan State Police Background checks (ICHAT) and may include the National Crime Information Center (NCIC) Finger Prints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested.

All Contractor personnel must comply with the State's security and acceptable use policies for State IT equipment and resources. See http://www.michigan.gov/dit. Furthermore, Contractor personnel must agree to the State's security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. The Contractor must present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff must comply with all Physical Security procedures in place within the facilities where they are working.

2.092 Security Breach Notification

If the Contractor breaches this Section, the Contractor must (i) promptly cure any deficiencies and (ii) comply with any applicable federal and state laws and regulations pertaining to unauthorized disclosures. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor must report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within 24 hours of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances.

2.093 PCI Data Security Requirements – Deleted/Not Applicable

2.100 Confidentiality

2.101 Confidentiality

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor means all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below) which is marked confidential, restricted, proprietary or with a similar designation. "Confidential Information" of the State means any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State under applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State under its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. "Confidential Information" excludes any information (including this Contract) that is publicly available under the Michigan FOIA.

2.102 Protection of Confidential Information

The State and Contractor must each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party must limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence.

At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect the Confidential Information from unauthorized use or disclosure.

2.103 Exclusions
Notwithstanding the foregoing, the provisions of **Section 2.100** will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose the information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of **Section 2.100** will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

2.104 No Implied Rights
Nothing contained in this Section must be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

2.105 Respective Obligations
The parties' respective obligations under this Section must survive the termination or expiration of this Contract for any reason.

2.110 Records and Inspections

2.111 Inspection of Work Performed – Deleted/Not Applicable

2.112 Examination of Records
For seven years after the Contractor provides any work under this Contract (the "Audit Period"), the State's authorized representatives must at all reasonable times, and within seven days prior written notice, be granted full access to Contractor's books and records, in print or electronic form, for examination and audit purposes. The State may examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules. This requirement also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing Services in connection with the Contract. In addition, records must be maintained for seven years after the Contractor provides any work under this Contract,

The State reserves the right to examine any Formulary and/or Rebate agreements between the Contractor or its subcontractor(s) and pharmaceutical manufacturers, wholesalers, or any other sources.

Audits will review multiple items, including but not limited to:
1. Review of Rebate contracts with pharmaceutical manufacturers
2. Contracts with pharmacies and subcontractors
3. Recoveries by the Contractor from provider audits
4. Contractor compliance with Contract pricing terms
5. Adherence to SLAs
6. Proper and accurate administration of the Plan designs
7. Any claims paid by the Contractor to ineligible persons

2.113 Retention of Records
Contractor must maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract according to generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records must be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

2.114 Audit Resolution
If necessary, the Contractor and the State will meet to review each audit report promptly after issuance. The Contractor must respond to each audit report in writing within 30 days from receipt of the report, unless a shorter response time is specified in the report. The Contractor must develop, and the State must agree to an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in the audit report. The Contractor cannot hold a Member, a pharmacy provider or the Plan Sponsor financially responsible for the Contractor's errors that are identified in an audit. If a pattern of payment errors is identified for a particular pharmacy, the Contractor must assume the cost of auditing that pharmacy.

2.115 Errors
(a) If the audit demonstrates any errors in the documents provided to the State, then the amount in error must be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four invoices. If a balance remains after four invoices, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly invoice that the balance appeared on or termination of the Contract, whichever is earlier.

(b) In addition to other available remedies, if the difference between the payment received and the correct payment amount is greater than 10%, then the Contractor must pay all of the reasonable costs of the audit.

2.120 Warranties

2.121 Warranties and Representations
The Contractor represents and warrants:

(a) It is capable in all respects of fulfilling and must fulfill all of its obligations under this Contract. The performance of all obligations under this Contract must be provided in a timely, professional, and workman-like manner and must meet the performance and operational standards required under this Contract.

(b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.

(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under this Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.

(d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to the items in this Contract, Contractor must assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.

(e) The Contractor's signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.

(f) It is qualified and registered to transact business in all locations where required.

(g) Neither the Contractor nor any Affiliates, nor any employee of either, has, must have, or must acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor must notify the State about the nature of the conflict or appearance of impropriety within two days of learning about it.

(h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or must accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor must not attempt to influence any State employee by the direct or indirect offer of anything of value.

(i) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by the financial statements, reports, other information. Since the respective dates or periods covered by the financial statements, reports, or other information, there have been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.

(j) All written information furnished to the State by or for the Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make the information not misleading.

(k) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or the department within the previous five years for the reason that Contractor failed to perform or otherwise breached an obligation of the Contract.

(l) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after contract award, the Contractor is required to report those changes immediately to the Department of Management and Budget, Purchasing Operations.

2.122 Warranty of Merchantability – Deleted/Not Applicable

2.123 Warranty of Fitness for a Particular Purpose – Deleted/Not Applicable

2.124 Warranty of Title – Deleted/Not Applicable

2.125 Equipment Warranty – Deleted/Not Applicable

2.126 Equipment to be New – Deleted/Not Applicable

2.127 Prohibited Products – Deleted/Not Applicable

2.128 Consequences for Breach
In addition to any remedies available in law, if the Contractor breaches any of the warranties contained in this section, the breach may be considered as a default in the performance of a material obligation of this Contract.

2.130 Insurance

2.131 Liability Insurance
The Contractor must provide proof of the minimum levels of insurance coverage as stated below. The insurance must protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether the services are performed by the Contractor, or by any subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain under this Contract.

All insurance coverage's provided relative to this Contract/Purchase Order are PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance must be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor must have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract must be issued by companies that have been approved to do business in the State. See www.michigan.gov/dleg.

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State is entitled to coverage to the extent of the higher limits.

The Contractor is required to pay for and provide the type and amount of insurance checked ☑ below:

☑ 1. Commercial General Liability with the following minimum coverage:

$2,000,000 General Aggregate Limit other than Products/Completed Operations
$2,000,000 Products/Completed Operations Aggregate Limit
$1,000,000 Personal & Advertising Injury Limit
$1,000,000 Each Occurrence Limit

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the Commercial General Liability certificate. The Contractor must provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

☐ 2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor must provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

☑ 3. Workers' compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor must provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision must not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

☑ 4. Employers liability insurance with the following minimum limits:

$100,000 each accident
$100,000 each employee by disease
$500,000 aggregate disease

☑ 5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of three million dollars ($3,000,000.00) with a maximum deductible of fifty thousand dollars ($50,000.00).

☐ 6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars ($10,000,000.00), which must apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

☑ 7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars ($3,000,000.00) each occurrence and three million dollars ($3,000,000.00) annual aggregate.

☐ 8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of the office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State must be endorsed on the policy as a loss payee as its interests appear.

2.132 Subcontractor Insurance Coverage

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor must require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) must fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

2.133 Certificates of Insurance and Other Requirements

Contractor must furnish to DMB-Purchasing Operations, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) must contain a provision indicating that coverages afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without 30 days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor must provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

The Contractor must maintain all required insurance coverage throughout the term of the Contract and any extensions and, in the case of claims-made Commercial General Liability policies, must secure tail coverage for at least three years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and must not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor is responsible for all deductibles with regard to the insurance. If the Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, then the State may, after the State has given the Contractor at least 30 days written notice, pay the premium or procure similar insurance coverage from another company or companies. The State may deduct any part of the cost from any payment due the Contractor, or the Contractor must pay that cost upon demand by the State.

2.140 Indemnification

2.141 General Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of this Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its Subcontractors, or by anyone else for whose acts any of them may be liable.

2.142 Code Indemnification
To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

2.143 Employee Indemnification
In any claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its Subcontractors, the indemnification obligation under the Contract must not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its Subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.

2.144 Patent/Copyright Infringement Indemnification
To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that the action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of the equipment, software, commodity or service, or the use or reproduction of any documentation provided with the equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor must at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if the option is not reasonably available to the Contractor, (ii) replace or modify to the State's satisfaction the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if the option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Notwithstanding the foregoing, the Contractor has no obligation to indemnify or defend the State for, or to pay any costs, damages or attorneys' fees related to, any claim based upon (i) equipment developed based on written specifications of the State; (ii) use of the equipment in a configuration other than implemented or approved in writing by the Contractor, including, but not limited to, any modification of the equipment by the State; or (iii) the combination, operation, or use of the equipment with equipment or software not supplied by the Contractor under this Contract.

2.145 Continuation of Indemnification Obligations
The Contractor's duty to indemnify under this Section continues in full force and effect, notwithstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred before expiration or cancellation.

2.146 Indemnification Procedures
The procedures set forth below apply to all indemnity obligations under this Contract:

(a) After the State receives notice of the action or proceeding involving a claim for which it will seek indemnification, the State will promptly notify Contractor of the claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify the Contractor relieves the Contractor of its indemnification obligations except to the extent that the Contractor can prove damages attributable to the failure. Within 10 days following receipt of written notice from the State relating to any claim, the Contractor must notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and before the State receiving Contractor's Notice of Election, the State is entitled to defend against the claim, at the Contractor's expense, and the Contractor must be responsible for any reasonable costs incurred by the State in defending against the claim during that period.

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State is entitled to participate in the defense of the claim and to employ counsel at its own expense to assist in the handling of the claim and to monitor and advise the State about the status and progress of the defense; (ii) the Contractor must, at the request of the State, demonstrate to the reasonable satisfaction of the State, the Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) the Contractor must periodically advise the State about the status and progress of the defense and must obtain the prior written approval of the State before entering into any settlement of the claim or ceasing to defend against the claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State has the right, at its own expense, to control the defense of that portion of the claim involving the principles of Michigan governmental or public law. But the State may retain control of the defense and settlement of a claim by notifying the Contractor in writing within 10 days after the State's receipt of Contractor's information requested by the State under clause (ii) of this paragraph if the State determines that the Contractor has failed to demonstrate to the reasonable satisfaction of the State the Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State under this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

(c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State may defend the claim in the manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor must promptly reimburse the State for all the reasonable costs and expenses.

2.150 Termination/Cancellation

2.151 Notice and Right to Cure

If the Contractor breaches the Contract, and the State in its sole discretion determines that the breach is curable, the State will provide the Contractor with written notice of the breach and a reasonable time period to cure the breach. During the cure and resolution period, the Contractor must continue to provide Services in a manner to minimize the disruption of Services to Members. The notice of breach and opportunity to cure is inapplicable for successive or repeated breaches or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage, or destruction of any real or tangible personal property.

2.152 Termination for Cause

(a) The State may terminate this Contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA), or (ii) fails to cure a breach within the time period specified in the written notice of breach provided by the State

(b) If this Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs are not consequential, indirect or incidental damages, and cannot be excluded by any other terms otherwise included in this Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under this Contract.

(c) If the State chooses to partially terminate this Contract for cause, charges payable under this Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State must pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of this Contract that are terminated for cause must cease on the effective date of the termination.

(d) If the State terminates this Contract for cause under this Section, and it is determined, for any reason, that Contractor was not in breach of contract under the provisions of this Section, that termination for cause must be deemed to have been a termination for convenience, effective as of the same date, and the rights and obligations of the parties must be limited to that otherwise provided in this Contract for a termination for convenience.

2.153 Termination for Convenience

The State may terminate this Contract for its convenience, in whole or part, if the State determines that a termination is in the State's best interest. Reasons for the termination is in the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate this Contract for its convenience, in whole or in part, by giving Contractor written notice at least 30 days before the date of termination. If the State chooses to terminate this Contract in part, the charges payable under this Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated.

2.154 Termination for Non-Appropriation

(a) Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this Contract. If funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available, the State must terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State must give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or the time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

(b) If funding for the Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise unavailable, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in the manner and for the periods of time as the State may elect. The charges payable under this Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of the reduction.

(c) If the State terminates this Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor under this Section, the State must pay Contractor for all Work-in-Process performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. This Section will not preclude Contractor from reducing or stopping Services/Deliverables or raising against the State in a court of competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

2.155 Termination for Criminal Conviction

The State may terminate this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense related to a State, public or private Contract or subcontract.

2.156 Termination for Approvals Rescinded

The State may terminate this Contract if any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services under the Michigan Constitution, Const 1963, Article 11, § 5, and Civil Service Rule 7-1. In that case, the State will pay the Contractor for only the work completed to that point under the Contract. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in the written notice.

2.157 Rights and Obligations upon Termination

(a) If the State terminates this Contract for any reason, the Contractor must (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which must be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of the items included compensation to Contractor for the provision of warranty services in respect of the materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

(b) If the State terminates this Contract before its expiration for its own convenience, the State must pay Contractor for all charges due for Services provided before the date of termination and, if applicable, as a separate item of payment under this Contract, for Work in Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor under this Contract, at the option of the State, becomes the State's property, and Contractor is entitled to receive equitable fair compensation for the Deliverables. Regardless of the basis for the termination, the State is not obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

(c) Upon a good faith termination, the State may assume, at its option, any subcontracts and agreements for Services and Deliverables provided under this Contract, and may further pursue completion of the Services/Deliverables under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

2.158 Reservation of Rights

Any termination of this Contract or any Statement of Work issued under it by a party must be with full reservation of, and without prejudice to, any rights or remedies otherwise available to the party with respect to any claims arising before or as a result of the termination.

2.160 Deleted – Not/Applicable

2.170 Transition Responsibilities

2.171 Contractor Transition Responsibilities

If the State terminates this Contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor must comply with direction provided by the State to assist in the orderly transition of applicable equipment, Services, software, leases, etc. to the State or a third party designated by the State. If this Contract expires or terminates, the Contractor must make all reasonable efforts to effect an orderly transition of Services within a reasonable period of time that in no event will exceed 365 days. These efforts must include, but are not limited to, those listed in **Sections 2.171, 2.172, 2.173, 2.174, and 2.175.**

2.172 Contractor Personnel Transition

The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the Services required by this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors or vendors, as necessary to meet its needs, Contractor must reasonably, and with good-faith, work with the State to use the Services of Contractor's subcontractors or vendors. Contractor must notify all of Contractor's subcontractors of procedures to be followed during transition.

2.173 Contractor Information Transition

The Contractor must provide reasonable detailed specifications for all Services/Deliverables needed by the State, or specified third party, to properly provide the Services/Deliverables required under this Contract. The Contractor must provide the State with asset management data generated from the inception of this Contract through the date on which this Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor must deliver to the State any remaining owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

2.174 Contractor Software Transition

The Contractor must reasonably assist the State in the acquisition of any Contractor software required to perform the Services and/or use the Deliverables under this Contract. This must include any documentation being used by the Contractor to perform the Services under this Contract. If the State transfers any software licenses to the Contractor, those licenses must, upon expiration of the Contract, transfer back to the State at their current revision level. Upon notification by the State, Contractor may be required to freeze all non-critical changes to Services/Deliverables.

2.175 Transition Payments
If the transition results from a termination for any reason, reimbursement must be governed by the termination provisions of this Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after contract expiration that result from transition operations) at the rates agreed upon by the State. The Contractor must prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.176 State Transition Responsibilities
In the event that this Contract is terminated for any reason, the State must perform the following obligations, and any others upon which the State and the Contractor agree:
(a) Reconciling all accounts between the State and the Contractor;
(b) Completing any pending post-project reviews.

2.180 Stop Work

2.181 Stop Work Orders
The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order must be identified as a stop work order and must indicate that it is issued under this **Section 2.180**. Upon receipt of the stop work order, Contractor must immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State must either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.150**.

2.182 Cancellation or Expiration of Stop Work Order
The Contractor must resume work if the State cancels a Stop Work Order or if it expires. The parties will agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract must be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment will conform to the requirements of **Section 2.024**.

2.183 Allowance of Contractor Costs
If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, the termination must be deemed to be a termination for convenience under **Section 2.150**, and the State will pay reasonable costs resulting from the stop work order in arriving at the termination settlement. The State is not liable to Contractor for loss of profits because of a stop work order issued under **Section 2.180.**

2.190 Dispute Resolution

2.191 In General
Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work must be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor must submit a letter, together with all data supporting the claims, executed by the Contractor, certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the claim and the supporting data are current and complete to Contractor's best knowledge and belief.

2.192 Informal Dispute Resolution
(a) All disputes between the parties must be resolved under the Contract Management procedures in this Contract. If the parties are unable to resolve any disputes after compliance with the processes, the parties must meet with the Director of Purchasing Operations, DMB, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:

(i) The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives must discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.

(ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.

(iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.

(iv) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.

(b) This Section must not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under **Section 2.193**.

(c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work under the Contract.

2.193 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is the that the damages to the party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.194 Continued Performance

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment must not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.150**, as the case may be.

2.200 Federal and State Contract Requirements

2.201 Nondiscrimination

In the performance of the Contract, Contractor must not discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability. Every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract must contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required under the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

2.202 Unfair Labor Practices

Under 1980 PA 278, MCL 423.321, et seq., the State must not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under Section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, must not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Under Section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, after award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

2.203 Workplace Safety and Discriminatory Harassment
In performing Services for the State, the Contractor must comply with the CSC Rule 1-8.3 regarding Discriminatory Harassment and 2-20 regarding Workplace Safety. In addition, the Contractor must comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see http://www.michigan.gov/mdcs.

2.210 Governing Law

2.211 Governing Law
The Contract must in all respects be governed by, and construed according to, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by federal law.

2.212 Compliance with Laws
Contractor must comply with all applicable state, federal and local laws and ordinances in providing the Services/Deliverables.

2.213 Jurisdiction
Any dispute arising from the Contract must be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to the jurisdiction on the grounds of lack of personal jurisdiction of the court or the laying of venue of the court or on the basis of forum non conveniens or otherwise. Contractor must appoint agents in the State of Michigan to receive service of process.

2.220 Deleted/Not Applicable

2.230 Disclosure Responsibilities

2.231 Disclosure of Litigation
(a) Disclosure. Contractor must disclose any material criminal litigation, investigations or proceedings involving the Contractor (and each Subcontractor) or any of its officers or directors or any litigation, investigations or proceedings under the Sarbanes-Oxley Act. In addition, the Contractor (and each Subcontractor) must notify the State of any material civil litigation, arbitration or proceeding which arises during the term of the Contract and extensions, to which Contractor (or, to the extent Contractor is aware, any Subcontractor) is a party, and which involves: (i) disputes that might reasonably be expected to adversely affect the viability or financial stability of Contractor or any Subcontractor; or (ii) a claim or written allegation of fraud against Contractor or, to the extent Contractor is aware, any Subcontractor by a governmental or public entity arising out of their business dealings with governmental or public entities. The Contractor must disclose in writing to the Contract Administrator any litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") within 30 days of its occurrence. Details of settlements which are prevented from disclosure by the terms of the settlement may be annotated. Information provided to the State from Contractor's publicly filed documents referencing its material litigation will be deemed to satisfy the requirements of this Section.

(b) Assurances. If any Proceeding disclosed to the State under this Section, or of which the State otherwise becomes aware, during the term of this Contract would cause a reasonable party to be concerned about:

(i) the ability of Contractor (or a Subcontractor) to continue to perform this Contract according to its terms and conditions, or
(ii) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that:
(a) Contractor and its Subcontractors will be able to continue to perform this Contract and any Statements of Work according to its terms and conditions, and
(b) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.

(c) Contractor must make the following notifications in writing:

(1) Within 30 days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor must notify DMB Purchasing Operations.

(2) Contractor must also notify DMB Purchasing Operations within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

(3) Contractor must also notify DMB Purchasing Operations within 30 days whenever changes to company affiliations occur.

2.232 Call Center Disclosure

Contractor and/or all Subcontractors involved in the performance of this Contract providing call or contact center services to the State must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information is a material breach of this Contract.

2.233 Bankruptcy

The State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part, and, at its option, take possession of the "Work in Process" and finish the Works in Process by whatever appropriate method the State may deem expedient if:

(a) the Contractor files for protection under the bankruptcy laws;

(b) an involuntary petition is filed against the Contractor and not removed within 30 days;

(c) the Contractor becomes insolvent or if a receiver is appointed due to the Contractor's insolvency;

(d) the Contractor makes a general assignment for the benefit of creditors; or

(e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can deliver the services under this Contract.

Contractor must fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process must be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

2.240 Performance

2.241 Time of Performance

(a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.

(b) Without limiting the generality of **Section 2.241(a),** Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Services/Deliverables on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.

(c) If the Contractor believes that a delay in performance by the State has caused or will cause the Contractor to be unable to perform its obligations according to specified Contract time periods, the Contractor must notify the State in a timely manner and must use commercially reasonable efforts to perform its obligations according to the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.

2.242 Service Level Agreements (SLAs)

(a) SLAs will be completed with the following operational considerations:

(i) SLAs will not be calculated for individual Incidents where any event of Excusable Failure has been determined.

(ii) SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification or coordination.

(iii) SLAs will not apply if the applicable Incident could have been prevented through planning proposed by Contractor and not implemented at the request of the State. To invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.

(iv) Time period measurements will be based on the time Incidents are received by the Contractor and the time that the State receives notification of resolution based on 24x7x365 time period, except that the time period measurement will be suspended based on the following:

1. Time period(s) will not apply where Contractor does not have access to a physical State Location and where access to the State Location is necessary for problem identification and resolution.
2. Time period(s) will not apply where Contractor needs to obtain timely and accurate information or appropriate feedback and is unable to obtain timely and accurate information or appropriate feedback from the State.

(b) Chronic Failure for any Service will be defined as three unscheduled outage(s) or interruption(s) on any individual Service for the same reason or cause or if the same reason or cause was reasonably discoverable in the first instance over a rolling 30 day period. Chronic Failure will result in the State's option to terminate the effected individual Service(s) and procure them from a different vendor for the chronic location(s) with Contractor to pay the difference in charges for up to three additional months. The termination of the Service will not affect any tiered pricing levels.

(c) Root Cause Analysis will be performed on any Business Critical outage(s) or outage(s) on Services when requested by the CCI. Contractor will provide its analysis within two weeks of outage(s) and provide a recommendation for resolution.

(d) All decimals must be rounded to two decimal places with five and greater rounding up and four and less rounding down unless otherwise specified.

2.243 Liquidated Damages – Deleted/Not Applicable

2.244 Excusable Failure

Neither party will be liable for any default, damage or delay in the performance of its obligations under the Contract to the extent caused by lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of a party; provided the non-performing party and its Subcontractors are without fault in causing the default or delay, and the default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans.

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation for as long as the circumstances prevail. But the party must use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the excusable failure occurs, and also when it abates or ends.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay the Contractor's performance of the Services and/or provision of Deliverables for more than 10 Business Days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected Services/Deliverables from an alternate source, and the State is not be liable for payment for the unperformed Services/Deliverables not provided under the Contract for so long as the delay in performance continues; (b) the State may terminate any portion of the Contract so affected and the charges payable will be equitably adjusted to reflect those Services/Deliverables terminated; or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to the Contractor, except to the extent that the State must pay for Services/Deliverables provided through the date of termination.

The Contractor will not have the right to any additional payments from the State as a result of any Excusable Failure occurrence or to payments for Services not rendered/Deliverables not provided as a result of the Excusable Failure condition. Defaults or delays in performance by Contractor which are caused by acts or omissions of its Subcontractors will not relieve Contractor of its obligations under the Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

2.250 Approval of Deliverables – Deleted/Not Applicable

2.260 Ownership

2.261 Ownership of Work Product by State
The State owns all Deliverables as they are works made for hire by the Contractor for the State. The State owns all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

2.262 Vesting of Rights
With the sole exception of any preexisting licensed works identified in the SOW, the Contractor assigns, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State's request, the Contractor must confirm the assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

2.263 Rights in Data
(a) The State is the owner of all data made available by the State to the Contractor or its agents, Subcontractors or representatives under the Contract. The Contractor must not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of the Contractor. No employees of the Contractor, other than those on a strictly need-to-know basis, may have access to the State's data. Contractor must not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, the Contractor must only use personally identifiable information as strictly necessary to provide the Services and must disclose the information only to its employees who have a strict need-to-know the information. The Contractor must comply at all times with all laws and regulations applicable to the personally identifiable information.

(b) The State is the owner of all State-specific (Plan Sponsor) data under the Contract. The State may use the data provided by the Contractor for any purpose. The State will not possess or assert any lien or other right against the Contractor's data. Without limiting the generality of this Section, the State may use personally identifiable information only as strictly necessary to utilize the Services and must disclose the information only to its employees who have a strict need to know the information, except as provided by law. The State must comply at all times with all laws and regulations applicable to the personally identifiable information. Other material developed and provided to the State remains the State's sole and exclusive property.

2.264 Ownership of Materials
The State and the Contractor will continue to own their respective proprietary technologies developed before entering into the Contract. Any hardware bought through the Contractor by the State, and paid for by the State, must be owned by the State. Any software licensed through the Contractor and sold to the State, must be licensed directly to the State.

2.270 State Standards

2.271 Existing Technology Standards
The Contractor must adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at http://www.michigan.gov/dit.

2.272 Acceptable Use Policy
To the extent that Contractor has access to the State computer system, Contractor must comply with the State's Acceptable Use Policy, see http://www.michigan.gov/ditservice. All Contractor employees must be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor's access to the State system if a violation occurs.

2.273 Systems Changes – Deleted/Not Applicable

2.280 Extended Purchasing

2.281 MIDEAL

1984 PA 431 permits DMB to provide purchasing services to any city, village, county, township, school district, intermediate school district, non-profit hospital, institution of higher education, community, or junior college. A current listing of approved program members is available at: www.michigan.gov/buymichiganfirst. Unless otherwise stated, the Contractor must ensure that the non-state agency is an authorized purchaser before extending the Contract pricing.

The Contractor must make the Pass-Through Pricing (Attachment A) available to any MiDEAL member that requests to participate in the Contract. The Contractor must honor all DEFINITIONS in this Contract when providing pricing to any MiDEAL member. The Contractor must negotiate in good faith with any MiDEAL member to offer the Services required for the specific MiDEAL member's Plan for a reasonable Administrative Fee.

The Contractor must send its invoices will be submitted to and pay the local unit of government on a direct and individual basis.

2.282 State Employee Purchases – Deleted/Not Applicable

2.290 Environmental Provision

2.291 Environmental Provision

Hazardous Materials:
For the purposes of this Section, "Hazardous Materials" is a generic term used to describe asbestos, ACBMs, PCBs, petroleum products, construction materials including paint thinners, solvents, gasoline, oil, and any other material the manufacture, use, treatment, storage, transportation or disposal of which is regulated by the federal, state or local laws governing the protection of the public health, natural resources or the environment. This includes, but is not limited to, materials the as batteries and circuit packs, and other materials that are regulated as (1) "Hazardous Materials" under the Hazardous Materials Transportation Act, (2) "chemical hazards" under the Occupational Safety and Health Administration standards, (3) "chemical substances or mixtures" under the Toxic Substances Control Act, (4) "pesticides" under the Federal Insecticide Fungicide and Rodenticide Act, and (5) "hazardous wastes" as defined or listed under the Resource Conservation and Recovery Act.

(a) The Contractor must use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material according to all federal, State and local laws. The State must provide a safe and suitable environment for performance of Contractor's Work. Before the commencement of Work, the State must advise the Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of the Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor must immediately stop all affected Work, notify the State in writing about the conditions encountered, and take appropriate health and safety precautions.

(b) Upon receipt of a written notice, the State will investigate the conditions. If (a) the material is a Hazardous Material that may present a substantial danger, and (b) the Hazardous Material was not brought to the site by the Contractor, or does not result in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Materials, the State must order a suspension of Work in writing. The State must proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State must terminate the affected Work for the State's convenience.

(c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor must resume Work as directed in writing by the State. Any determination by the Michigan Department of Community Health or the Michigan Department of Environmental Quality that the Hazardous Material has either been removed or rendered harmless is binding upon the State and Contractor for the purposes of resuming the Work. If any incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.242** for a time as mutually agreed by the parties.

(d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor must bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material according to Applicable Laws to the condition approved by applicable regulatory agency(ies).

Michigan has a Consumer Products Rule pertaining to labeling of certain products containing volatile organic compounds. For specific details visit http://www.michigan.gov/deq/0,1607,7-135-3310_4108-173523--,00.html

Refrigeration and Air Conditioning:
The Contractor shall comply with the applicable requirements of Sections 608 and 609 of the Clean Air Act (42 U.S.C. 7671g and 7671h) as each or both apply to this Contract.

Environmental Performance:
Waste Reduction Program - Contractor must establish a program to promote cost-effective waste reduction in all operations and facilities covered by this Contract. The Contractor's programs must comply with applicable Federal, State, and local requirements, specifically including Section 6002 of the Resource Conservation and Recovery Act (42 U.S.C. 6962, et seq.).

STATE OF MICHIGAN

Commercial and RDS "PASS THROUGH" PRICING FINANCIAL PROPOSAL FOR PBM SERVICES

NAME OF PBM: Catalyst Rx

INTEGRATED PROGRAM *(Assumes PBM will provide Retail, Mail & Specialty Pharmacy Services) - CURRENT PLAN DESIGN*		
I. GENERAL REQUIREMENTS (Non Compliance in any area in Section I may result in disqualification from bid consideration)		
A.	Confirm completion of this REQUIRED financial response document.	Confirmed
B.	Confirm your acknowledgement of all Bidder requirements and related definitions pertaining to all financial requirements of this Contract.	Confirmed
C.	Confirm full disclosure of all pricing assumptions, caveats, clarifications or contingencies to your response. Disclosure must be submitted in a separate document titled "Pharmacy Benefit Management Pricing". This includes, but is not limited to the impact of any changes in utilization or participation levels.	Confirmed
D.	Confirm the duration of the guarantees represented in your offer. If additional space or commentary is required, it should be included in the Pharmacy Benefit Management Pricing document.	3 years, please refer to Attachment A, Pharmacy Benefit Management Pricing" for details
E.	Confirm your understanding that a specialty drug program is a mandatory requirement. Submit a separate document titled "Specialty Drug Proposal" with a listing of all drugs included under the program and the acquisition cost basis (ingredient discount off AWP, dispensing fee and rebate eligibility) for each respective drug.	Confirmed
F.	Confirm that your offer is based on MAC pricing for generic drugs at mail.	Confirmed
G.	Confirm that your methodology for adjudicating compound drugs is attached and includes an explanation of how rebate guarantees apply to compound drugs.	Confirmed
H.	Confirm your understanding of the definition of the term Rebate(s) as listed in the Section titled "DEFINITIONS" and confirm that Rebates will include all manufacturer revenue including but not limited to access rebates, formulary rebates, performance based rebates, market share rebates, manufacturer administrative fees, data fees or any other revenue streams received from manufacturers, wholesalers, or other sources, for the covered population.	Confirmed

II. INGREDIENT COST DISCOUNTS - RETAIL ***(Exclude all Specialty and Compound Drugs)***

A. CONTRACTED NETWORK RATES (GUARANTEED AVERAGE OR ACTUAL ADJUDICATED RATES AT THE POINT OF SALE)

1. Instructions

The required rate basis is 100% PASS THROUGH as defined in Section 1.060.
Confirm the basis of your offer and identify the contractual retail network ingredient cost discount as a % off the AWP.
Do not include rebates, U&C savings or any other program savings in the quoted ingredient discount.
Your response to Section II.A will represent your actual guaranteed discounts and will exclude any savings attributable to rebates, U&C, etc.

2. Financial Terms	*100% PASS THROUGH = "PT"*	*Minimum Guarantee = "MinG"*	*Confirm Discount off AWP that will adjudicate at point of sale*
a. Generic MAC	***PT***	***Estimated***	AWP - 79.00%
b. Generic Non-MAC	***PT***	***Estimated***	AWP - 28.00%
c. Overall Generic (MAC & Non-MAC Combined)	***PT***	***MinG***	Year1: AWP - 75.75% Year2: AWP - 76.25% Year3: AWP - 76.75%
d. Brand Formulary	***PT***	***MinG***	Year1: AWP - 17.50% Year2: AWP - 17.65% Year3: AWP - 17.80%
e. Brand Non-Formulary	***PT***	***MinG***	Year1: AWP - 17.50% Year2: AWP - 17.65% Year3: AWP - 17.80%
f. Overall Brand (Formulary & Non-Formulary Combined)	***PT***	***MinG***	Year1: AWP - 17.50% Year2: AWP - 17.65% Year3: AWP - 17.80%

Commercial and RDS "PASS THROUGH" PRICING FINANCIAL PROPOSAL FOR PBM SERVICES

NAME OF PBM: Catalyst Rx

III. INGREDIENT COST DISCOUNTS - MAIL *(Exclude all Specialty and Compound Drugs)*

A. MAIL ORDER RATES

1. Instructions

Confirm the basis of your offer, guarantee type and ingredient cost discount as a % off the AWP.
Do not include rebates, U&C savings or any other program savings in the quoted discount.
Failure to guarantee any of the cost elements in Section III.A will adversely impact the valuation of your financial proposal .

2. Financial Terms	*AWP - Discount Pricing = "AWP" 100% PASS THROUGH = "PT"*	*Minimum Guarantee = "MinG"*	*Ingredient Cost Discount off AWP*
a. Generic MAC	PT/ AWP	Estimated	N/A
b. Generic Non-MAC	PT/ AWP	Estimated	N/A
c. Overall Generic (MAC & Non-MAC Combined)	PT/ AWP	MinG	Year1: AWP - 87.00% Year2: AWP - 87.30% Year3: AWP - 87.50%
d. Brand Formulary	PT/ AWP	MinG	Year1: AWP - 22.90% Year2: AWP - 22.90% Year3: AWP - 22.90%
e. Brand Non-Formulary	PT/ AWP	MinG	Year1: AWP - 22.90% Year2: AWP - 22.90% Year3: AWP - 22.90%
f. Overall Brand (Formulary & Non-Formulary Combined)	PT/ AWP	MinG	Year1: AWP - 22.90% Year2: AWP - 22.90% Year3: AWP - 22.90%

IV. INGREDIENT COST DISCOUNTS - SPECIALTY

A. SPECIALTY RATES

1. Instructions

Confirm the basis of your offer, guarantee type and ingredient cost discount as a % off the AWP.
Do not include rebates, U&C savings or any other program savings in the quoted discount.
Failure to guarantee any of the cost elements in Section IV.A will adversely impact the valuation of your financial proposal .

2. Financial Terms	*AWP - Discount Pricing = "AWP" 100% PASS THROUGH = "PT"*	*Minimum Guarantee = "MinG"*	*Ingredient Cost Discount off AWP*
a. Generic MAC	N/A	N/A	N/A
b. Generic Non-MAC	N/A	N/A	N/A
c. Overall Generic (MAC & Non-MAC Combined)	PT	MinG	Year1: AWP - 52.00% Year2: AWP - 52.50% Year3: AWP - 53.00%
d. Brand Formulary	PT	MinG	Year1: AWP - 19.25% Year2: AWP - 19.50% Year3: AWP - 19.75%
e. Brand Non-Formulary	PT	MinG	Year1: AWP - 19.25% Year2: AWP - 19.50% Year3: AWP - 19.75%
f. Overall Brand (Formulary & Non-Formulary Combined)	PT	MinG	Year1: AWP - 19.25% Year2: AWP - 19.50% Year3: AWP - 19.75%

Commercial and RDS "PASS THROUGH" PRICING FINANCIAL PROPOSAL FOR PBM SERVICES

NAME OF PBM: Catalyst Rx

V. DISPENSING FEES - RETAIL				
A.	**Retail Dispensing Fees. Required pricing basis is 100% PASS THROUGH with Guaranteed Maximum Rates.**	*100% PASS THROUGH = "PT"*	*Type of Offer: Max. Guarantee= "MaxG"*	*Guaranteed Dispensing Fee Per Script*
1.	Per Generic Script Dispensed	PT	MaxG	$1.35
2.	Per Brand Script Dispensed	PT	MaxG	$1.35
VI. DISPENSING FEES - MAIL				
A.	**Mail Dispensing Fees.**	*100% PASS THROUGH = "PT"*	*Type of Offer: Max. Guarantee= "MaxG"*	*Guaranteed Dispensing Fee Per Script*
1.	Per Generic Script Dispensed	PT	MaxG	$8.10
2.	Per Brand Script Dispensed	PT	MaxG	$8.10
VII. DISPENSING FEES - SPECIALTY				
A.	**Specialty Dispensing Fees.**	*100% PASS THROUGH = "PT"*	*Type of Offer: Max. Guarantee=" MaxG"*	*Guaranteed Dispensing Fee Per Script*
1.	Per Generic Script Dispensed	PT	MaxG	$0.00
2.	Per Brand Script Dispensed	PT	MaxG	$0.00
VIII. ADMINISTRATION FEES				
A.	**Guaranteed Base Program Fees**			*Admin Fees*
	Per CONTRACT HOLDER Per Month (PCHPM) Basis (must include all clinical programs listed in Section 1.022 and Attachment D except disease management programs)			$2.62 for 2010 $3.32 for 2011 $3.32 for 2012
B.	Medicare Part D PDP (MPSERS only) on a PCHPM Basis			N/A
C.	Disease Management Programs (CSC Program only) on a PCHPM Basis			$1.10

IX. FINANCIAL OFFSETS

A. FORMULARY REBATES

1. Instructions

PASS THROUGH @ 100% with Guaranteed Minimum Amounts per Brand script (across all formulary and non-formulary brand drugs, at retail, mail, and specialty) pricing is required for quoting rebates.
Rebates should be quoted on a "Per Brand Script" basis, at retail, mail and specialty. Confirm the exact basis of your offer being proposed.
Failure to fully complete or offer a fixed minimum rebate guarantee on a PASS THROUGH pricing basis may result in disqualification from bid consideration.

Guaranteed rebates quoted below are based upon the MPSERS 2010 formulary.

	2. Financial Terms	*Rebate Quote based on Your Comparable Formulary*	*PASS THROUGH = "PT @ ___%"*	*Guarantee Type:"MinG"*	*Formulary Rebate Amount Per Brand Script*
a.	Per Retail Brand Script Basis (combined formulary & non-formulary)	confirmed	PT @ 100%	MinG	Year 1 (1/1 - 6/30): $11.89 Year 1 (7/30 - 12/31): $12.55 Year 2: $13.56 Year 3: $14.38
b.	Per Mail Brand Script Basis (combined formulary & non-formulary)	confirmed	PT @ 100%	MinG	Year 1 (1/1 - 6/30): $21.63 Year 1 (7/30 - 12/31): $22.83 Year 2: $24.32 Year 3: $25.23
c.	Per Specialty Brand Script Basis (combined formulary & non-formulary)	confirmed	PT @ 100%	MinG	Year 1 (1/1 - 6/30): $61.15 Year 1 (7/30 - 12/31): $64.54 Year 2: $70.24 Year 3: $76.34

B.	**DISCOUNT CREDIT as referenced in the DEFINITION section of this document; paid by PBM to Plan Sponsors to offset associated expenses. Must be stated on a PCHPM basis.**	
1.	Per CONTRACT HOLDER (based on enrollment as of initial effective date)	$4.00

STATE OF MICHIGAN

MEDICARE "PASS THROUGH" PRICING FINANCIAL PROPOSAL FOR PBM SERVICES

NAME OF PBM: Catalyst Rx

PROPRIETARY AND CONFIDENTIAL OF CATALYST RX

INTEGRATED PROGRAM *(Assumes PBM will provide Retail, Mail & Specialty Pharmacy Services) - CURRENT PLAN DESIGN*		
I. GENERAL REQUIREMENTS (Non Compliance in any area in Section I may result in disqualification from bid consideration)		
A.	Confirm completion of this REQUIRED financial response document.	Confirmed
B.	Confirm your acknowledgement of all Bidder requirements and related definitions pertaining to all financial requirements of this Contract.	Confirmed
C.	Confirm full disclosure of all pricing assumptions, caveats, clarifications or contingencies to your response. Disclosure must be submitted in a separate document titled "Pharmacy Benefit Management Pricing". This includes, but is not limited to the impact of any changes in utilization or participation levels.	Confirmed
D.	Confirm the duration of the guarantees represented in your offer. If additional space or commentary is required, it should be included in the Pharmacy Benefit Management Pricing document.	3 years, please refer to Attachment A, Pharmacy Benefit Management Pricing for details.
E.	Confirm your understanding that a specialty drug program is a mandatory requirement. Submit a separate document titled "Specialty Drug Proposal" with a listing of all drugs included under the program and the acquisition cost basis (ingredient discount off AWP, dispensing fee and rebate eligibility) for each respective drug.	Confirmed
F.	Confirm that your offer is based on MAC pricing for generic drugs at mail.	Confirmed
G.	Confirm that your methodology for adjudicating compound drugs is attached and includes an explanation of how rebate guarantees apply to compound drugs.	Confirmed
H.	Confirm your understanding of the definition of the term Rebate(s) as listed in the Section titled "DEFINITIONS" and confirm that Rebates will include all manufacturer revenue including but not limited to access rebates, formulary rebates, performance based rebates, market share rebates, manufacturer administrative fees, data fees or any other revenue streams received from manufacturers, wholesalers, or other sources, for the covered population.	Confirmed

II. INGREDIENT COST DISCOUNTS - RETAIL ***(Exclude all Specialty and Compound Drugs)***

A. CONTRACTED NETWORK RATES (GUARANTEED AVERAGE OR ACTUAL ADJUDICATED RATES AT THE POINT OF SALE)

1. Instructions

The required rate basis is 100% PASS THROUGH as defined in Section 1.060.
Confirm the basis of your offer and identify the contractual retail network ingredient cost discount as a % off the AWP.
Do not include rebates, U&C savings or any other program savings in the quoted ingredient discount.
Your response to Section II.A will represent your actual guaranteed discounts and will exclude any savings attributable to rebates, U&C, etc.

2. Financial Terms	*100% PASS THROUGH = "PT"*	*Minimum Guarantee = "MinG"*	*Confirm Discount off AWP that will adjudicate at point of sale*
a. Generic MAC	***PT***	***Estimated***	AWP - 81.0%
b. Generic Non-MAC	***PT***	***Estimated***	AWP - 31.0%
c. Overall Generic (MAC & Non-MAC Combined)	***PT***	***MinG***	2011: AWP - 76.50% 2012: AWP - 77.00%
d. Brand Formulary	***PT***	***MinG***	2011: AWP - 16.75% 2012: AWP - 17.00%
e. Brand Non-Formulary	***PT***	***MinG***	2011: AWP - 16.75% 2012: AWP - 17.00%
f. Overall Brand (Formulary & Non-Formulary Combined)	***PT***	***MinG***	2011: AWP - 16.75% 2012: AWP - 17.00%

MEDICARE "PASS THROUGH" PRICING FINANCIAL PROPOSAL FOR PBM SERVICES

NAME OF PBM: Catalyst Rx

PROPRIETARY AND CONFIDENTIAL OF CATALYST RX

III. INGREDIENT COST DISCOUNTS - MAIL *(Exclude all Specialty and Compound Drugs)*

A. MAIL ORDER RATES

1. Instructions

Confirm the basis of your offer, guarantee type and ingredient cost discount as a % off the AWP.
Do not include rebates, U&C savings or any other program savings in the quoted discount.
Failure to guarantee any of the cost elements in Section III.A will adversely impact the valuation of your financial proposal .

2. Financial Terms	*AWP - Discount Pricing = "AWP" 100% PASS THROUGH = "PT"*	*Minimum Guarantee = "MinG"*	*Ingredient Cost Discount off AWP*
a. Generic MAC	PT/AWP	Estimated	N/A
b. Generic Non-MAC	PT/AWP	Estimated	N/A
c. Overall Generic (MAC & Non-MAC Combined)	PT/AWP	MinG	2011: AWP - 88.70% 2012: AWP - 88.95%
d. Brand Formulary	PT/AWP	MinG	2011: AWP - 22.45% 2012: AWP - 22.45%
e. Brand Non-Formulary	PT/AWP	MinG	2011: AWP - 22.45% 2012: AWP - 22.45%
f. Overall Brand (Formulary & Non-Formulary Combined)	PT/AWP	MinG	2011: AWP - 22.45% 2012: AWP - 22.45%

IV. INGREDIENT COST DISCOUNTS - SPECIALTY

A. SPECIALTY RATES

1. Instructions

Confirm the basis of your offer, guarantee type and ingredient cost discount as a % off the AWP.
Do not include rebates, U&C savings or any other program savings in the quoted discount.
Failure to guarantee any of the cost elements in Section IV.A will adversely impact the valuation of your financial proposal .

2. Financial Terms	*AWP - Discount Pricing = "AWP" 100% PASS THROUGH = "PT"*	*Minimum Guarantee = "MinG"*	*Ingredient Cost Discount off AWP*
a. Generic MAC	N/A	N/A	N/A
b. Generic Non-MAC	N/A	N/A	N/A
c. Overall Generic (MAC & Non-MAC Combined)	PT	MinG	2011: AWP - 52.50% 2012: AWP - 53.00%
d. Brand Formulary	PT	MinG	2011: AWP - 19.50% 2012: AWP - 19.75%
e. Brand Non-Formulary	PT	MinG	2011: AWP - 19.50% 2012: AWP - 19.75%
f. Overall Brand (Formulary & Non-Formulary Combined)	PT	MinG	2011: AWP - 19.50% 2012: AWP - 19.75%

MEDICARE "PASS THROUGH" PRICING FINANCIAL PROPOSAL FOR PBM SERVICES

NAME OF PBM: Catalyst Rx

PROPRIETARY AND CONFIDENTIAL OF CATALYST RX

V. DISPENSING FEES - RETAIL

	A. Retail Dispensing Fees. Required pricing basis is 100% PASS THROUGH with Guaranteed Maximum Rates.	100% PASS THROUGH = "PT"	Type of Offer: Max. Guarantee= "MaxG"	Guaranteed Dispensing Fee Per Script
1.	Per Generic Script Dispensed	PT	MaxG	$1.68
2.	Per Brand Script Dispensed	PT	MaxG	$1.58

VI. DISPENSING FEES - MAIL

	A. Mail Dispensing Fees.	100% PASS THROUGH = "PT"	Type of Offer: Max. Guarantee= "MaxG"	Guaranteed Dispensing Fee Per Script
1.	Per Generic Script Dispensed	PT	MaxG	$8.10
2.	Per Brand Script Dispensed	PT	MaxG	$8.10

VII. DISPENSING FEES - SPECIALTY

	A. Specialty Dispensing Fees.	100% PASS THROUGH = "PT"	Type of Offer: Max. Guarantee=" MaxG"	Guaranteed Dispensing Fee Per Script
1.	Per Generic Script Dispensed	PT	MaxG	$0.00
2.	Per Brand Script Dispensed	PT	MaxG	$0.00

VIII. ADMINISTRATION FEES

	A. Guaranteed Base Program Fees	Admin Fees
	Per CONTRACT HOLDER Per Month (PCHPM) Basis (must include all clinical programs listed in Section 1.022 and Attachment D except disease management programs)	$6.14
B.	Medicare Part D PDP (MPSERS only) on a PCHPM Basis	$6.14
C.	Disease Management Programs (CSC Program only) on a PCHPM Basis	$0.80

IX. FINANCIAL OFFSETS

A. FORMULARY REBATES

1. Instructions

PASS THROUGH @ 100% with Guaranteed Minimum Amounts per Brand script (across all formulary and non-formulary brand drugs, at retail, mail, and specialty) pricing is required for quoting rebates.
Rebates should be quoted on a "Per Brand Script" basis, at retail, mail and specialty. Confirm the exact basis of your offer being proposed.
Failure to fully complete or offer a fixed minimum rebate guarantee on a PASS THROUGH pricing basis may result in disqualification from bid consideration.

Guaranteed rebates quoted below are based upon the MPSERS 2010 formulary.

	2. Financial Terms	Rebate Quote based on Your Comparble Formulary	PASS THROUGH = "PT @ ___%"	Guarantee Type:"MinG"	Formulary Rebate Amount Per Brand Script
a.	Per Retail Brand Script Basis (combined formulary & non-formulary)	confirmed	PT @ 100%	MinG	2011: $13.56 2012: $14.38
b.	Per Mail Brand Script Basis (combined formulary & non-formulary)	confirmed	PT @ 100%	MinG	2011: $24.32 2012: $25.23
c.	Per Specialty Brand Script Basis (combined formulary & non-formulary)	confirmed	PT @ 100%	MinG	2011: $70.24 2012: $76.34

	B. DISCOUNT CREDIT as referenced in the DEFINITION section of this document; paid by PBM to Plan Sponsors to offset associated expenses. Must be stated on a PCHPM basis.	
1.	Per CONTRACT HOLDER (based on enrollment as of initial effective date)	N/A
2.	Per CONTRACT HOLDER (based on future additions to plan membership)	N/A
3.	Maximum Aggregate Discount Credit	N/A

Prior to June 30, 2010, Catalyst shall re-evaluate the projected rebate yields and based on such projection may increase its guaranteed minimum rebates for 2011 and/or 2012.
If MPSERS moves to an EGWP, these rebate yields are guaranteed for the total MPSERS population (Commercial and EGWP).

Catalyst Rx®

Pharmacy Benefit Management Pricing For The State of Michigan

	Type	Pricing
Optional Ancillary Charges	Diabetic Sense Program Management	$12.00 PEPM (per enrolled employee)

Catalyst Rx will provide an implementation allowance of $4 Per Contract Holder for MPSERS. The implementation allowance will be provided to the extent the State: 1) provides written documentation to Catalyst Rx that clearly and adequately describes legitimate and commercially reasonable expenses related to transition from the previous PBM or implementation of the new contract with Catalyst Rx, and 2) the expenses represent the fair market value of the products/services. In the event the State terminates without cause prior to the end of the initial contract term, in addition to any other rights Catalyst Rx may have based on the terms of the Contract, client agrees to refund, on a prorated basis, any implementation credits paid.

The administrative fee is on a Per Contract Holder Per Month (PCHPM). Contract Holder means an active employee, retiree, pension beneficiary or COBRA participant who satisfies all of the eligibility criteria necessary to receive pharmacy coverage through the appropriate Plan Sponsor. The Contract Holder count will not include the dependant of each Contractor Holder. The PCHPM admin fee for commercial is based upon 61,460 Contract Holders under MPSERS. The PCHPM admin fee for Medicare is based upon 114,000 Contract Holders under MPSERS.

Specialty rates and dispensing fees apply to participating specialty drug locations. Specialty products filled outside of preferred specialty pharmacy locations will be processed at the client contracted retail discount rate plus dispense fee.

In an effort to align member utilization and net plan cost with pharmacies dispensing the lowest cost alternatives available, the reconciliation of all discount guarantees will exclude U&C from the calculation except within pharmacy low cost programs.

Pricing is based upon the requirements and core principals of the Pass-Through Pricing and Transparency as defined in the Contract. In alignment with offering unbiased pharmacy benefit management solutions, Catalyst has provided an acquisition, purchase-based pricing structure under the mail service program. Under this pricing option, the State's Plan Sponsors would be guaranteed to pay the actual, significantly discounted price our mail service pharmacy has paid to acquire a prescription drug. This means the mail service pharmacy's true invoice cost for prescription drugs will be passed through directly to the Plan Sponsor with a flat per claim dispensing fee. Our acquisition, purchase-based pricing option is fully transparent and auditable. With guaranteed access to purchase-based prices, the State's Plan Sponsors would not only have access to significant savings but would also benefit from the immediate pass through of lower drug prices as more generics become available in the market place over time, resulting in even greater savings. While mail service is provided by Medco, pass through acquisition cost pricing is not available and ingredient costs will be paid at a flat rate discount and a $8.10 dispensing fee as listed in the pricing schedule.

Pricing is based upon the Catalyst Rx National Network and is not applicable for Cash Discount Card programs or any one hundred percent member paid plans. Implementation of Consumer Driven Health Plan (CDHP) plans may affect pricing. Should the Plan Sponsor request that a pharmacy join the network, Catalyst Rx will make all reasonable and best efforts to recruit the pharmacy at the discount rates. If the pharmacy will not agree to the discount rates, Catalyst Rx will notify the Plan Sponsor in writing. The Plan Sponsor may choose to include the pharmacy in the network at the rate negotiated with the pharmacy, in which case all claims dispensed from this pharmacy will be excluded from the guaranteed discount calculations.

Catalyst Rx's proposal for Medicare Part D services is based upon the requirements as outlined within the Contract.

Catalyst Rx will continue discussions with the State related to a Generic utilization improvement guarantee that would allow the administration fee to be increased up to an additional $.44 PCHPM.