



September 22, 2006

Ms. Susan M. Scarane
Departmental Specialist
Health Plans Division
611 West Ottawa Street
Lansing, Michigan 48933

Re: Pharmacy Provider Class Plan

Dear Ms. Scarane:

Enclosed for filing is Blue Cross Blue Shield of Michigan's Pharmacy Provider Class Plan. The plan has been revised to include an updated provider contract for mail order services and to recognize specialty pharmacies as providers.

Trade secrets and confidential commercial and financial information that we believe is exempt from disclosure under the Freedom of Information Act and Section 604 (2) of PA 350 have been redacted. The redacted information includes detailed descriptions of the reimbursement methodologies and price lists BCBSM will use to calculate payments to pharmacies.

The Office of Financial and Insurance Services has already agreed to the redaction of this information from Blue Care Network's pharmacy filings. BCBSM requests that the same be done with respect to this filing and agrees that it will make the unredacted documents available to OFIS staff for their review.

The fact that this filing includes redacted documents should not be a reason for refusing to retain the revised plan. Section 506 (2) of PA 350 provides that when a provider class plan is filed, the commissioner must determine only if the plan contains a reimbursement arrangement and objectives for each goal, and for providers with which BCBSM contracts, the provisions of the contract. (It is important to note that this section refers to "provisions that are included in the contract" and not simply "the contract". This implies that the entire contract is not required). In

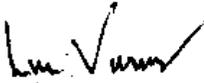
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in making this determination, the commissioner must "liberally construe the items in the plan."

This filing includes complete descriptions of the reimbursement arrangements, the objectives to meet the PA 350 goals, and provisions of the contracts. Therefore, under a liberal construction, this filing meets the requirements of Section 506.

If you wish to discuss this filing, please contact me.

Sincerely,



Lisa Varnier
Assistant General Counsel

LV/hdw

cc: J. Moiles (w/o attachment)

bcc: PCA Staff
P. Brooks
A. Kaddis (w/o attachment)
G. Perry (w/o attachment)



Blue Cross
Blue Shield
of Michigan

A nonprofit corporation and independent licensee
of the Blue Cross and Blue Shield Association

Pharmacy Provider Class Plan

October 2006

Pharmacy

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PROVIDER CLASS

A provider class may include health care facilities or health care professionals who have a contract or reimbursement arrangement with BCBSM to render services to BCBSM's members. Qualification standards and the scope of services for which reimbursement will be made may differ for the types of providers within a provider class.

Definition

This provider class includes retail pharmacies licensed by the state of Michigan, mail order pharmacies, and specialty pharmacies. Mail order pharmacies and specialty pharmacies may be located outside of Michigan.

Scope of Services

Pharmacies dispense the following: "Rx only" drugs and state-controlled drugs; injectable insulin; disposable syringes and needles when dispensed with a drug; and compound drugs containing at least one "Rx only" drug.

BCBSM's mail order drug program is offered to customers as an option. Eligible members can obtain up to a 90 day supply of prescription drugs by mail instead of the standard 34-day supply dispensed at a local pharmacy.

Specialty pharmacies dispense specialty drugs directly to members and patient-specific specialty drugs to physicians to be administered to their patients.

PA 350 GOALS AND OBJECTIVES

Cost Goal

"Providers will be subject to reimbursement arrangements that will assure a rate of change in the total corporation payment per member to each provider class that is not higher than the compound rate of inflation and real economic growth." The goal is derived through the following formula:

$$\left[\frac{(100 + I) * (100 + \text{REG})}{100} \right] - 100$$

Where "I" means the arithmetic average of the percentage changes in the implicit price deflator for gross domestic product over the two calendar years immediately preceding the year in which the commissioner's determination is being made; and,

Where "REG" means the arithmetic average of the percentage changes in the per capita gross domestic product in constant dollars over the four calendar years immediately preceding the year in which the commissioner's determination is being made.

Objectives

- ◆ Strive toward meeting the cost goal within the confines of Michigan and national health care market conditions
- ◆ Provide equitable reimbursement to participating providers through the reimbursement methodology outlined in the participation agreement

Access Goal

"There will be an appropriate number of providers throughout this state to assure the availability of certificate-covered health care services to each subscriber."

Objectives

- ◆ Provide direct reimbursement to participating providers who provide covered drugs and high-quality services to BCBSM members
- ◆ Communicate with participating providers about coverage determinations, billing, benefits, provider appeals processes, BCBSM's record keeping requirements and the participation agreement and its administration

Quality of Care Goal

"Providers will meet and abide by reasonable standards of health care quality."

Objectives

- ◆ Ensure BCBSM members receive quality care by requiring participating providers to meet BCBSM's qualification and performance standards
- ◆ Meet with the Pharmacy Advisory Committee on an ongoing basis
- ◆ Meet with specialty liaison societies to discuss issues of interest and concern, as necessary
- ◆ Maintain and update, as necessary, an appeals process that allows participating providers to appeal individual claims disputes and disputes regarding utilization review audits

BCBSM POLICIES AND PROGRAMS

BCBSM maintains a comprehensive set of policies and programs that affect its relationship with health care providers. These policies and programs are designed to help BCBSM meet the PA350 goals and objectives by limiting cost, maintaining accessibility, and ensuring quality of health care services to its members. To that extent, the following policies and programs may, individually or in combination, affect achievement of one or more of the PA 350 goals. BCBSM annually reports its performance against the goals and objectives for each provider class plan.

Provider Participation

Providers may formally participate with BCBSM or, with respect to some provider classes, providers may participate on a per-claim basis. To formally participate, providers must sign a participation agreement with BCBSM that applies to all covered services the provider renders to BCBSM members. To participate on a per-claim basis, providers must indicate on the claim form that they are participating for the services reported.

Participation Policy

Participation for pharmacies is on a formal basis only, which means there is no per-claim participation. In order to participate, pharmacies agree to meet BCBSM's qualification standards, abide by BCBSM policies and accept BCBSM reimbursement as payment in full for all covered services provided to BCBSM members, except for copayments and deductibles specified in the members' certificates. Covered services received from nonparticipating retail pharmacies are payable to the member at a lesser rate, minus the member's copayment. Covered services received from nonparticipating mail-order or specialty pharmacies are not reimbursed.

Qualification Standards

Retail Pharmacies

All qualified pharmacies may apply for participation. Standards for formal participation may include, but are not limited to:

- ◆ A current Michigan license as a pharmacy
- ◆ A current Drug Enforcement Agency (DEA) registration
- ◆ Sufficient liability insurance as described in the Pharmacy Participation Agreement
- ◆ Absence of inappropriate utilization or practice patterns as identified through proven subscriber complaints, peer review and utilization management
- ◆ Absence of fraud and illegal activities

BCBSM may deny participation with pharmacies that do not meet or maintain these qualification standards.

Mail Order Pharmacies

The mail order pharmacy is required to comply with all applicable legal and regulatory requirements governing its mail order operations. Standards for formal participation may include, but are not limited to:

- ◆ A current license as a pharmacy in the state the pharmacy is located
- ◆ A current Drug Enforcement Agency (DEA) registration
- ◆ Sufficient liability insurance
- ◆ Fiscal soundness
- ◆ Absence of inappropriate utilization or practice patterns as identified through proven subscriber complaints, peer review and utilization management
- ◆ Absence of fraud and illegal activities

Specialty Pharmacies

The specialty pharmacy is required to comply with all applicable legal and regulatory requirements governing its operations. Standards for formal participation may include, but are not limited to:

- ◆ Current licenses or permits required by local, state or federal authorities applicable to dispensing specialty drugs and ancillary products
- ◆ Current wholesale or distribution licenses and registrations to service BCBSM physicians
- ◆ Pharmacists and other personnel employed by, contracted by or associated with the specialty pharmacy must be licensed, certified or supervised as required by law
- ◆ Personnel must be qualified by education, training and experience to perform their professional duties
- ◆ A current Drug Enforcement Agency (DEA) registration
- ◆ Sufficient liability insurance
- ◆ Fiscal soundness
- ◆ Absence of inappropriate utilization or practice patterns as identified through proven subscriber complaints, peer review and utilization management
- ◆ Absence of fraud and illegal activities
- ◆ Current accreditation in pharmacy from a nationally recognized accrediting body, as determined by BCBSM (e.g., JCAHO, ACHC, etc.)
- ◆ Maintenance of a comprehensive quality assurance or quality improvement program
- ◆ Documentation of applicable state and federal inspections



Departicipation/Termination Policy

A departicipation policy allows BCBSM to departicipate a retail pharmacy after review and recommendation for departicipation by the BCBSM Audit and Investigations Subcommittee. This policy is described further in Article VII of the attached Traditional Rx Pharmacy Participation Agreement.

Termination of the mail order vendor agreement may occur by either BCBSM or the vendor under the terms and conditions specified in Article V of the Pharmacy Benefit Manager Master Agreement.

Termination of the specialty pharmacy agreement may occur by either BCBSM or the specialty pharmacy under the terms and conditions specified in Article X of the Specialty Pharmacy Agreement.

Provider Programs

BCBSM strives to ensure that members receive appropriate and quality care through a combination of provider communications, education, and quality assurance programs.

Communications and Education

BCBSM provides the following resources to communicate with and educate pharmacists:

- ◆ The Pharmacy Advisory Committee is committed to providing ongoing support to the retail pharmacy community. The committee meets on an ongoing basis, generally at least quarterly, to offer advice and consultation on topics such as: pharmacy programs, specific prescription drugs, proposed modifications to the contract, administrative issues which may arise under the contract and reimbursement issues.
- ◆ *The Record*, a monthly BCBSM publication that communicates current information regarding billing guidelines, policy changes and other administrative issues
- ◆ *The Guide for Pharmacists*, which provides information on how to do business with BCBSM, explains billing, benefits, provider appeals processes, managed care, BCBSM's record keeping requirements and the pharmacy participation agreements and their administration. BCBSM maintains and updates this manual as necessary.
- ◆ The liaison process, which provides a forum in which specialty societies can bring issues of concern to BCBSM's attention as necessary. The process can include meetings with specialty societies as well as contact with BCBSM representatives by telephone or e-mail.
- ◆ A provider inquiry toll-free hot line is available to assist providers

Formulary

BCBSM maintains a prescription drug formulary that prescribers may refer to when prescribing drugs. The formulary provides a list of quality and cost effective therapeutic prescription drug alternatives. BCBSM encourages pharmacists to reasonably promote formulary alternatives to prescribers and members.

Co-branded Formulary Program

In this program, co-branded drugs are designated as "preferred" and "non-preferred." When dispensing brand name drugs that are co-branded, participating pharmacies are required to fill a member's prescription with the drug identified as "preferred" by BCBSM, unless the prescriber obtains pre-authorization from BCBSM for the "non-preferred" drug.

BCBSM will pay the pharmacy the approved amount for the preferred co-branded drug, less the member's copayment. If the prescription is filled with a non-preferred co-branded drug, the member must pay the full cost of the drug, unless the prescribing physician requests and obtains authorization for the non-preferred drug from BCBSM.

Performance Monitoring

- ◆ Audits, drug utilization review and utilization management programs ensure services rendered to subscribers are within the scope of the provider's license and are performed in compliance with professional standards and established practice protocols.
- ◆ Suspected fraudulent activity, reported to BCBSM by providers, members or BCBSM staff, is referred to Corporate and Financial Investigations for further investigation. If fraud or illegal activities are confirmed, BCBSM will report such providers to the appropriate state or federal authorities.

Appeals Process

BCBSM's appeals process allows pharmacies the right to appeal adverse claim decisions and utilization review audit determinations as described in Addendum A of the Traditional Rx Pharmacy Participation Agreement.

BCBSM also provides an appeals process for its mail order pharmacy under which all claims controversies and disputes between the parties will be handled through arbitration. This is described in Article 13 of the Pharmacy Benefit Master Agreement.

BCBSM allows specialty pharmacies to appeal disputes as described in Articles II and XI of the Specialty Pharmacy Agreement.

Reimbursement Policies

Covered Services

Pharmacies are reimbursed for dispensing "Rx only" and state-controlled drugs, injectable insulin, disposable syringes and needles when dispensed with a drug and compound drugs containing at least one "Rx only" drug.

Retail Pharmacies

Retail pharmacies are categorized as either chain pharmacies or independent pharmacies. For purposes of this plan, chain pharmacies are affiliated national pharmacies and same name pharmacies having common ownership and fifteen or more Michigan locations. Same name pharmacies with a border location are excluded, unless these pharmacies have more than fifteen commonly owned Michigan locations. Independent pharmacies are pharmacies that do not fit the definition of chain pharmacies.

BCBSM reimburses participating chain and independent pharmacies for covered services as defined in the Traditional Rx Pharmacy Participation Agreement based on the following formula:

The sum of the drug product cost plus dispensing fee minus any specific member copayment plus any applicable incentive payment.

The BCBSM approved amount is the sum of the drug product cost and the dispensing fee.

Drug Product Cost

BCBSM will reimburse drug product cost as follows:

- ◆ Reimbursement for prescription drugs included in BCBSM's Maximum Allowable Cost list will be the lowest of the MAC payment level, the discounted average wholesale price, the reported ingredient cost, or the pharmacy's retail charge.
- ◆ For drugs defined by BCBSM as high cost drugs, the same methodology applies, though a lower discount from the AWP is applied to drug product cost reimbursement.
- ◆ Compound drugs, which contain one or more "Rx only" drugs, will be reimbursed the lesser of the actual ingredient cost of all components or the pharmacy's retail charge.
- ◆ For all other covered services, reimbursement will be the lesser of the discounted AWP, the reported ingredient cost, or the pharmacy's retail charge.

Different AWP discounts are applied to chain and independent pharmacies. Please refer to the two separate Schedule As of the Traditional Rx Pharmacy Participation Agreements, which describe the reimbursement methodologies for chain and independent pharmacies.



Average Wholesale Price

Average wholesale price means the average wholesale price of a prescription drug or other pharmaceutical product on the date the order is dispensed as reflected by the information contained in BCBSM's drug claim processing system on the date the claim is processed. AWP on the drug claim processing system will be updated based on information received no less frequently than weekly from First Data Bank, as published in the Blue Book, or, at BCBSM's discretion, another nationally recognized source.

Retail Charge

Retail charge is the pharmacy's charge per prescription to cash paying customers, notwithstanding the billing terminology associated with such charge. Any retail charge specific to certain demographic groups will apply to similar BCBSM enrollees. When reimbursement is based on retail charge, BCBSM does not pay a dispensing fee.

Dispensing Fee

The dispensing fee compensates participating pharmacies for professional services and other costs of doing business (e.g., rent, utilities, equipment, storage, inventory, etc.). The dispensing fee is identified in the Traditional Rx Pharmacy Participation Agreements and is reviewed periodically.

Pharmacy Incentive

In addition to reimbursement for drug product cost and the dispensing fee, participating pharmacies may receive an incentive payment for:

- ◆ all generic drugs, excluding products where BCBSM has determined that the generic drug may not be the equivalent to a brand name drug
- ◆ compound prescriptions
- ◆ a subset of brand-name drugs that BCBSM has specifically identified within its formulary as eligible for the incentive.

Copayment

Member copayments represent the amount for each covered drug for which the member is liable. Copayments are determined by the group or individual purchasing coverage.

Nonparticipating Pharmacies

When a member purchases a prescription drug from a nonparticipating pharmacy, the member must pay that pharmacy and then submit a claim to BCBSM for reimbursement.

For covered drugs obtained in the United States, BCBSM pays the subscriber a percentage (100 percent for emergency pharmacy services) of the pharmacy's charge minus the member's copayment.



For covered drugs obtained outside of the United States, BCBSM will reimburse the subscriber for the approved amount, minus the member's copayment.

Maximum Allowable Cost Drug Programs

BCBSM's Maximum Allowable Cost programs encourage pharmacies to dispense lower-cost generic drugs and help to control prescription drug costs by limiting the reimbursement amount for selected drugs for which a generically equivalent drug is available at a lower cost. The MAC riders are sold as optional riders to the Traditional Rx program. There are two aspects of the MAC program: regular MAC and mandatory MAC.

When a MAC drug is dispensed, BCBSM will reimburse the pharmacy as described above. However, if a BCBSM member requests a brand drug whose price exceeds the MAC payment level, then the member is responsible for paying the pharmacy the difference between the MAC payment level and BCBSM's approved amount for the drug dispensed plus any applicable copayment amount.

For BCBSM members with the regular MAC program, if the prescriber indicates "Dispense As Written" or "DAW" on the prescription, BCBSM will reimburse the pharmacy the lowest of: (1) the discounted AWP for the brand drug; (2) reported ingredient cost; or (3) the pharmacy's retail charge, minus the member's copayment.

Under the mandatory MAC program, if the prescriber indicates "Dispense As Written" or "DAW" on the prescription but does not get authorization from BCBSM for the brand name drug, BCBSM will reimburse the pharmacy the MAC payment level minus the member's copayment. The member must pay the difference between the MAC payment level and BCBSM's approved amount for the drug dispensed plus any applicable copayment amount. If the prescriber requests and receives authorization for a brand name drug from BCBSM, BCBSM will reimburse the pharmacy the lowest of: (1) the discounted AWP for the brand drug; (2) reported ingredient cost; or (3) the pharmacy's retail charge, minus the member's copayment.

Mail Order – Non-Specialty Prescription Drugs

BCBSM reimburses the mail order pharmacy for covered non-specialty brand name and generic drugs obtained through mail order using the following formula:

The lesser of the discounted average wholesale price or the submitted ingredient cost, plus a dispensing fee, minus any specific member copayment.

The BCBSM approved amount is the lesser of discounted average wholesale price or the submitted ingredient cost, plus the dispensing fee.

The discount for generic drugs exceeds the discount for brand name drugs. Reimbursement for drugs specified as high cost drugs in the Pharmacy Benefit Manager Master Agreement will be paid under the above methodology, although a different discount from AWP is applied.

For plans without a mandatory mail order benefit design, the discount from AWP may be improved to reward increases in mail order penetration as defined in the Pharmacy Benefit Manager Master Agreement addendum.

Average Wholesale Price

Average wholesale price is the average wholesale price of a prescription drug or other pharmaceutical product on the date of service on the claim, as set forth in the version of First Data Bank, as published in the Blue Book (or other nationally recognized source as agreed to by the parties) in print on the service date, notwithstanding any retroactive price changes. The AWP will be based on 100 unit or 16 ounce quantities or the next smaller quantity if an item is not packaged in those sizes.

Dispensing Fee

The dispensing fee compensates participating pharmacies for professional services and other costs of doing business (e.g., rent, utilities, equipment, storage, inventory, etc.). The dispensing fee is defined in the Pharmacy Benefit Manager Master Agreement and is reviewed periodically. This fee may be reduced to reward increases in mail order volume and Internet refills. Specifics of this adjustment are described in the Pharmacy Benefit Manager Master Agreement addendum.

Copayment

Member copayments represent the amount for each covered drug for which the member is liable. Copayments are determined by the group or individual purchasing coverage.

Maximum Allowable Cost Drug Programs

BCBSM's Maximum Allowable Cost programs encourage pharmacies to dispense lower-cost generic drugs and help to control prescription drug costs by limiting the reimbursement amount for selected drugs for which a generically equivalent drug is available at a lower cost. The MAC riders are sold as optional riders to the Traditional Rx program. There are two aspects of the MAC program: regular MAC and mandatory MAC.

When a MAC drug is dispensed, BCBSM will reimburse the pharmacy as described above. However, if a BCBSM member requests a brand drug whose price exceeds the MAC payment level, then the member is responsible for paying the pharmacy the difference between the MAC payment level and BCBSM's approved amount for the drug dispensed plus any applicable copayment amount.

For BCBSM members with the regular MAC program, if the prescriber indicates "Dispense As Written" or "DAW" on the prescription, BCBSM will reimburse the pharmacy lesser of the discounted AWP for the brand drug or the submitted ingredient cost, plus the dispensing fee, minus the member's copayment.

Under the mandatory MAC program, if the prescriber indicates "Dispense As Written" or "DAW" on the prescription but does not get authorization from BCBSM for the brand name



drug, BCBSM will reimburse the pharmacy the lesser of the MAC price or the reported ingredient cost, plus the dispensing fee, minus the member's copayment. The member must pay the difference between the MAC payment level and BCBSM's approved amount for the drug dispensed plus any applicable copayment amount. If the prescriber requests and receives authorization for a brand name drug from BCBSM's pharmacy services department, BCBSM will reimburse the pharmacy the lesser of the discounted AWP for the brand drug or the reported ingredient cost, plus the dispensing fee, minus the member's copayment.

If BCBSM's MAC list contains drugs for which the mail order pharmacies' state law requires the brand name drug be dispensed, the brand name discount from AWP will be used if the mail order pharmacy provides adequate documentation describing the requirement.

If a generic drug is not available in the marketplace, BCBSM will reimburse the mail order pharmacy for the brand name product, provided that BCBSM can verify that a shortage of the generic drug exists.

Mail Order – Specialty Prescription Drugs Dispensed to Members

BCBSM reimburses the specialty pharmacy for covered specialty brand name and generic drugs dispensed to a member and billed to BCBSM under the member's pharmacy benefit using the following formula:

Drug product cost minus any member copayment or deductible

Drug Product Cost

Reimbursement for specialty drugs listed by generic code number on Addendum A-1 (the Price List) of the Specialty Pharmacy Agreement is AWP minus the appropriate negotiated percentage for each GCN. Details on the procedure for determining the discount when a GCN becomes obsolete are contained in Addendum A of the Specialty Pharmacy Agreement.

When a generic drug is not on the Price List, reimbursement is AWP minus a negotiated percentage until the drug is placed on the Price list.

Reimbursement for specialty drugs that are brand drugs with new GCNs is the specialty pharmacy's acquisition cost as reflected in the specialty pharmacy's invoices plus a negotiated percentage until an AWP discount is negotiated and the specialty drug is placed on the Price List.

Dispensing Fee

No dispensing fee is paid to the specialty pharmacy.

Pharmacy Incentive

No pharmacy incentive is paid to the specialty pharmacy.

Ancillary Products



Appropriate ancillary products are dispensed with specialty drugs. Ancillary products include but are not limited to needles, syringes, alcohol wipes, sharps containers, etc. The drug product cost includes the cost of ancillary products. There is no additional reimbursement for ancillary product costs.

Programs and Services

The drug product cost includes the cost of all programs and services included in the specialty pharmacy's service program provided to the member by the specialty pharmacy including, but not limited to, focused therapy management. There is no additional reimbursement for these costs.

Copayment

Member copayments represent the amount for each covered drug for which the member is liable. Copayments are determined by the group or individual purchasing coverage.

Deductible

The member deductible represents an amount which the member must pay a provider before drugs are covered by BCBSM.

Mail Order – Specialty Prescription Drugs Dispensed to Physicians

BCBSM reimburses the specialty pharmacy for specialty brand name and generic drugs dispensed to physicians and billed to BCBSM under the member's medical benefit based on the following formula:

Drug product cost minus any member copayment or deductible.

Drug Product Cost

BCBSM will reimburse drug product cost as follows:

- ◆ Reimbursement for covered services is the average sales price (ASP) plus a negotiated percentage
- ◆ Reimbursement for covered services with no ASP is AWP less a negotiated percentage. Once an ASP is established, the drug product cost will change to ASP plus a negotiated percentage.

Ancillary Products

If the specialty pharmacy dispenses ancillary products to physicians, the specialty pharmacy may bill physicians directly for these costs. BCBSM will not reimburse the specialty pharmacy for these costs.

Average Sales Price

Average sales price means the manufacturer's average sales price of a specialty drug on the date the order is dispensed by the specialty pharmacy. ASP will be based on the drug or biologic's National Drug Code (NDC). ASP represents the lowest price for a product, taking into consideration the following price concessions: volume discounts, prompt pay discounts, cash discounts, free goods that are contingent on any purchase requirement, chargebacks and rebates (other than rebates under the Medicaid drug rebate program).

Dispensing Fee

No dispensing fee is paid to the specialty pharmacy.

Pharmacy Incentive

No pharmacy incentive is paid to the specialty pharmacy.

Copayment

Member copayments represent the amount for each covered drug for which the member is liable. Copayments are determined by the group or individual purchasing coverage.

Deductible

The member deductible represents an amount which the member must pay a provider before services are covered by BCBSM.

Member Hold Harmless Provisions

The Traditional Rx Pharmacy Participation Agreements for chain and independent pharmacies hold BCBSM subscribers harmless from:

- ◆ Payments in excess of established copayments and deductibles, except when MAC applies and the member requests the brand name drug product
- ◆ Payments in excess of the BCBSM approved amount for covered services where the copayment exceeds the BCBSM approved amount
- ◆ Financial obligation for covered services provided but not billed within 60 days
- ◆ Amounts BCBSM denies or recovers for any reason, such as overpayment, claims processing policies, audit findings, non-compliance with professional judgement and for any amount owed to BCBSM.

Hold harmless provisions applicable to the mail order program can be found in the Pharmacy Benefit Manager Master Agreement.



Hold harmless provisions applicable to the specialty pharmacy program can be found in Article II of the Specialty Pharmacy Agreement.

PARTICIPATION AGREEMENTS (Attached)

- ◆ Traditional Rx Pharmacy Participation Agreement for Independent and Chain pharmacies and amendments
- ◆ Pharmacy Benefit Manager Master Agreement as amended and restated January 1, 2000 including addenda effective January 1, 2003 and October 1, 2006
- ◆ Specialty Pharmacy Agreement and amendment letter

SPECIALTY PHARMACY AGREEMENT

**BLUE CROSS AND BLUE SHIELD OF MICHIGAN,
BLUE CARE NETWORK OF MICHIGAN**

And

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SPECIALTY PHARMACY AGREEMENT

This Agreement made and effective 1 _____ (the Effective Date"), by and between Blue Cross Blue Shield of Michigan, a Michigan nonprofit healthcare corporation ("BCBSM"), whose address is 600 Lafayette East, Detroit, Michigan 48226, Blue Care Network of Michigan, a Michigan nonprofit corporation and health maintenance organization, with offices at 20500 Civic Center Drive, Southfield, MI 48076 ("BCN"), collectively referred to as "BCBSM and BCN," and _____ Bu _____

WHEREAS, BCBSM, BCN and Provider recognize as a mutual objective continuing efforts toward the goal of cost containment and the delivery of high quality specialty pharmacy mail order services;

WHEREAS, Provider is in the business of providing high quality specialty pharmacy mail order services at discounted prices;

WHEREAS, Provider's specialty pharmacy service program includes the provision of specialty pharmacy medications, ancillary products and focused therapy management to individuals and to employees or members of companies, labor unions, municipalities, associations, and others;

WHEREAS, BCBSM and BCN desire to offer such products and services to their customers;

WHEREAS, Provider's specialty pharmacy service program includes the provision of specialty pharmacy medications and ancillary products to health plan physicians;

WHEREAS, BCBSM and BCN desire to offer such products to physicians, at a date to be determined by BCBSM and BCN;

WHEREAS, the parties desire to enter into this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

ARTICLE I DEFINITIONS

- 1.1 "Agreement" means this Agreement, as updated or amended from time to time, and all Addenda attached hereto and made part of this Agreement by reference.

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- 1.2 "Ancillary Products" means products, equipment and supplies necessary to administer a Specialty Medication (needles, syringes, alcohol swabs, sharps containers, infusion related supplies, other medical supplies, etc.).
- 1.3 "ASP" means the manufacturer's average sales price of a Specialty Medication on the date the order is dispensed by Provider. ASP will be referenced by the National Drug Code (NDC) associated with a drug or biological equivalent to the manufacturer's sales to all purchasers in the United States for the NDC for a quarter divided by the total number of units of that NDC sold by the manufacturer in that quarter as defined in the Medicare Prescription Drug, Improvement and Modernization Act (MMA) of 2003, Section 1847A(c) (1). A manufacturer must include volume discounts, prompt pay discounts, cash discounts, free goods that are contingent on any purchase requirement, chargebacks and rebates (other than rebates under the Medicaid drug rebate program) in the ASP.
- 1.4 "AWP" means the average wholesale price of a Specialty Medication on the date the order is dispensed by Provider, as reflected by the information contained in the drug claims processing system on the date the claim is processed. AWP on the drug claim processing system will be updated based on information received no less frequently than weekly from the First Data Bank, as published in the Blue Book or, at BCBSM's and BCN's discretion, another nationally recognized source. The applicable AWP shall be based on the package size from which the product is dispensed.
- 1.5 "BCBSM and BCN Rebates" mean rebates directly or indirectly attributable to the purchase or utilization of any Covered Service by a Member.
- 1.6 "Brand Drug" means a prescribed drug designated as brand according to the First Data Bank, or another mutually agreed upon nationally recognized source, Generic Price Indicator with values of "0" for non-drug, "2" for prescribed drugs priced as a brand name, "3" for prescribed drugs that are patent protected and cross licensed products, and "4" for repackaged products. In addition, as requested by BCBSM and/or BCN and mutually agreed upon by _____, the Provider will provide a claim line reconciliation and explanation of products that have been modified no more frequently than once per month.
- 1.7 "Certificate" means benefit plan descriptions under the sponsorship of BCBSM; or certificates and riders issued by BCBSM, BCN or BCBSM's sponsorship, or benefits provided pursuant to contracts issued by other Blue Cross or Blue Shield Plans, administered through reciprocity of benefit agreements or other Inter-Plan Arrangements. "Certificate" does not include benefits provided pursuant to automobile no fault or worker's compensation insurance coverage.
- 1.8 "Cost" means Provider's acquisition cost as reflected in Provider's invoices for Specialty Medications that are Brand Drugs with new Generic Code Numbers (GCNs).

- 1.9 "Covered Services" means prescription only Specialty Medications and Ancillary Products listed or provided in Certificates or other benefit documents.
- 1.10. "Exclusive Provider" refers to the Provider's selection as the sole specialty pharmacy mail order provider for BCBSM and BCN's Specialty Pharmacy program. This term does not mean that BCBSM and BCN, Members or Physicians must obtain these products and services exclusively from the Provider.
- 1.11 "Formulary" means a continually updated list or lists of prescription medications developed by BCBSM and BCN, which represent the current clinical judgment of providers and experts in the diagnosis and treatment of disease.
- 1.12 "Generic Drug" means a drug designated as generic according to First Data Bank Generic Price Indicator values, or another mutually agreed upon nationally recognized source, of "1" – priced as generics.
- 1.13 "Group" means a corporation, association, governmental unit, BCBSM subsidiary or other entity or group of individuals who's Members are entitled to receive Covered Services.
- 1.14 "Maximum Allowable Cost" or "MAC" means the then-current maximum allowable cost of certain prescription drugs as identified by BCBSM and BCN.
- 1.15 "Member" means a person entitled by contract on the date the Covered Service was dispensed, to receive Covered Services.
- 1.16 "Physician" means a physician licensed to provide health care services to BCBSM and BCN's Members or the Members of any other Blues' plan.
- 1.17 "Pharmacist Professional Judgment" means a determination made by the pharmacist that Covered Services are dispensed in accordance with all ethical and professional standards prevailing in the pharmacy community and with Members' Certificates.
- 1.18 "Plan Design" means the Covered Services, exclusions, co-payment, formulary (including formulary drug selection cost indications, and formulary compliance programs), and other specifications applicable to each Group.
- 1.19 "Prescriber" means a health care professional authorized by law to prescribe Specialty Medications.
- 1.20 "Program Requirements" mean those criteria and specifications, established by BCBSM and BCN which are used to determine a specialty pharmacy's eligibility

to become and remain a specialty pharmacy participating Provider as set forth on Addendum C.

- 1.21 "Provider" means a mail order pharmacy having in effect a Specialty Pharmacy Agreement.
- 1.22 "Rebates" mean any and all upfront, concurrent, or retrospective reimbursement or discount (other than a purchase price discount) received from a pharmaceutical manufacturer, distributor, wholesaler, or other entity, including, but not limited to, monetary amounts associated with (i) formulary, (ii) market share, (iii) utilization, (iv) clinical allocations, (v) formation and administration of rebate contracts with pharmaceutical manufacturers, distributors, wholesalers, or other entities (vi) any other administrative or data fees, (vii) funding for targeted purposes, and/or (ix) royalties and bonuses.
- 1.23 "Specialty Medications" means biotech drugs, including high cost infused medications, oral and self-injectable drugs and other drugs related to specialty disease categories or other categories, as agreed upon between BCBSM and BCN and Provider. The term "Specialty Medications" includes vaccines, but excludes injectable insulin.
- 1.24 "Specialty Pharmacy" refers to specialized drug distribution service and focused therapy management conducted with respect to Specialty Medications and Ancillary Products.

ARTICLE II PROVIDER RESPONSIBILITIES

- 2.1 *Compliance With Legal, Program, and Other Administrative Requirements*
- A. Provider shall comply with all Program Requirements established by BCBSM and BCN and further agrees that BCBSM and BCN have sole discretion to amend and modify the Program Requirements from time to time upon sixty (60) days written notice to Provider. Notice to Provider shall be provided in accordance with section 3.1 (F).
- B. Provider shall comply with such other policies, procedures and administrative requirements (including, without limitation, Quality Management and Utilization Management Programs) as BCBSM and BCN may set forth from time to time in administrative manuals or in other provider communications. Changes to such policies, procedures and administrative requirements shall be effective with notice.
- C. Provider shall observe and comply with, and will require that its employees and subcontractors comply with, all applicable local, state and federal laws, regulations, ordinances and rules of professional ethics, that in any manner affect

the conduct of its work, including but not limited to those relating to the procurement and dispensing of prescription drugs and other pharmaceutical products, fraud and abuse, discrimination, disabilities, confidentiality including but not limited to the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations, and P.A. 350, self-referral, false claims and prohibition of kickbacks. Provider shall hold and will require its employees and subcontractors to hold all licenses and/or permits required by local, state, or federal authorities applicable to Specialty Pharmacy, including but not limited to those required by Michigan law (including certain controlled medications) as well as wholesale / distribution licenses (or registrations) to service BCBSM/BCN Physicians. BCBSM and BCN require that Provider have and maintain Drug Enforcement Agency (DEA) registration number(s). Provider shall certify annually in writing, on or before December 31, to BCBSM and BCN that Provider, its employees and subcontractors complied with all applicable legal requirements and shall promptly disclose to BCBSM and BCN in writing any non-compliance for the year at issue. Provider will submit copies of such documents upon request.

D. Provider certifies that Provider and its officers and directors do not have and will not have, during the term of this Agreement, any felony convictions.

2.2 *Credentialing Standards*

A. Provider shall require that: a) All pharmacists employed or contracted by Provider will maintain a current/valid State Board of Pharmacy License that contains no restrictions; b) all personnel employed by, associated or contracted with Provider are licensed or certified and supervised (when and as required by state law), and qualified by education, training and experienced to perform their professional duties, c) act within the scope of their licensure or certification as the case may be; d) are not on the List Of Excluded Individuals/Entities or List of Debarred Contractors published by the General Service Administration; e) that all prescription drugs are dispensed by licensed pharmacists; and f) periodic re-verification of pharmacist and other licensed personnel (technician, RN, LPN, etc.) licensure will be maintained by Provider.

B. Provider shall maintain a pharmacist to technician ratio consistent with good pharmacy practice standards as approved by BCBSM and BCN or as specified by the applicable State Board(s) of Pharmacy.

C. Provider shall obtain and maintain Accreditation in Pharmacy from a nationally recognized accrediting body as determined by BCBSM and BCN. BCBSM and BCN have determined that accreditation in specialty pharmacy from ACHC is acceptable accreditation.

2.3 *Insurance* – The minimum amount of comprehensive general liability coverage that Provider shall have and maintain is one million dollars (\$1,000,000) per

occurrence and five million dollars (\$5,000,000) aggregate. Provider shall maintain valid professional liability (druggist) and product liability insurance at a minimum of (\$10,000,000) per occurrence. Evidence thereof shall be furnished to BCBSM and BCN upon request. All insurance shall be held with carriers having at least an "A" rating and, with respect to comprehensive general liability coverage, include BCBSM and BCN as additional named insured's. If Provider fails to provide coverage in a continuous manner, BCBSM and BCN will charge back to Provider any expense incurred by BCBSM and BCN, or a reasonable estimate of the expense, in purchasing like protection, plus the value of any claims that would not have been paid by BCBSM and BCN had Provider obtained proper insurance coverage.

2.4 *Notification and Reporting*

A. Provider shall notify BCBSM and BCN in writing: 1) immediately upon Provider learning of any circumstances that may have an adverse impact on the quality of care, or Provider's ability to provide Covered Services under this Agreement; 2) immediately upon Provider learning of any loss or threatened loss of license or accreditation; 3) immediately upon Provider learning of any proposed acquisition, or sale or other transfer of Provider's business, including but not limited to Provider's mail order pharmacy, 3) immediately upon Provider learning of any litigation brought against Provider; 4) immediately upon Provider learning of any actions taken or investigations initiated by any government agency involving Provider or any health care entity in which Provider holds more than five percent (5%) interest; 5) immediately upon Provider learning of any claim relating to fraud, abuse, self-referral, false claims or kickbacks or any claims involving Medicare, Medicaid, FEP or other health care programs or insurance carriers.

B. Provider shall immediately notify BCBSM and BCN of any changes in Provider's business which may have an adverse impact on the quality of, or Provider's ability to provide, Covered Services under this Agreement, including, but not limited to, the transfer of at least half of the Provider's pharmacy assets. Prior notification of adverse circumstances or of changes in Provider's business does not guarantee continued participation as a BCBSM/BCN Provider. Business changes include change in ownership, name, business structure, range of services offered, bankruptcy proceedings or pharmacy business termination.

C. Provider shall, within fifteen (15) days after receipt of information, notify BCBSM and BCN in writing of any lapse, restriction, suspension or revocation of Pharmacy's license, DEA registration number(s), Medicare or Medicaid participation status; any conviction or settlement that relates to performance of Covered Services or the provision of health care; any cancellation of required insurance; placement of Provider or any employee on the LEIE or GSA exclusion list; and any other matters which materially affect performance under this

Agreement, including, without limitation, any impairment of pharmacist's professional license.

2.5 *Education and Training*

A. Provider shall provide Members with customized educational materials explaining the services available through Provider. Provider shall obtain BCBSM and BCN's approval prior to distributing any written materials developed.

B. Provider shall provide such sales support and training as BCBSM and BCN deem appropriate to assist BCBSM and BCN in marketing and administering the Specialty Pharmacy program.

C. Provider shall comply with the training standards contained in Addendum E and incorporated herein by reference.

2.6 *Customer Service Requirements*

A. Provider will provide an experienced and dedicated account management team.

B. Provider will provide a Client Service Team which will respond to BCBSM and BCN questions, including but not limited to Members and their concerns, claim payments, and daily interaction between the parties.

C. Provider will establish a customer business unit (CBU) appropriately staffed to handle the enrolled BCBSM / BCN population.

D. Provider shall respond to all inquiries from Physicians and Members and shall maintain a toll free telephone line

E. Provider shall comply with the customer service requirements and standards contained in Addendum E.

F. Provider must demonstrate an ability to cooperate with BCBSM and BCN, their Members and Groups and Physicians.

2.7 *Operational Service Requirements and Standards*

A. Provider shall comply with the operational service requirements and standards contained in Addendum E.

2.8 *Contractual Service Requirements*

A. Provider shall comply with the contractual service requirements contained in Addendum E and the requirements contained in the Statement(s) of Work, which is incorporated herein by reference.

2.9 *Disease Management*

A. Disease management services are included in Provider's service program and shall be provided to BCBSM and BCN.

B. The parties' statement of work shall address the following, if applicable:

1. A description of the disease management program—the disease states/medications covered (as agreed upon by Provider, BCBSM and/or BCN);
2. The objective of the program—the goals, what will be measured;
3. The program specifications—an explanation of how the program will work. This section shall also specify the party responsible for any action that needs to be taken as part of the program;
4. Program reporting—what will be measured, how it will be measured, the frequency and timeliness of the reporting;
5. Expectations—Group specific expectations of the results of the program. The templates from the reporting section should be used to demonstrate expected results based on past history of the client modeled against the provider's book of business, with appropriate demographic weighting;
6. Performance guarantees associated with the program, if applicable; and
7. Implementation timeline.

C. Provider will educate patients about their disease state (including long term and short term effects if treated and untreated) and their medication (including benefits, side effects and drug interactions);

D. Provider will coordinate patient education and management with BCBSM's and/or BCN's Case Management departments.

2.10 *Prior Authorization*

A. Provider's service program includes prior authorization services. If BCBSM and BCN elect to use Provider's prior authorization services, Provider shall utilize BCBSM's and BCN's existing prior authorization standards and criteria (the Existing Prior Authorization Standards). In addition, BCBSM and BCN will work with Provider to develop the criteria to be applied by Provider in determining whether to designate certain BCBSM and/or BCN Covered Services as requiring prior approval before dispensing ("the Prior Authorization List"). BCBSM and BCN will have final approval of the Prior Authorization List.

B. BCBSM and BCN will work with Provider to develop additional prior authorization criteria and standards to be applied by Provider to all or select BCBSM and/or BCN Covered Services in determining whether to grant prior authorization ("the Prior Authorization Standards"). BCBSM and BCN will have final approval of the Prior Authorization Standards.

C. Provider agrees to dispense Covered Services in accordance with the Prior Authorization List, Existing Prior Authorization Standards, and additional Prior Authorization Standards, including Provider's review of physician supplied documentation, Provider's follow up with physician and return of prescriptions to Members with appropriate explanations when prior authorization for dispensing is denied by Provider. In addition, Provider will follow up with the physician when a prescription is not legible or complete.

D. Provider shall not return unfilled any prescription to a Member unless Provider provides a written explanation to the Member stating the reason for the return of the prescription and advises the Member and the Member's Physician of the Member's right to appeal the coverage denial. The appeal should be directed to BCBSM at the following address:

Blue Cross Blue Shield of Michigan
Pharmacy Department
27000 West 11 Mile
Mail Code B. 780
Southfield, MI 48024

Or to BCN at the following address or phone:

Provider
Blue Care Network
Appeals/Care Management—Mail Code C336
PO Box 5043
Southfield, MI 48086-5043

Phone (248) 799-6312
Fax (248) 223-5474

Member

Appeals and Grievance Unit – Mail Code C248
Blue Care Network
P.O. Box 248
Southfield, MI 48086
Phone 1-800-662-6667
Fax 1-888-458-0716

E. BCBSM and BCN will respond to the first and second level appeals of the coverage denials.

F. Provider will comply with the BCBSM and BCN member appeals procedure and abide by decisions reached through that procedure.

2.11 *Dispensing and Delivery Procedures*

A. Provider agrees to dispense Covered Services in a manner that conforms to all applicable federal, state and local laws, rules and regulations including but not limited to those relating to the procurement and dispensing of prescription drugs and other pharmaceutical products, fraud and abuse, discrimination, disabilities, confidentiality, self-referral, false claims and prohibition of kickbacks; with Pharmacist Professional Judgment; with the ethical standards and standards of professional conduct and practice prevailing in the pharmacy community; with provider manuals guidelines and other provider communications, all BCBSM and BCN requirements; and the terms and conditions of this Agreement.

B. Provider shall dispense the quantity of prescription drugs indicated on the prescription order, up to a maximum of a ninety (90) day supply per prescription or refill, or as otherwise permitted under the Member's Certificate and Program Requirements, subject to the professional judgment of the dispensing pharmacist, any legal limitations imposed on the dispensing of controlled substances, and the manufacturer's recommendations. Prescription orders may be refilled provided the prescription order so states. Prescription orders will not be filled (i) more than twelve (12) months after issuance for non-controlled substances, (ii) more than six (6) months after issuance for controlled substances or (iii) if prohibited by applicable law or regulation.

C. Provider agrees to provide Covered Services to Members with the same quality and in the same manner as to Provider's other patients and without any prohibited discrimination.

D. Provider will use Pharmacist Professional Judgment in determining whether drug contra-indications/adverse reactions may exist and whether the drug therapy prescribed exceeds acceptable norms. In such situations, Provider must contact the Prescriber to verify the prescription information prior to dispensing and document the results of the Prescriber interaction in terms of the necessity and appropriateness for dispensing the prescription as written. This documentation must be maintained for audit purposes and shall be provided to BCBSM and BCN upon request.

E. Provider shall dispense generic equivalent prescription drugs unless "Dispense as Written" is required by the physician, or unless the Member requests brand name prescription drugs. If a Member requests a brand name prescription drug when a generic drug is available, the Member will be responsible for paying the difference in cost between the brand and generic drugs, as well as the Member co-payment and deductible if required by applicable Plan Design.

F. Except as otherwise provided in 2.11 B. and C, all matters pertaining to the dispensing of prescription drugs or to the practice of pharmacy in general are subject to the dispensing Pharmacist Professional Judgment.

G. Provider shall supply stamped, preaddressed envelopes for use by Members in mailing their orders to Provider at Provider's expense.

H. Covered Services will be shipped to Members "signature required," at Provider's expense. In cases when the patient cannot sign for the package, the courier/carrier may leave the package without receiving a signature, provided that the patient signs and returns the enclosed delivery document to . The package shall be deemed delivered when the courier/carrier confirms delivery. All prescriptions will be sent in a manner to assure the integrity of the prescriptions per manufacturer specifications, including temperature controls.

I. Where appropriate, Provider will dispense Ancillary Products to Members with Specialty Medication orders.

J. Provider shall support next-day delivery.

K. Provider shall support same-day (stat) delivery directly (or in partnership with a Michigan based pharmacy).

L. Where a Member does not receive an item due to provider error, including but not limited to Provider's shipment of the wrong item, damaged items, or items that are shipped but not received, Provider shall immediately correct the error via overnight shipping.

M. If Provider makes an error in dispensing a Covered Service, Provider shall issue a credit to the Member for the amount the Member was charged for the Covered Service along with a written explanation of the reason for the credit. If there is no activity on the account for 60 days, Provider will issue a refund to the Member. Provider will dispense and ship the correct Covered Service immediately upon notification of the mistake and will cover the cost of shipping. Provider shall also credit BCBSM/ BCN, as appropriate, for the error and send written notice to BCBSM identifying the Member by name and I.D., the Specialty Medication and Ancillary Products at issue, the error, the cost of the Specialty Medication, the amount of the credit provided to BCBSM/BCN, and the amount credited/refunded to the Member. Provider shall provide any additional the information requested by BCBSM and BCN. Notice shall be sent pursuant to section 15.1.

N. Provider will implement appropriate quality controls to prevent the dispensing of counterfeit prescription drugs and drugs illegally imported from foreign countries.

O. In the event of an over-payment by a Member or Physician, Provider will issue a credit to the Member or Physician, along with a written explanation for the reason for the credit. Provider shall apply credits to open receivables as applicable. If there is no activity on the Member's or Physician's account sixty (60) days after the credit is issued and no open receivable exists, Provider shall issue a refund to the Member or Physician in the amount of the overpayment.

In the event of an under-payment by a Member or Physician, the Provider shall nevertheless dispense the drug as indicated and invoice the Member or Physician for the underpayment.

In the event of an overpayment to BCBSM/BCN, Provider shall issue a credit to BCBSM/BCN. In the event of an underpayment to BCBSM/BCN, Provider shall issue an invoice in the amount of the underpayment to BCBSM/BCN. In the event of an overpayment or underpayment to or by BCBSM or BCN, Provider shall send BCBSM/BCN written notice of such over/under payment along with a written explanation of how the overpayment/underpayment occurred, the amount of same, and the amount of over/under payment attributable to individual BCBSM/BCN members.

Provider will reconcile overpayments (i.e. credits), underpayments, and any amount owing to or by BCBSM and/or BCN due to errors in dispensing, monthly, on the last day of the month, and will provide a monthly report to BCBSM and BCN regarding the same. If BCBSM and/or BCN owe Provider additional funds due to underpayments, Provider will invoice BCBSM and/or BCN and will explain the reason for the underpayment on the invoice. BCBSM and BCN have the right to deny recovery of underpayments incorrectly made. If Provider owes

BCBSM and/or BCN money due to overpayments, Provider will issue a check to BCBSM/BCN with a voucher describing the reason for the check.

P. Provider will accept personal checks, cashier checks, money orders and credit cards as well as other methods of payment for Covered Services. In the event that Members are not able to afford their lump sum out-of-pocket expense, Provider may provide payment plans to assist affordability of care.

Q. Delivery is guaranteed by Provider. Provider will respond promptly to all claims by Members for non-delivery or of delivery of less than the full amount. In the event of a claim of non-delivery or delivery of less than the full amount and Provider cannot prove that delivery occurred, Provider shall immediately replace the order (or the amount shorted) without charge and shall ship the order via overnight mail.

R. Provider will reverse claims for shipments that are lost or damaged within two weeks of discovery of such loss or damage. Or, alternatively, Provider shall reship at no additional charge (no bill is issued). If a claim cannot be reversed or reshipped at no charge, it will be handled in the same manner as a dispensing error.

S. In the event that it becomes impracticable, for reasons of a force majeure or otherwise, for Provider to dispense Covered Services to Members, Provider shall notify BCBSM, BCN and use reasonable efforts to have these items dispensed from an affiliated mail services pharmacy, subject to BCBSM/BCN approval and applicable laws and regulations.

T. Sections 2.11 M, O, Q and R shall survive termination or expiration of this Agreement.

2.12 *Performance Guarantees*

A. Provider agrees to the performance guarantees as stated in Addendum F. Failure to meet one or more of the performance guarantees shall subject provider to the associated penalties. Provider's obligations under this section shall survive termination or expiration of this Agreement.

B. Provider, BCBSM and BCN may negotiate additional performance guarantees with defined financial risk as part of the RFP process. In that event, those performance guarantees and associated penalties will be reflected in a separate document, signed by the parties and incorporated herein by reference. Provider must meet the negotiated performance guarantees and will be subject to the financial penalties for failure to meet the guarantees.

C. Provider shall monitor and track each performance guarantee on a monthly basis which shall include trend analysis; provide a written report on each performance guarantee on a calendar quarter basis within thirty (30) days following the end of each calendar quarter; and reconcile any penalties on a calendar year basis, any applicable penalties or other amounts due to be paid out by April 1st following the end of each calendar year (e.g., any applicable penalties or other amounts due for performance during 2006 shall be paid by April 1, 2007). During the first year of the Agreement, Provider shall track performance beginning on the Effective Date but performance guarantees shall only be evaluated beginning January 1, 2007. Written reports and reconciliations shall be in the form and contain the information requested by BCBSM and BCN. Provider's obligations under this section shall survive termination or expiration of this Agreement.

D. Provider shall provide an annual reconciliation report in the form and containing the content requested by BCBSM and BCN, by the following April 1st whether or not any penalties or other amounts are due under the terms of this Agreement. BCBSM and/or BCN reserve the right to conduct its own verification of any performance analysis or, if no analysis is provided, of any guarantee, at its expense by utilizing the data provided by Provider. If such data is insufficient or inaccurate, BCBSM and/or BCN may, at its sole discretion, designate parties to conduct independent audits, or utilize other means. Unless otherwise indicated below, Provider shall monitor, track report and reconcile each performance guarantee separately for each of BCBSM and BCN. Provider's obligations under this section shall survive termination or expiration of this Agreement.

E. If BCBSM and BCN receive and validate complaints from patients, pharmacists, or physicians that Provider has violated these standards (which complaints have not been accounted for in Provider's reports) BCBSM and/or BCN may impose additional penalties consistent with those penalties referenced in Addendum F.

F. BCBSM and BCN may audit Provider at their convenience and expense to ensure compliance and/or validate compliance with standards, and may recover amounts owed pursuant to Article VII. Provider's obligations under this section shall survive termination or expiration of this Agreement.

2.13 *Claims*

A. Provider shall establish technical connections necessary to submit claims using BCBSM's/BCN's designated processors, and Provider agrees to comply with BCBSM's/BCN's administrative requirements governing the use of these systems. Provider shall pay the cost of all system modifications, line charges

and other communication costs associated with the installation and use of these systems as well as all fees charged by BCBSM's/BCN's claims processors.

B. Provider agrees not to turn off edits at the facility level and to respond appropriately to on-line messages, including but not limited to edits that may impact the member's medical status or coverage.

Provider will provide instruction to the patient on use of medications, information received in on-line drug messages (e.g., DUR), and in accordance with state and federal law.

C. Provider shall submit claims for Covered Services, including claims for Covered Services where the co-payment is equal to or greater than BCBSM/BCN's reimbursement, and any documentation requested in relation to such claims.

D. Provider will not waive or discount the applicable co-payment/deductible under any circumstance unless authorized by BCBSM and BCN.

E. For Specialty Medications dispensed to Members for self-administration, Provider will submit claims on-line utilizing the most current NCPDP format or other designated form as required by BCBSM and BCN. For Specialty Medications dispensed to physicians for in-office administration, Provider will submit claims in electronic format using the professional 837 HIPAA format, or other designated form as required by BCBSM and BCN. Provider will be able to accept edits according to the most current NCPDP Telecommunication Standard for on-line claim submissions.

F. Provider will submit claims within 60 days of date of service; otherwise BCBSM and BCN are under no obligation to pay for services rendered.

G. To be reimbursed, all claims must be complete and accurate, including without limitation, reporting the National Drug Code which correctly indicates the package size from which the prescription was dispensed, the prescription must be signed or called in by the Prescriber and received by the Member, and no charge for submission may be made to BCBSM, BCN or the Member.

H. BCBSM/BCN will be permitted to deduct overpayments (whether discovered by Provider or BCBSM/BCN) from future BCBSM/BCN payments along with an explanation of the credit action taken. In audit refund recovery situations, where Provider appeals the BCBSM/BCN determination, BCBSM/BCN will defer deduction of overpayments until the last unappealed determination. Audit refund recoveries and other overpayment obligations which cannot be fully repaid over the course of one month, will bear interest at the BCBSM/BCN prevailing rate, until fully repaid.

I. Provider will reconcile its reimbursements and appeal any disputed claims within a maximum of 180 days from date payment is made. All actions to be initiated against BCBSM must be initiated within 180 days from the date payment is made.

2.14 *Provider Responsibilities Related To Payment*

A. Except in the event that Member has primary coverage with another carrier or third party payer, where Covered Services are purchased by a Physician, and except for applicable co-payments or deductibles, Provider agrees to look solely to BCBSM and BCN for payment for Covered Services rendered to Members under this Agreement and to accept payment made in accordance with this Agreement as payment in full. Provider will in no event, including but not limited to nonpayment by BCBSM and BCN, insolvency or breach of this Agreement, bill, charge, collect a deposit from, seek payment from, maintain any action at law or in equity or have any other recourse against a Member or person (other than BCBSM and BCN) acting on behalf of Member for Covered Services provided pursuant to this Agreement. This provision does not prohibit Provider from collecting charges for supplemental benefits or Co-payments or Deductibles, where appropriate, or for non-Covered Services provided to Members on a fee-for-service basis. This provision shall survive termination or expiration of this Agreement for Covered Services rendered to a Member prior to termination or expiration regardless of the cause giving rise to such termination or expiration and shall be construed to be for the benefit of the Member. This provision is not intended to apply to services provided after termination or expiration of the Agreement. This provision supersedes any oral or written agreement to the contrary now existing or hereafter entered into between Provider and Member or person acting on Member's behalf, insofar as such contrary agreement relates to liability for payment of Covered Services provided to a Member under this Agreement.

B. *Co-payments and Deductibles* Provider shall not bill or collect from a Member for Covered Services or Non-Reimbursable Covered Services, except Provider may bill or collect from a Member for any one or more of the following:

1. Provider shall collect from Members payment for the full amount of any co-payments and deductibles relating to Covered Services except where the Member share is greater than the cost of the Covered Service, in which case Provider will credit the Member the difference between the Member's share and the cost of the Covered Service provided in Addendum A, or unless authorized by BCBSM and BCN. However, in no case will a Member be required to pay any amounts denied or recovered due to overpayment, audit, sanctions or any other reason as a result of an error by Provider.

C. Nothing in this Agreement shall be construed to prohibit or otherwise restrict Provider from advising or advocating on behalf of Member about Member's health status, medical care, or treatment options; the risks, benefits and consequences of treatment or non-treatment; or future treatment decision, regardless of BCBSM or BCN benefit coverage limitations. It is recognized that Members may consent to receive services that are not Covered Services or, where authorization is required, have not been authorized by BCBSM or BCN and therefore may be payable by Member. When Provider is aware that certain proposed services are not Covered Services or payable by BCBSM or BCN, Provider must inform Member in advance that such services are not payable by BCBSM or BCN and must obtain Member's signed consent to be billed.

D. Provider shall hold BCBSM and BCN harmless from any responsibility for Member co-payments and deductibles.

E. If required by applicable Plan Design, Provider will collect from all Members the difference in cost between the Brand Drug and BCBSM's/BCN's Multi-source Drug Products List (MAC List) if the Member refuses substitution of a lower cost generic equivalent drug and the physician did not require "Dispense as Written."

- 2.15 *Identification Number* – Provider agrees that Provider's BCBSM and BCN identification number is the exclusive property of BCBSM and BCN and may not be sold or transferred.
- 2.16 *Publication* – Provider shall permit BCBSM and BCN to publish Provider's name and appropriate identifying information in connection with Provider's participation in BCBSM's/BCN's Specialty Pharmacy program. Providers' name and identifying information will be and remain its exclusive property.
- 2.17 *Reports* – Provider shall compile and send to BCBSM and BCN such reports as BCBSM and BCN shall from time to time request, including, but not limited to:
- A. At least monthly, a comprehensive package of reports that detail utilization by type (Pharmacy / Medical), Billing report, detail by prescriber, detail by patient, etc.
 - B. Ad hoc reporting as requested.
- 2.18 *Coordination Of Benefits* – Provider shall assist BCBSM and BCN in coordinating benefits and subrogation rights by obtaining Member's specific information regarding third party liability.
- 2.19 *Formulary* – Provider shall make reasonable efforts to educate members and prescribers on the benefits of following BCBSM's and BCN's formulary(s).

- 2.20 *Cooperation* – Provider shall cooperate with all claims submission requests, pharmacy reviews, quality assurance audits and teams, and utilization review audits and comply with BCBSM and BCN determinations and corrective action plans.
- 2.21 *Grace Period* - In connection with direct to provider services, Provider will offer physicians an extended grace period of no less than thirty (30) days before assessing finance charges. However, if Physician consolidates the Physician's orders to once Monthly, Provider shall offer an extended grace period of sixty (60) days to the Physician before assessing finance charges.
- 2.22 *Prompt-Pay Discounts* - Provider will offer prompt pay discounts to physicians.

ARTICLE III BCBSM AND BCN RESPONSIBILITIES

- 3.1 A. BCBSM and BCN shall promptly furnish eligibility data; benefit information, including Covered Services, exclusions, deductible and co-payment amount, as well as drug risk analysis information, such as drug to drug interactions, ingredient duplications, therapeutic duplications, early refills, and disease alerts.
- B. BCBSM and BCN shall provide provider manuals and any other communications that affect Provider's participation in the Specialty Pharmacy program.
- C. BCBSM and BCN shall give Provider sixty (60) days prior written notice of substantial modifications to the Specialty Pharmacy program in accordance with section 3.1(F). Other changes will be effective with notice.
- D. BCBSM and BCN shall provide a mechanism to receive input from Provider regarding the Specialty Pharmacy program.
- E. BCBSM and BCN agree to use their best efforts to maintain and provide access to benefit and eligibility data for each Member; provided, however, that the data will be subject to retroactive correction as necessary and access does not guarantee payment for any Covered Services dispensed.
- F. Notice of substantial modifications to this Agreement required to be provided to Provider by BCBSM and BCN will be provided in writing, sent by first class mail, postage pre-paid, to the address stated in Section 15.1.

3.2 *Payment to Provider*

A. *Covered Services Provided to Members* – BCBSM and BCN's reimbursement obligation for Covered Services provided to Members is governed by Addendum A.

B. *Covered Services Provided To Physicians* – When BCBSM and BCN invoke their option to include Covered Services provided to Physicians in the pricing offered under this Agreement, then at a date to be determined by BCBSM and BCN, Provider will provide, through mail order, Covered Services, in such quantities as Physicians may request from time to time, to Physicians.

1. *Covered Services Provided To Physicians And Billed To BCBSM/BCN By Provider.* Covered Services provided to Physicians and billed to BCBSM/BCN by Provider will be reimbursed according to Addendum A.

2. *Covered Services Provided And Billed To Physicians.* Covered Services provided and billed to Physicians will be billed to Physicians at the rates set forth in Addendum A. Provider will look solely to the Physician for payment for such Covered Services. The remaining terms and conditions of such orders (including, without limitation, payment and credit) are subject to negotiation between Provider and Physician.

ARTICLE IV MUTUAL RESPONSIBILITIES

As participating Provider under BCBSM's and BCN's Specialty Pharmacy Program, Provider and BCBSM/BCN will assume the following mutual responsibilities:

4.1 *Independent Contractor* – Provider, BCBSM and BCN shall perform as independent contractors. Nothing in this Agreement shall be construed or be deemed to create a relationship of employer and employee, or principal and agent, or any relationship other than that of independent parties contracting with each other for the sole purpose of carrying out this Agreement.

4.2 *Independent Status.* This Agreement is between Provider, BCN and BCBSM, an independent corporation licensed by the Blue Cross Blue Shield Association (BCBSA) to use the Blue Cross and Blue Shield names and service marks in Michigan. However, BCBSM is not the agent of BCBSA and, by accepting this Agreement, Provider agrees that it made this Agreement based only on what it was told by BCBSM, BCN or their agents. Only BCN and BCBSM have an obligation to Provider under this Agreement and no other obligations are created or implied by this language.

- 4.3 *Confidential Information* – Provider acknowledges that all information, written or oral, acquired from BCBSM and BCN is the sole property of BCBSM and BCN and is considered confidential (Confidential Information). Provider may disclose this Confidential Information to third parties only with BCBSM's and BCN's written consent. All files or other documents, including but not limited to, photocopies, microfiche, microfilm and electronic data, supplied to Provider by BCBSM and BCN will remain BCBSM's and BCN's property and will promptly be returned to BCBSM and BCN at the conclusion of the work. At the conclusion of the work, Provider will also deliver a written statement that a diligent search and inquiry has been made for any BCBSM and BCN documents delivered to contractor during its engagement and that all BCBSM and BCN documents are returned. Provider has no right to keep or use any BCBSM or BCN documents or information after the engagement is completed, except to the extent required to document its compliance with professional work standards.
- 4.4 *Proprietary Information* - BCBSM and BCN have proprietary rights to various systems and databases and data contained in those systems and databases, pertaining to its business matters. BCBSM's and BCN's proprietary rights include ownership rights in all claims, Member, provider, and customer data in all forms, including but not limited to raw data as well as statistical compilations, both electronic and hard copy; trade secrets; patents; copyrights; trademarks; algorithms; tables; documentation; processes; and techniques currently existing or subsequently upgraded or modified (Proprietary Information). Provider may use BCBSM's and BCN's Proprietary Information during the course of this Agreement only as permitted under this Agreement. Provider may not keep or use Proprietary Information, including paid claims data, belonging to a Group shared with BCBSM and BCN for the purpose of having the Group's pharmacy benefit administered under this Agreement. Notwithstanding the foregoing, Provider may use non-BCBSM/BCN or non-patient identifiable data for statistical compilation purposes. Provider may not use, sell or disclose this information to any third party without BCBSM's/BCN's written consent. Upon BCBSM's/BCN's request, no more than annually, Provider will warrant in writing its compliance with this provision.
- 4.5 Subject to the other terms of this Agreement, BCBSM and BCN will have the right to access and use and share with BCBSM and BCN Groups, all Provider data as reasonably necessary to administer the Agreement.
- 4.6 *Individually Identifiable Health Information*
- A. The parties acknowledge that certain member-specific information, reports and data generated under this Agreement are subject to state and federal confidentiality laws and regulations. The parties agree to comply in all material respects with these laws regulations.

B. Provider will maintain as confidential medical records or any of the information contained therein, as well as aggregate data that could implicitly identify an individual, to third parties. Provider will obtain appropriate consent from members for release of medical records or any information contained therein, to third parties.

C. Additional requirements regarding the parties obligations with respect to the handling of Individually Identifiable Health Information (IIHI) are set forth in the terms attached and made part of this Agreement as Addendum B (the Business Associate Addendum).

4.7 *Publication* – Neither party may use information identifying the other party without prior written consent, except as otherwise provided in this Agreement. Upon termination or expiration of this Agreement, all use of identifying information will cease.

4.8 *Fraud and Abuse* – Provider and BCBSM/BCN shall mutually agree on actions to be taken to prevent and detect fraud and abuse in the operation of the Specialty Pharmacy program.

ARTICLE V RECORDKEEPING AND AUDITS

5.1 *Records*

A. Provider shall maintain accurate records, in a current, detailed, organized and comprehensive manner, of all matters relating to Provider's obligations under this Agreement. These records must be kept for seven (7) years from the date of performance of the last Covered Service, be in writing, comply with applicable state and federal laws, generally accepted business and customary pharmacy practice, this Agreement, and be available for examination and audit without charge. Provider's obligations under this section shall survive termination or expiration of this Agreement.

5.2 *Audit*

A. Provider will permit BCBSM and BCN or, at BCBSM's/BCN's discretion, BCBSM's and BCN's duly authorized representatives, to audit review and duplicate these records and any other records in Provider's possession which relate to Provider's obligations under this Agreement, upon reasonable notice and during regular business hours.

B. Audits include standard BCBSM and BCN review of Provider's records relating to Members, facilities and billing of Covered Services. Provider shall provide BCBSM and BCN with documentation of provider's last inspection by its State Board of Pharmacy and all other inspections (e.g., flow hood inspection,

etc.). Continued participation may be affected by Provider's performance, including quality and utilization reviews conducted under all BCBSM and BCN programs

C. Audits will be conducted pursuant to BCBSM's and BCN's standard business practices. BCBSM and BCN have the right to audit Provider's records up to 4 years after termination or expiration of this Agreement. Once audits are complete, that audit is considered closed and is no longer eligible for further audits. However, this shall not prevent BCBSM and BCN or Provider from complying with requests for audit from external sources (such as customer groups, government agencies, etc.).

D. BCBSM/BCN Group Audits. Provider acknowledges that BCBSM's/BCN's groups have the right to audit prescription drug claims. BCBSM and BCN shall use reasonable efforts to contractually limit the scope of a BCBSM/BCN Group audit. Upon notice from BCBSM/BCN, Provider will fully cooperate with any such audit request and shall provide the necessary data and documents.

5.3 Access

A. In accordance with applicable laws and in particular HIPAA record access standards, Provider shall provide BCBSM and BCN representatives' reasonable access to the pharmacist, the premises, and member pharmacy records to: inspect equipment and space related to the provision of Covered Services; to perform utilization and quality management; facilitate the adjudication of claims; perform peer review activities; handle member complaints; conduct financial audits; and duplicate records. Access to the premises is without charge.

B. Provider shall make Member records and related information available as BCBSM and BCN deem necessary to administer this Agreement. Records must also be promptly available when a member transfers to another Provider.

C. Upon reasonable request by BCBSM and BCN or a BCN Member's primary care physician, Provider shall provide copies of the Member's pharmacy records and Member encounter data to BCBSM and BCN or the BCN primary care physician, as applicable, without additional charge.

D. Provider agrees to allow the Michigan Office of Financial and Insurance Services, NCQA or their authorized representatives to access: (1) Provider's premises for the purpose of inspecting the equipment and space used to provide services to Members, (2) the pharmacy records of those Members as permitted or required under applicable state and federal law, and (3) financial records as they pertain to prescription drug coverage.

E. This Article shall survive termination or expiration of this Agreement.

ARTICLE VI INDEMNIFICATION

- 6.1 Provider agrees to defend, indemnify and hold BCBSM, BCN and their officers, directors, employees, Groups and Members ("BCBSM and BCN Indemnities") harmless from and against all claims, liabilities, damages, causes of action, losses, injury, demands, costs and expenses, including legal fees, that arise out of or result from, or allege to arise out of or result from, the acts or omissions of Provider, its officers, directors, employees, subcontractors, other agents, and/or anyone for whose acts the Provider, and not BCBSM/BCN, may be liable, including claims by pharmaceutical manufacturers arising out of, or relating to, or allegedly arising out of or relating to, Provider's contracts with such manufacturers.
- 6.2 In furtherance of the foregoing indemnity and not in limitation therefore, Provider agrees that BCBSM and BCN are entitled to all incidental and consequential damages resulting from a breach of Section 6.1 of this Agreement by Provider, including but not limited to, expenses incurred to recover from the breach. Vouchers or other evidence showing payment amounts to be paid to BCBSM and BCN of any loss, damage or expense resulting from breach of the Agreement shall be conclusive evidence against Provider of the fact and amount of Provider's liability.
- 6.3 This Article shall survive termination or expiration of this Agreement.

ARTICLE VII RIGHT OF RECOVERY

- 7.1 BCBSM and BCN reserve the right to and Provider agrees that BCBSM and BCN may recover for amounts paid for Covered Services not meeting applicable benefit criteria, Program Requirements, performance guarantees, legal, contractual, quality management, utilization management or administrative requirements. BCBSM and BCN may also recover any overpayments for Covered Services that were incorrectly made, or are: not verified through Provider's records; not received by the Member; furnished when license(s) was lapsed, restricted or revoked, or suspended; or that do not meet the standards of professional conduct prevailing in community.
- 7.2 BCBSM and BCN will not utilize statistical sampling methodologies to extrapolate refund requests on medical necessity issues identified through sampling. BCBSM and BCN may extrapolate refund recoveries from statistically valid samples involving issues other than medical necessity, including, but not limited to, procedure code billing errors.

- 7.3 BCBSM and BCN may offset any amounts owed by Provider against any amounts BCBSM and/or BCN owe Provider under any BCBSM or BCN program.
- 7.4 Recovery and offset related to billing code errors and other business matters confirmed by audit may be based on statistical sampling methodology.
- 7.5 BCBSM and BCN will have the right to initiate recovery or offset of amounts paid up to three (3) years from the date of payment; however there is no time limitation on recovery or offset in instances of fraud and the right to recover or offset shall survive termination or expiration of this Agreement.

ARTICLE VIII ASSIGNMENT

- 8.1 *Assignment* -- Any assignment of this Agreement by either Party without the prior written consent of the other shall be void, except that BCBSM and BCN may assign to any affiliate or subsidiary upon notice.
- 8.2 *Successor In Interest* - Provider agrees that upon transfer of at least one-half of Provider's pharmacy business assets, Provider will provide a signed agreement from the successor stating that successor assumes liability for any amounts for which Provider may owe but has not paid to BCBSM and BCN under this Agreement, and upon determination by BCBSM and BCN that reasonable grounds exist to question pharmacy's ability to pay any amounts it may owe under this Agreement, Pharmacy will establish an escrow account or Letter of Credit in an amount satisfactory to BCBSM and BCN. Such assumption of liability shall be one of the conditions for BCBSM and BCN approval of any successor in interest as a participating provider. Such assumption of liability shall not release Provider from the indebtedness unless an agreement to that effect is entered into between BCBSM, BCN and Provider.
- 8.3 *Successor Participation* -- Upon sale or other transfer of Provider's specialty pharmacy business, Provider must inform the successor pharmacy in writing that there is no guarantee that BCBSM and BCN will accept successor as a participant under this agreement.

ARTICLE IX AMENDMENT AND WAIVER

This Agreement may be amended by BCBSM and BCN at any time with sixty (60) days prior written notice for any substantial modifications to Agreement in accordance with section 3.1 (F), except that BCBSM and BCN may not amend Addendum A without the written consent of Provider. All other amendments by BCBSM and BCN shall be effective with thirty (30) days notice to Provider. This Agreement may also be amended by written agreement executed by the parties thereto. No waiver of any of the provisions of this Agreement shall be valid

- 10.5 This Agreement may be terminated immediately by BCBSM and BCN if, during the term of this Agreement BCBSM and/or BCN lose two (2) or more existing Groups of over 100,000 lives each to an independent relationship with Provider.
- 10.6 Upon termination or expiration of this Agreement, BCBSM and BCN shall be obligated to pay claims to the Provider only for Covered Services dispensed through the date of termination or expiration.
- 10.7 The expiration or termination of this Agreement or any changes as provided in the Agreement shall not terminate or otherwise limit BCBSM's and BCN's right of recovery from Provider as set forth in Article VII of this Agreement, which right shall survive this Agreement.
- 10.8 *Obligation to Cooperate.* Upon notice of termination of this Agreement, Provider shall cooperate fully with BCBSM and BCN and comply with BCBSM and BCN procedures, if any, in the transfer of Members to other Providers.
- 10.9 *Material breach.* A material breach of this Agreement includes but is not limited to: (i) termination of this Agreement by any party for any reason not permitted in Article X, including termination of this Agreement by Provider as a result of financial losses or the inability to satisfy the financial guarantees or (ii) material failure of any party to comply with the provisions of Article XIV of this Agreement. The Provider acknowledges and agrees that a material breach described in (i) and (ii) will cause BCBSM and BCN great economic damage as well as other associated damage, including loss of reputation and credibility with customers and others. The parties agree that the precise amount of damages for these non-economic losses would be difficult or impossible to ascertain. Therefore, the parties agree that (i) in the case of a material breach based on a wrongful termination of this Agreement by Provider, Provider will pay BCBSM and BCN liquidated damages in the amount of _____ to compensate them for non-economic losses. The parties agree that this liquidated sum is reasonable and is not a penalty. Payment of liquidated damages under this provision will not prejudice BCBSM and BCN's right to pursue other available remedies including recovery of actual contract damages arising out of the material breach.
- 10.10 When this Agreement terminates or expires:
- A. The liability of the parties for obligations incurred prior to the termination or expiration date will survive termination or expiration;
- B. BCBSM and BCN may, at their election, extend this Agreement for a maximum of six (6) months as necessary for the orderly transfer of administration;

unless in writing and signed by the appropriate representatives of BCBSM, BCN and Provider, against whom such a waiver is being sought. No waiver of one or more of the provisions of this Agreement or failure to enforce the Agreement by either of the Parties hereto shall be construed as a waiver of any subsequent breach of the Agreement or any of its provisions.

ARTICLE X TERM, RENEWAL AND EXPIRATION

- 10.1 This Agreement shall remain in force for a Term of three and one half (3 1/2) years from the Effective Date, until ~ , and shall automatically renew thereafter for one (1) year term unless written notice is given pursuant to Article XV.
- 10.2 This Agreement may be terminated by BCBSM and BCN, without cause, on ninety (90) days written notice to Provider, which notice shall be provided pursuant to Article XV.
- 10.3 Provider shall provide prompt written notice to BCBSM and BCN of any of the following, and BCBSM and BCN may terminate this Agreement immediately if: 1) Provider's license, DEA registration or Medicare or Medicaid participation status is lapsed, restricted, suspended or revoked or Provider is placed on the List of Excluded Individuals/Entities or List of Debarred Contractors as published by the General Services Administration; 2) If any formal action or investigation is initiated by any government agency involving Provider or any health care entity in which Provider holds more than 5% interest, or any claim is made against Provider relating to fraud, abuse, self-referral, false claims, kickbacks, or any claims involving Medicare, Medicaid, FEP or other health care programs or insurance carriers; 3) if Provider or any officer/director/owner of Provider pleads guilty to or is convicted of fraud or a felony relating the provision of health care; 4) if Provider ceases to offer mail order services; 5) bankruptcy proceedings are initiated by or against Provider; 6) if Provider's liability insurance is reduced below require amounts or terminated or 7) in the event of a Change in Control of Provider. "Change in Control" shall be defined as (1) consolidation or merger of Provider with or into any entity, (2) sale, transfer or other disposition of all or substantially all of the assets of Provider or (3) acquisition by any entity, or group of entities acting in concert, of beneficial ownership of twenty (20%) percent or more of the outstanding voting securities of the Provider.
- 10.4 This Agreement may be terminated immediately by BCBSM, BCN or Provider where there is a material breach in the Agreement by the other Party that remains uncured thirty (30) days after written notice of the breach specifying the nature of the breach, which notice is provided pursuant to Article XV.

C. In connection with the transition, upon termination or expiration, Provider will cooperate by forwarding to the entity or entities designated by BCBSM and BCN:

- 1) A minimum of twelve (12) months utilization history;
- 2) Unprocessed Provider and Member submitted hard copy claims;
- 3) Unfilled mail order prescription and open refill files;
- 4) Open prior authorizations and support documentation;
- 5) Any other information the parties mutually agree is necessary for the transition.

ARTICLE XI DISPUTES AND APPEALS

Disputes arising under this Agreement must first be appealed through the BCBSM and BCN appeals process. This requires that, within thirty (30) days of an adverse determination or breach of this Agreement, Provider file a written response documenting Provider's position. Within thirty (30) days of receipt of sufficient documentation, BCBSM and BCN will schedule an informal conference with the Provider in an effort to resolve the dispute. If the conference fails to resolve the dispute, Provider may pursue independent review or remedies.

ARTICLE XII BUSINESS CONTINUITY AND DISASTER RECOVERY

12.1 *Business Continuity Plan.* Provider shall institute a business continuity plan that includes prudent executive succession planning and executive travel policies consistent with industry standards.

12.2 *Disaster Recovery Plan.*

A. Provider shall maintain and document a comprehensive Disaster Recovery program for all technical systems (computer, telephone, fax, etc.).

B. Provider's disaster recovery plan shall provide for the backup, storage and restoration of data and information used and generated as a result of this Agreement.

C. Provider's disaster recovery plan shall enable Provider to perform its duties, obligations and services under this Agreement within forth-eight (48) hours of a disaster.

D. Disaster means any occurrence, natural or otherwise, that materially affects Provider's ability to perform its duties and obligations under this Agreement.

E. Provider's disaster recovery plan shall comply with HIPAA regulations and good business practices.

ARTICLE XIII SERVICE MARKS

- 13.1 It is understood by the parties that the Blue Cross and Blue Shield Trademarks (the Blue Cross and Blue Shield names and symbols) are owned by the Blue Cross and Blue Shield Association and licensed by the Association to Local Blue Cross and/or Blue Shield Plans and their affiliates for their respective licensed geographical areas. Accordingly, Provider will not obtain under this Agreement any rights to these Marks and will not conduct any activity or make any statement, written or oral, that may constitute an infringement upon the use of these marks by the Blue Cross and Blue Shield Association or any licensed Blue Cross and/or Blue Shield plan. Provider will indemnify and hold harmless BCBSA and any licensed Plan against any action, claim or loss arising from any infringement by Provider including all costs and reasonable attorneys' fees.
- 13.2 It is also understood by the parties that any trademarks owned by either party are its exclusive property and may only be used as permitted by or licensed by it. Accordingly, no party will obtain any rights to the other's marks and will not conduct any activity or make any statement, written or oral, which in any manner may constitute an infringement upon the other party's use of its marks. Each party will hold harmless and indemnify the other against any action, claim or loss arising from any infringement of its marks, including all costs and reasonable attorneys' fees.
- 13.3 This Article survives termination or expiration of this Agreement.

ARTICLE XIV MARKETING PROTOCOL

- 14.1 Each party to this Agreement has considerable complementary expertise in various aspects of the marketing and provision of Specialty Pharmacy services. The parties shall coordinate their efforts in a teaming arrangement to more effectively and efficiently promote their respective services to existing and potential BCBSM and BCN customers by establishing the following marketing arrangement. Any limitations are based on the fact that BCBSM, BCN and Provider have shared and will be sharing confidential information with respect to certain groups such as utilization data or prescribing patterns of physicians within BCBSM's and BCN's service area, which would provide Provider with a

competitive advantage in submitting an independent competing bid for any BCBSM and BCN group or potential group.

14.2 BCBSM and BCN shall have the sole responsibility for marketing specialty pharmacy drug plans to Michigan headquartered groups. However, the provisions of this Article do not apply to any federal government group plan; to any group that is headquartered outside the State of Michigan but has a division, subsidiary or affiliate located in the State of Michigan; or third party administrators, health plan carriers (e.g. health maintenance organizations, preferred provider organizations etc.) or other insurance companies.

14.3 In recognition of this teaming arrangement, with respect to existing and potential groups, BCBSM, BCN and Provider shall coordinate with and convey to them the specialty pharmacy program offered by them as a team under this Agreement. However, the parties recognize that from time to time a potential group may directly approach a party to obtain a separate bid or to otherwise discuss establishing an independent relationship with such party relative to one or more of the services that are intended to be jointly offered by the parties under this Agreement. Under such circumstances, the party that is approached by the potential group shall immediately notify the other party that it has been contacted and shall advise the potential group that a teaming arrangement is place which requires the parties to submit a joint response to the bid for the services that are contemplated by this Agreement.

The party shall also describe to the potential group the value of the teaming arrangement and request that the potential group allow a joint response to the bid. If the potential group declines the request for a joint response to the bid and instead insists on receiving a separate bid or having independent discussions with a party, then before such bid or discussions may occur, the party will notify the other party that it believes it has fulfilled the requirements of this paragraph and intends to proceed with a separate bid or discussions. The party not bidding or having such discussions may nevertheless have contacts with a potential group that is otherwise permissible. Furthermore, following the Group's decision, the parties will discuss the circumstances surrounding the decision; the parties shall discuss the circumstances surrounding the decision and devise ways to strengthen their teaming arrangement.

14.4 This Section shall not apply if a potential group (a) expressly excludes a party from bidding on its business after being notified of the relationship between the parties; (b) requests separate bids from any of the parties; or (c) specifies that it no longer desires to have its specialty pharmacy drug program administered by the parties pursuant to the terms of this Agreement; or d) is an existing Provider account that includes retail prescription drug services. In such cases, the parties may separately market their services to the group. However, based on the substantial volume of BCBSM's and BCN's business and the resulting increased efficiencies and financial benefits that accrue to all parties, during the term of this

Agreement, Provider agrees that the pricing in Addendum A shall be no less favorable than the pricing Provider offers to any third party for comparable volume, services and prescription drug plans. Upon BCBSM's or BCN's request, Provider shall warrant that it has complied with this Section.

- 14.5 The provisions of this Article will not prohibit Provider from providing similar specialty pharmacy services to other Blue Cross Blue Shield Plans, carriers, HMO's, third party administrators, or other similar entities (whether or not these entities are competitors of BCBSM and/or BCN). BCBSM and BCN reserve no rights with respect to Provider's other business, except to the extent that any activity may be reasonably construed as in conflict with BCBSM's and BCN's rights as set forth herein. In case of such conflict, provider shall not provide such other services. Financial interest in a competing organization consisting of ownership of publicly traded securities is not considered a conflict of interest for the purposes of this paragraph.
- 14.6 During the term of this Agreement and for one year after, Provider agrees that no Provider personnel working on BCBSM and BCN business will have any financial interest in any person or organization that competes with BCBSM without BCBSM's prior written consent. This provision does not require disclosure if the financial interest in a competing organization consists of ownership of publicly traded securities.
- 14.7 This Article will not prevent BCBSM and BCN from entering into other marketing arrangements with other providers/vendors or PBM's relating to specialty, retail or mail order pharmacy business.
- 14.8 This Article will not prevent BCBSM and BCN from contracting with other providers/vendors or PBM's with respect to specialty, retail or mail order pharmacy business.

ARTICLE XV MISCELLANEOUS

- 15.1 *Notices* - Unless otherwise permitted by the Agreement, all notices required under this Agreement shall be in writing and sent by First Class mail, postage paid, addressed as follows:

If to BCBSM:

Blue Cross Blue Shield of Michigan
C/o Pharmacy Services
MC B774
27000 W. 11 Mile Road.
Southfield Michigan 48034
Attention: Director Pharmacy Services

- 15.2 *Governing Law and Venue* - This Agreement shall be construed and governed in accordance with the laws of the State of Michigan, without regard to any conflicts of law principles applied in that State. Any suit or proceeding relating to this Agreement shall be brought only in Oakland County, Michigan. Each party consents to the exclusive personal jurisdiction and venue of the courts, state and federal, located in Oakland County, Michigan. Provider will, nevertheless, comply with all applicable laws and regulations governing its operations, including but not limited to Michigan law and the law in the State in which Provider's specialty pharmacy is located.
- 15.3 *Enforceability* - The invalidity or unenforceability of any of the terms or provisions hereof shall not affect the validity or enforceability of any other term or provision.
- 15.4 *Section Headings* - Section headings are inserted for convenience only and shall not be used in any way to construe the terms of this Agreement.
- 15.5 *Entire Agreement* - This Agreement, together with the Addenda hereto, embodies the entire understanding of the parties in relation to the subject matter hereof, superseding any prior agreements, understandings or negotiations, whether written or oral, and shall be binding upon their successors and assigns.
- 15.6 *Illegal Provisions* - If a court determines that any provision of this Agreement is illegal, the remainder of the Agreement will remain in full force.
- 15.7 *Subcontract/Delegation* - Provider may not delegate or subcontract this Agreement without the prior written consent of BCBSM and BCN and the express consent of the assignee to be bound by all of the terms and conditions of the Agreement. If BCBSM and BCN consent and Provider subcontracts or delegates any responsibilities under this Agreement, such responsibilities must

If to BCN:

Blue Care Network of Michigan
C/o Pharmacy Services
MC C303
20500 Civic Center Drive
Southfield, MI 48076
Attention: Director of Pharmacy

If Care Management for BCN
Blue Care Network of Michigan
C/o Pharmacy Services
MC C336
20500 Civic Center Drive
Southfield, MI 48076
Attention: Director of Care Management

If Provider Appeals to BCN:

Provider

Blue Care Network of Michigan
Appeals/Care Management – MC C336
P.O. Box 5043
Southfield, MI 48086-5043
Phone (248) 799-6312
Fax (248) 223-5474

If Member Appeals to BCN:

Member

Blue Care Network of Michigan
Appeals and Grievance Unit– MC C248
P.O. Box 248
Southfield, MI 48086-5043
Phone 1-800-662-6667
Fax 1-800-458-0716

If to Provider:

be performed under Provider's guidance and Provider remains fully responsible for the performance of such responsibilities.

- 15.8 *Outsourcing* - Provider may not outsource any work under outside the United States this Agreement without the written consent of BCBSM and BCN.
- 15.9 *Exclusive Provider* - Provider is the sole Specialty Pharmacy mail order provider for BCBSM's and BCN's Specialty Pharmacy program. This does not mean, however, that BCBSM and BCN must obtain Specialty Pharmacy exclusively from Provider.
- 15.10 *Preferred Customer Status* - Provider will treat BCBSM and BCN as a preferred customer to any BCBSM/BCN requests for enhancements or product changes.
- 15.11 *Conflicts of Interest* - Provider will, at all times, act in, and protect BCBSM's and BCN's, their Groups' and Members' best interests when providing services under this Agreement. Provider will not engage in any activity that could be reasonably perceived as being directly or indirectly as in conflict with its obligations to BCBSM, BCN, their Groups or members.
- 15.12 *Non-discrimination* - Pharmacy shall provide Covered Services to Members without regard to health status or health care needs of such Members. Pharmacy shall not differentiate or discriminate in the provision of Covered Services to Members on the basis of race, gender, creed, ancestry, lawful occupation, age, religion, marital status, sexual orientation, mental or physical disability color, national origin, place of residence, health status, source of payment for services, cost or extent of Covered Services required, status as Members, or any other grounds prohibited by law or this Agreement. Pharmacy shall provide Covered Services to Members: (a) in no less than the same manner and in accordance with at least the same standards as offered to Provider's patients who are not Members; and (b) in accordance with at least the same standard of practice, care, skill and diligence customarily used by similarly situated pharmacies at the time at which such services are rendered.
- 15.13 *No Third Party Rights* - This Agreement is intended solely for the benefit of the parties hereto and there is no intention, express or otherwise, to create rights or interests for any party or persons other than BCBSM, BCN and Provider. This Agreement shall be enforceable only by the parties hereto and no other person shall have the right to enforcement of the provisions contained herein, including, without limitation, any BCBSM/BCN customer, member or any other individual.
- 15.14 *Advertisement* - Provider will not, in any manner advertise or publish the fact that it has furnished, or contracted to furnish, services to BCBSM or BCN without BCBSM's and BCN's prior written consent.

- 15.15 *Changes In Corporate Status* - Subject to applicable law, Provider will provide BCBSM and BCN advance written notice of any changes or projected changes in its corporate status, including changes in existing shareholders, mergers, consolidations, and sale of all or substantially all of its assets. Provider will provide at least five months' notice of such changes.
- 15.16 *Contact with Groups* - The parties will agree on how contacts with groups will be handled. In general, however, Provider will not initiate communication with any BCBSM or BCN Group without the prior written consent of BCBSM's and BCN's Director of Pharmacy Services Administration. Once consent is given, BCBSM and BCN will be afforded the opportunity to participate in all contacts between Provider and Group.
- 15.17 *Force Majeure* – Subject to Section 2.11(s), none of the parties will be liable, in any manner, for failure to meet its obligations under this Agreement if that failure is directly or indirectly caused by matters which are beyond the party's reasonable control, including any delay or failure due to strikes or labor disputes; earthquakes, storms, floods or other extreme weather or acts of God; riots, fires, explosions, embargoes, war or other outbreak of hostilities; delay of carriers, suppliers or telecommunication providers; or government acts or regulations, including any change in law. "Law" means any federal, state, or local constitution, charter, act, statute, law, ordinance, code, rule, regulation, or order, or any other binding legislative, executive, judicial or administrative action.
- 15.18 *Signature* - Signature on this page binds the parties to the entire Agreement as defined in Article I, and warrants that signatory is authorized to sign this Agreement.

IN WITNESS WHEREOF, and intending to be legally bound, the parties have executed this Agreement on the date set forth below:

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ADDENDUM A

SPECIALTY PHARMACY PROGRAM REIMBURSEMENT/RATES

A. Covered Services Provided To Members. Under the Specialty Pharmacy program, reimbursement for Covered Services provided to Members will be based on the following formula: Drug Product Cost minus Member co-payment and deductible equals the reimbursement to Provider.

Drug Product Cost

1. Price List. Reimbursement for Specialty Medications listed on Addendum A-1 (the Price List) is AWP minus the appropriate negotiated percentage as described in the Provider's response to the RFP and mutually agreed upon by the parties in writing (Addendum A-1*).

2. Generics Drugs not on the Price List.

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3. New Brand Drugs. Reimbursement for Specialty Medications that are Brand Drugs with new GCNs is Cost plus : percent Within sixty (60) days of introduction of the product and the Cost plus price is established (or as soon as an agreement can be reached), the parties will negotiate an AWP discount for the Specialty Medication for placement on the Price List.

*Addendum A-1 lists the negotiated AWP discount for Specialty Medications by NDC. In the event that an NDC becomes obsolete, Provider shall use the replacement NDC upon the date that the previous NDC becomes obsolete as indicated by First Data Bank, the FDA or any other mutually agreed upon source. Provider shall immediately

notify BCBSM and BCN of the new NDC. The AWP discount on the obsolete NDC will apply to any replacement NDC.

Member Co-payment

The co-payment level for Members under the Specialty Pharmacy program will be determined by each Group (or in the case of individual coverage, individual) purchasing the Specialty Medication under this Agreement and will vary per Group (or individual in the case of individual coverage).

Deductible

The deductible for Members under the Specialty Pharmacy program will be determined by each Group (or individual in the case of individual coverage) purchasing the Specialty Medication under this Agreement and will vary per Group (or individual in the case of individual coverage).

Dispensing Fee

Pharmacy Incentive

Ancillary Products

Programs and Services

B. Covered Services Provided To Physicians And Billed To BCBSM/BCN. When BCBSM and BCN invoke the option to include Covered Services provided to Physicians under the this Agreement, at a date to be determined by BCBSM and BCN, reimbursement for Covered Services provided to Physicians and billed by Provider to BCBSM/BCN will equal the Drug Product Cost as set forth below:

Drug Product Cost

Reimbursement for Specialty Medications is ASP plus percent

Reimbursement for Specialty Medications with no ASP is AWP minus percent). Once an ASP is established, pricing shall change to ASP plus percent

Dispensing/Other Fees

Pharmacy Incentive

Ancillary Products

If Provider dispenses Ancillary Products to Physicians, Provider may bill Physicians directly for these costs but BCBSM and BCN will not reimburse Provider for these costs.

C. Covered Services Provided And Billed To Physicians. When BCBSM and BCN invoke the option to include Covered Services provided to Physicians under the pricing provided in this Agreement, at a date to be determined by BCBSM and BCN, reimbursement for Covered Services provided to Physicians and billed by Provider to Physicians will equal the Drug Product Cost as set forth below:

Drug Product Cost

Reimbursement for Specialty Medications is ASP plus percent

Reimbursement for Specialty Medications with no ASP is AWP minus percent). Once an ASP is established, pricing shall change to ASP plus percent (

Dispensing/Other Fees

Pharmacy Incentive

Ancillary Products

D. No Other Remuneration

No other remuneration of any kind will be paid to Provider in connection with this Agreement by BCBSM or BCN or others, including but not limited to administrative fees, service fees, shipping and handling costs, or sales tax, unless otherwise agreed to by the parties in writing.

E. AWP to ASP Conversion

Assigned a level in the... will not be calculated.

ADDENDUM A-1

| | PRODUCT | THERAPEUTIC GROUP/CATEGORY | AWP Based Discount (x%) | NDC # | PRODUCT | THERAPEUTIC GROUP/CATEGORY | AWP Based Discount (x%) |
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ADDENDUM B

BUSINESS ASSOCIATE ADDENDUM

1. **Applicable Law and Policy.** Provider acknowledges that pursuant to this Agreement, it performs services or assists BCBSM and BCN in the performance of a function or service that involves the use or disclosure of a BCBSM/BCN member's individually identifiable health information (IIHI). Consequently, the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"), and stricter state laws, as applicable, require that the IIHI be protected from inappropriate uses or disclosures.

2. **Use or Disclosure of IIHI.** IIHI, in electronic form or otherwise, may be used or disclosed only when required by law or as otherwise provided in this Agreement, unless the prior and specific informed written consent of the person to whom the data or information pertains has been obtained. Provider shall not, and shall ensure that its directors, officers, employees, contractors and agents, do not, use or disclose IIHI received from BCBSM or BCN in any manner that would constitute a violation of applicable law.

Provider shall not and shall ensure that its directors, officers, employees, contractors, and agents do not disclose IIHI received from BCBSM or BCN in any manner that would constitute a violation of applicable law if disclosed by BCBSM or BCN, except that Provider may disclose IIHI in a manner permitted pursuant to this Agreement or as required by law. To the extent Provider discloses IIHI to a third party, Provider must obtain, prior to making any such disclosure: (i) reasonable assurances from such third party that such IIHI will be held confidential as provided pursuant to this Agreement, and only disclosed as required by law or for the purposes for which it was disclosed to such third party; and (ii) an agreement from such third party to immediately notify Provider of any breaches of the confidentiality of the IIHI, to the extent it has obtained knowledge of such breach. Provider agrees to indemnify and hold BCBSM and BCN harmless from any and all liability, damages, costs (including reasonable attorney fees and costs) and expenses imposed upon or asserted against BCBSM and/or BCN arising out of any claims, demands, awards, settlements or judgments relating to Provider's use or disclosure of IIHI contrary to the provisions of this Agreement.

3. **Safeguards Against Misuse of Information.** Provider agrees that it will implement all appropriate safeguards to prevent the use or disclosure of IIHI other than pursuant to the terms and conditions of this Agreement. Such safeguards include administrative, physical, and technical safeguards that reasonably and appropriately protect the Confidentiality, Integrity, and Availability (as those terms are defined in 45 CFR §164.304) of the electronic IIHI that it creates, receives, maintains, or transmits on behalf of BCBSM and/or BCN as required by 45 CFR Part 160 and Subparts A and C of Part 164 ("Security Rule").

4. **Reporting of Disclosures of IIHI.** Provider shall, within five (5) days of becoming aware of a Security Incident (as defined in 45 CFR §164.304) or of a disclosure of IIHI in violation of this Agreement by Provider, its officers, directors, employees, contractors, or agents, or by a third party to which Provider disclosed IIHI pursuant to Section 2 (Use or Disclosure of IIHI), report any such disclosure to BCBSM and BCN.
5. **Agreements by Third Parties.** Provider shall enter into an agreement with any agent or subcontractor that will have access to IIHI that is received from, or created or received by Provider on behalf of, BCBSM and BCN pursuant to which such agent or subcontractor agrees to be bound by the same restrictions, terms, and conditions that apply to Provider pursuant to this Agreement with respect to such IIHI, including that such agent or subcontractor implement reasonable and appropriate safeguards to protect it as described in Section 3 (Safeguards Against Misuse of Information).
6. **Access to Information.** Within five (5) days of a request by BCBSM or BCN for access to IIHI about a member, Provider shall make available to BCBSM or such IIHI for so long as such information is maintained by Provider. In the event any individual requests access to IIHI directly from Provider, Provider shall within two (2) days forward such request to BCBSM or BCN. Any denials of access to the IIHI requested shall be the responsibility of BCBSM or BCN.
7. **Availability of IIHI for Amendment.** Within ten (10) days of receipt of a request from BCBSM or BCN for the amendment of an individual's IIHI, Provider shall provide such information to BCBSM or BCN for amendment and incorporate any such amendments in the IIHI as required by 45 CFR § 164.526.
8. **Accounting of Disclosures.** Within ten (10) days of notice by BCBSM or BCN to Provider that it has received a request for an accounting of disclosures of IIHI regarding an individual during the six (6) years prior to the date on which the accounting was requested, Provider shall make available to BCBSM or BCN such information as is in Provider's possession and is required for BCBSM and BCN to make the accounting required by 45 CFR §164.528. At a minimum, Provider shall provide BCBSM and BCN with the following information: (i) the date of the disclosure; (ii) the name of the entity or person who received the IIHI, and if known, the address of such entity or person; (iii) a brief description of the IIHI disclosed; and (iv) a brief statement of the purpose of such disclosure which includes an explanation of the basis for such disclosure. In the event the request for an accounting is delivered directly to Provider, Provider shall within two (2) days forward such request to BCBSM and BCN. It shall be BCBSM's and BCN's responsibility to prepare and deliver any such accounting requested. Provider hereby agrees to implement an appropriate recordkeeping process to enable it to comply with the requirements of this Section 8.
9. **Availability of Books and Records.** Provider hereby agrees to make its internal practices, books, and records relating to the use and disclosure of IIHI received from, or created or received by Provider on behalf of, BCBSM and/or BCN available to

the Secretary of the Department of Health and Human Services for purposes of determining BCBSM's and/or BCN's and Provider's compliance with the Standard for Privacy of Individually Identifiable Health Information, 45 CFR Parts 160 and 164 ("Privacy Standards").

10. **Compliance with Transaction Standards.** If Provider conducts in whole or part electronic Transactions on behalf of Organization for which Department of Health and Human Services (DHHS) has established Standards, Provider will comply, and will require any subcontractor or agent it involves with the conduct of such Transactions to comply, with each applicable requirement of the Transaction Rule, 45 CFR Part 162. Provider will not enter into, or permit its subcontractors or agents to enter into, any Trading Partner Agreement in connection with the conduct of Standard Transactions on behalf of Organization that:

- Changes the definition, data condition, or use of a data element or segment in a Standard Transaction;
- Adds any data element or segment to the maximum defined data set;
- Uses any code or data element that is marked "not used" in the Standard Transaction's implementation specification or is not in the Standard Transaction's implementation specification; or
- Changes the meaning or intent of the Standard Transaction's implementation specification.

11. **Amendment to Agreement.** Upon the effective date of any amendment to the Privacy Standards or the Security Rule or the effective date of any other final regulations with respect to IHI, this Section 11 and the Agreement of which it is part will automatically be amended so that the obligations they impose on Provider shall remain in compliance with such regulations.

ADDENDUM C

SPECIALTY PHARMACY PROGRAM REQUIREMENTS

Program applicants will be required to initially meet and continue to meet the following standards and BCBSM's/BCN's policies and procedures, which are subject to change from time to time, in addition to the Specialty Pharmacy Agreement.

Note: Headings in this document are for illustrative purposes only. Standards are not limited to the headings under which they appear. Most standards listed are applicable to multiple headings.

I. STANDARDS FOR MAINTAINING QUALITY HEALTH CARE

A. Dispensing and Delivery

1. Agree to dispense the quantity of prescription drugs indicated on the prescription, up to a maximum of a ninety (90) day supply per prescription or refill, or as otherwise permitted under the Member's Certificate and Program Requirements.
2. Agree to dispense all prescription drugs in a manner that conforms to all applicable federal, state and local laws, standards of professional conduct and practice prevailing in the community, all BCBSM and BCN reimbursement policies and requirements, and the terms and conditions of the Specialty Pharmacy Agreement.
3. Agree to dispense all prescription drugs according to manufacturer's recommendation. All prescriptions will be sent in a manner to assure the integrity of the prescriptions per manufacturer specifications, including temperature controls.
4. Provide unit dose preparations of prescriptions for those injectable medications where stability is not an issue
5. Agree to dispense covered services in accordance with BCBSM's and BCN's prior authorization requirements.
6. Agree to provide BCBSM and BCN with documentation of dispensing and non-dispensing errors and how each of these errors was corrected.

B. Quality Assurance

1. Agree to obtain and maintain accreditation in pharmacy from a nationally recognized accrediting body, as determined by BCBSM and BCN (e.g., JCAHO, ACHC, etc.). BCBSM and BCN having determined that ACHC is acceptable accreditation. Provider shall obtain and maintain their Accreditation Commission of Health Care (ACHC) accreditation in Specialty Pharmacy.
2. Have a comprehensive Quality Assurance/Quality Improvement (QA/QI) program and commit to the following requirements and standards:

- a. Use Best efforts to obtain a clean and legible prescription. Contact physician's office if script is not legible.
 - b. Guarantee a non-dispensing error rate of 2% or less, which includes but is not limited to clerical errors, incorrect address, incorrect co-pays, physician information and errors which impact the delivery and claim processing of orders.
 - c. Guarantee a dispensing error rate of 2% or less, which includes, but is not limited to incorrect medication, incorrect dosage, incorrect dosing information and any medication errors.
3. Have formal prescription quality assurance and error prevention policies, procedures and protocols, and maintain documentation of utilization review activities. In addition, provide copies to BCBSM and BCN of protocols used to ensure member safety for specialty medication dispensed to members; maintain comprehensive member profiling (medical histories) for all enrolled members; request medication histories from each new member and maintain adequate drug risk analysis procedures.
 4. Support a comprehensive Hemophilia Care Management program, including the provision of nursing services.
 5. Support a comprehensive Compounding Management program, and upon request by BCBSM and BCN, support a comprehensive program for IVIG Distribution Management, and/or Chemotherapy Care Management.
 6. Upon request by BCBSM and/or BCN, provide customize services to meet the unique clinical and psycho-social-economic needs of patients.
 7. Have a reliable product recall policy and procedures.
 8. Acquire all products and supplies from reputable manufacturers.
 9. Pro-actively contact prescribing physicians to confirm prescriptions, dosing, regimen, etc. as appropriate.
 10. Demonstrate how automation is used and have acceptable quality control policies and procedures to assure quality care.

C. Member Education/Assistance and Monitoring

1. Educate members about their disease state (including long-term and short-term effects if treated and untreated) and their medication, including benefits, side effects and drug interactions.
2. Coordinate member education and management with BCBSM's and/or BCN's case management departments.
3. Include high-quality educational materials as necessary, subject to BCBSM and BCN prior review and written approval.
4. Document BCBSM and BCN member compliance and other applicable clinical and quality of life data as applicable to members' therapy regimens.
5. Provide instructions to members on use of medications and information received in on-line drug messages (e.g., DUR).
6. Provide member issue triage and resolution process for program inquiries.

D. Credentialing

1. Have all licenses and permits required by local, state and federal authorities applicable to dispensing specialty medications (including certain controlled medications) as well as wholesale / distribution licenses (and registrations) to service BCBSM and BCN physicians.
2. Comply with all state and federal requirements applicable to dispensing and mailing prescriptions.
3. Provide BCBSM and BCN with documentation of provider's last inspection by its State Board of Pharmacy and all other inspections (e.g., flow hood inspection, etc.)

E. Staffing

1. Employ or contract with pharmacists that have and maintain current/valid State Board of Pharmacy Licenses that contain no restrictions.
2. Re-verify pharmacist, technician, RN, LPN, etc. licensure annually.
3. Maintain a pharmacist-to-technician ratio consistent with good pharmacy practice standards as approved by BCBSM and BCN or as specified by the applicable State Board of Pharmacy.
4. Maintain rigorous initial training and ongoing training for all clinicians.
5. Provide all (non-clinician) associates who will service members, with comprehensive training regarding the standards for triaging clinical issues to a clinician.
6. Provide comprehensive training for all associates (clinicians and non-clinicians) who will service prescribing physicians or physician's office staff.

II. STANDARDS FOR CONTROLLING HEALTH CARE COSTS

A. Dispensing

1. Dispense generic equivalent prescription drugs unless "Dispense as Written" is required by the physician or unless the member requests a brand name prescription drug. If a member requests a brand name prescription drug when a generic drug is available, the member is responsible for paying the difference in cost between the brand and generic drugs, as well as the member co-payment and deductible if required by applicable Plan Design.
2. Ship dispensed specialty medication and ancillary products to members at provider's expense.
3. Administer a prior authorization program for all or select products covered by BCBSM and/or BCN, at BCBSM's and/or BCN's discretion, subject to existing standards and criteria and standards developed by BCBSM, BCN and provider. BCBSM and BCN will have final approval of criteria and standards.
4. Pro-actively support the use of generic drugs whenever available.
5. Possess specific programs, protocols, tools, etc., to manage or prevent waste.

6. Agree to comply with BCBSM and BCN formulary, clinical programs and drug policies.

B. Pricing

1. Quote the best price for listed medications (i.e., deepest discounts, lowest net price for all specialty medications on an Average Wholesale, Cost Plus or Average Sales Price basis. Medication pricing must include ancillary products (e.g. products and equipment necessary to administer the specialty medication such as needles, syringes, alcohol swabs, sharps containers, etc.). Medication pricing must also include all components identified by BCBSM and BCN, such as shipping and handling, temperature control and dispensing fees.

Separately list prices Provider will charge for other services and/or requirements necessary to complete the Specialty Pharmacy Agreement.

Provide BCBSM and BCN with most favored nation status on all pricing applicable to this program.

2. Agree to performance guarantees with defined financial risk.
3. Agree not to apply for or receive any Rebates, including BCBSM and BCN Rebates, (other than purchase price discounts), from any pharmaceutical manufacturers, person or entity, in connection with the Specialty Pharmacy Agreement, unless BCBSM and BCN otherwise agree in writing. Provide data to support BCBSM's and BCN's application for the various Rebates, upon request by BCBSM and BCN.
4. Agree to not waive or discount the applicable co-payment / coinsurance under any circumstance unless authorized by BCBSM and BCN.
5. Agree to accept the BCBSM's and BCN's Maximum Allowable Cost (MAC) program where applicable.
6. Provide BCBSM and BCN with the same or better pricing for direct to provider services if BCBSM and BCN decide to include direct to provider services in the program.
7. Agree to offer an extended grace period of no less than 30 days to physicians in connection with direct to provider services before assessing finance charges. If physician consolidates the physician's orders to once monthly, Provider shall offer an extended grace period of 60 days to the Physician before assessing finance charges.
8. Agree to offer prompt pay discounts to physicians in connection with direct to provider services before assessing finance charges, if BCBSM and BCN decide to include direct to provider services in the program
9. Comply with periodic audits of claims and verification of BCBSM and BCN performance standards. Once audits are complete, that audit is considered closed and is no longer eligible for further audits. However, this shall not prevent BCBSM and BCN or Provider from complying with requests for audit from external sources (such as customer groups, government agencies, etc.).

C. Payments

1. Agree to issue a credit to the account of BCBSM, BCN, a physician or the member, pursuant to procedures outlined by BCBSM and BCN, if there is an overpayment by one

of these parties. In the event of an under-payment by BCBSM, BCN, a physician or a member, agree to obtain payment pursuant to BCBSM and BCN policies. In addition, Provider agrees to reconcile overpayments and underpayments and provide reports to BCBSM and BCN pursuant to their requirements.

2. Agree to cooperate with the BCBSM's and BCN's Audit and Compliance Units, and recovery of any overages identified as a result of an audit.

III. STANDARDS FOR ASSURING APPROPRIATE UTILIZATION OF HEALTH CARE SERVICES

1. Provide best-in-class utilization management programs to improve therapy adherence, appropriate utilization management standards and patient outcomes
2. Comply with periodic audits of claims and verification of performance standards. Once audits are complete, that audit is considered closed and is no longer eligible for further audits. However, this shall not prevent BCBSM and BCN or Provider from complying with requests for audit from external sources (such as customer groups, government agencies, etc.).
3. Provide BCBSM and BCN with a comprehensive package of reports, at least monthly, that detail utilization by type (Pharmacy / Medical), billing report, prescriber, patient and other factors determined by BCBSM and BCN.

IV. STANDARDS FOR ASSURING REASONABLE LEVELS OF ACCESS TO HEALTH CARE SERVICES

1. Have acceptable hours of operation, as determined by BCBSM and BCN.
2. Ship dispensed prescription drugs to members at provider's expense and guarantee delivery. In the event of a claim of non-delivery and provider cannot prove that delivery occurred, provider must immediately replace the order without charge and ship the order via overnight mail.
3. Have an established infrastructure to fill prescriptions at a rate sufficient to meet the needs of BCBSM and BCN member population
4. Have sufficient capacity and experience in the specialty pharmacy business and the infrastructure to support the dispensing of at least 50,000 specialty pharmacy prescriptions per year.
5. Agree to dispense administration supplies to Members, as appropriate, with injectable orders at all inclusive pricing.
6. Guarantee a 2% or less out-of-stock rate, excluding manufacturer backorders.
7. Have the ability to provide all specialty medications and ancillary products covered by BCBSM and BCN.
8. Support a next-day delivery capability.
9. Provide same-day (stat) delivery capabilities directly (or in partnership with a Michigan based pharmacy capable of meeting this service requirement).
10. Agree not to return unfilled any prescription to a member unless provider provides a written explanation to the member stating the reason for the return of the prescription and

advising the member and the member's physician of the member's rights to appeal the coverage denial.

11. Guarantee that 100% of prescriptions requiring no intervention (including out-of-stock) will be sent or scheduled to be sent within an average of 5 calendar days from the date the prescription is received, but none shall exceed 10 calendar days, excluding manufacturer back order without notification to BCBSN and BCN. Orders received after normal business hours will be considered to have been received on the next business day.
12. Guarantee that 100% of prescriptions requiring intervention (including out-of-stock) will be sent or scheduled to be sent within 7 calendar days from the date the prescription is received, but none shall exceed 14 calendar days without notification to BCBSM and BCN, excluding manufacturer back order. Orders received after normal business hours will be considered to have been received on the next business day.
13. Have an owned and operated Michigan-based dispensing facility to support BCBSM's and BCN's member population or agree to provide specialty medications in association with a local pharmacy in emergency and 'stat' of medication within the same day to any geographic location within Michigan or in locations where significant BCBSM or BCN population resides outside of Michigan.
14. Have an established disaster recovery plan that enables provider to perform its duties, obligations and services under this program within forty-eight (48) hours of a disaster.
15. Provide easy access to BCBSM and BCN members for order requests, refill requests, documentation, etc.

V. OTHER STANDARDS

A. Telephone, Written and Internet Communications

1. Provide dedicated Toll-free telephone access for use by members, BCBSM and BCN and physicians and a dedicated customer service center to handle BCBSM and BCN member calls. Provide TDD-TTY services for hearing impaired to access Customer Service Department.
2. Locate call center within the continental US and agree to no outsourcing without written permission from BCBSM and BCN.
3. Guarantee that less than 3% of calls will be abandoned; less than 1% of calls will be blocked and that the average time to answer a call is less than 20 seconds.
4. Maintain a website that contains updated information regarding, among other things: on-line order and status, prescription pricing information, coverage and benefit plan information, health news information and health assessment tools and resources.
5. Clearly offer the ability to speak with a pharmacist, nurse and administrative support associate in all communications with members (telephone, writing, publications, etc.) and provide a client service team which will respond to BCBSM's and BCN's questions, including but not limited to member concerns, claim payments, and daily interaction between the parties.

ADDENDUM D
REBATE / DISCLOSURE REQUIREMENTS

16. Have the ability to effectively manage unique benefit designs, eligibility criteria, reimbursement variations, etc. by line of business / product / account.
17. Demonstrate the ability to support the full book of BCBSM's and BCN's specialty pharmacy business to bid as an 'exclusive provider', or similarly as a 'semi-exclusive' provider as those terms are defined in the Request for Proposal.
18. Be free of conflicts of interest relative to BCBSM and BCN, their groups and members during the term of the Specialty Pharmacy Agreement.
19. Recognize that BCBSM will consider any other matters that materially affect the provider's performance in the selection process.
20. Recognize that customer preference maybe considered in the selection process.
21. Demonstrate an ability to cooperate with BCBSM and BCN, their members, groups and providers.
22. Recognize that BCBSM and BCN have the right to exercise business judgment in the selection process.
23. Agree that the Request for Proposal must be completed in it's entirely at the time of submission.
24. Be financially stable as defined by BCBSM and BCN at all relevant times.

and restoration of data and information used and generated as a result of this program and must comply with HIPAA.

E. Information Technology

1. Provide comprehensive information technology capabilities required to service the proposed program and provide the operational capabilities comparable to nationally recognized, best-in-class specialty pharmacies.

F. Miscellaneous

1. Be in the business of distributing specialty medications to physicians for office administration.
2. Provide acceptable references.
3. Agree to not outsource any work under this program outside the United States without the written consent of the BCBSM and BCN.
4. Be fully HIPAA compliant, which includes Identifiers, Privacy, Security, and Electronic Transactions/Code Sets.
5. Have no felony convictions of provider, provider's officers or directors.
6. Provide an experienced and dedicated account management team and establish a dedicated and branded (as defined by BCBSM and BCN) customer business unit (CBU) appropriately staffed to handle the enrolled BCBSM/ BCN population.
7. Submit all pertinent clinical information on new drugs to BCBSM and BCN for drug coverage and policy decisions.
8. Provide a comprehensive implementation plan for all services (or select services as may be awarded) to BCBSM and BCN to assure a smooth program launch on a date specified by BCBSM and BCN.
9. Agree to not assess any implementation charges to BCBSM and BCN for any services performed in connection with implementation(s).
10. Adhere to Omnibus Budget Reconciliation Act requirements in the dispensing process.
11. Agree to accept personal checks, cashier checks, money orders and credit cards as well as other methods of payment for covered services. In the event that Members are not able to afford their lump sum out-of-pocket expense, Provider may provide payment plans to assist affordability of care.
12. Maintain valid general liability insurance for all facilities in minimum amounts of \$1,000,000 per occurrence and \$5,000,000 aggregate coverage. Maintain valid professional liability (druggist) and product liability in minimum amount of \$10,000,000 per occurrence.
13. Be able to meet all state and federal requirements pertaining to this program.
14. Agree to not utilize BCBSM's and BCN's corporate names or logos in any way or form without the written approval of BCBSM and BCN.
15. Agree to accept all terms and conditions of the Specialty Pharmacy Agreement.

6. Prepare and distribute group and member communications on program use and access to services.

B. Claims Submission

1. Guarantee that claims will be submitted to the claims processor(s) in accordance with BCBSM and BCN policies and requirements.
2. For specialty medications dispensed to Members for self-administration, submit claims on-line utilizing the most current NCPDP format, to BCBSM's and BCN's preferred claims processor(s) (or via a mutually agreeable format and submission method.) For specialty medications dispensed to physicians for in-office administration, submit claims electronically using the professional 837 HIPAA format or other designated form as required by BCBSM or BCN. Accept edits according to the most current NCPDP Telecommunication Standard for on-line claim submissions. Agree to not turn off edits at the facility level and respond appropriately to on-line messages.
3. Agree to reconcile 100% of Provider's reimbursements and appeal any disputed claims within a maximum of 180 days from date payment is made.
4. React appropriately to on-line edits which may adversely affect the member's medical status or coverage.
5. Reverse claims for shipments that are lost or damaged, or reship at no additional charge. If a claim cannot be reversed or reshipped at no charge, handle as a dispensing error.
6. Establish technical connections necessary to submit claims transactions for members using BCBSM's and BCN's preferred claims processors and agree to comply with BCBSM's and BCN's administrative requirements governing the use of these systems. Provider must pay the cost of all system modifications, line charges and other communication costs associated with changes to provider's systems as well as all fees charged by the Blues claims processor(s).
7. Agree to submit 100% of initial claims within 60 days of the date of service, otherwise BCBSM and BCN will be under no obligation to pay the claims.
8. Guarantee that 99% of all claims submitted by Provider to the claims processor(s) will have no errors.

C. Complaint Resolution

1. Maintain a formal procedure to assure complaint resolution within 5 calendar days of receipt. Provider will provide BCBSM and BCN with reports regarding complaints, including the number and types of complaints.
2. Maintain policies and procedures to address member problems, complaints and timely resolution.
3. Meet with BCBSM and BCN monthly to review implementation, performance, resolve member and ordering physician issues and complaints, review reports, billing issues, payment issues, audit issues, discuss areas for improvement, etc.

D. Disaster Recovery

1. Maintain and document a comprehensive disaster recovery program for all technical systems (computer, telephone, fax, etc.). The plan must provide for the backup, storage

ADDENDUM E

ADDITIONAL SERVICE REQUIREMENTS AND STANDARDS

1. **Customer (Patient / Provider) Service Requirements & Standards**

A. *Hours of Operation:*

Provider's hours of operation will be as follows:

Customer Service: Monday thru Friday-8:00 AM – 8:00 PM (Eastern)
Saturdays-8:00 AM – 8:00 PM (Eastern)
Sundays- 8:00 AM–1:00 PM (Eastern)

Pharmacy Department: Monday thru Friday-8:00 AM – 8:00 PM (Eastern)

Billing / Reimbursement: Monday thru Friday-8:00 AM – 8:00 PM (Eastern)

Emergency Access / Clinical Support: 24 / 7 / 365

B. *Telephone Access Requirements, & Standards:*

1. Provider shall provide dedicated toll-free telephone access to Customer Service for the Specialty Pharmacy Program for use by Members, BCBSM/BCN and physicians.
2. Provider shall provide 24 hour access to a pharmacist and registered nurse via dedicated toll-free telephone service.
3. Provider shall provide Member issue triage and resolution process between BCBSM, BCN and Provider for Specialty Pharmacy Program inquiries.
4. Provider will provide dedicated customer service center to handle BCBSM and BCN member calls.
5. Provider shall provide TDD-TTY services for hearing impaired to access Customer Service Department.

C. *Web Access Requirements:*

Provider's standard website capabilities must include:
Online prescription ordering and status
Prescription pricing information
Coverage and benefit plan information

Health news information
Health assessment tools and resources

2. Operational Service Requirements & Standards

A. *Fulfillment Capabilities Requirements:*

1. Direct to patient

a. Provider must have infrastructure to fill prescriptions at a rate sufficient to meet the needs of the BCBSM and BCN patient population.

b. Provider shall have sufficient infrastructure and capacity to support at least 50,000 specialty pharmacy prescriptions per year.

2. Direct to provider. Provider must meet the following direct to provider requirements:

a. Provider shall have sufficient infrastructure to support distribution to BCBSM/BCN Physicians.

B. *Hemophilia Care Management—as part of the service program, Provider shall provide a Hemophilia Care Management Program if requested by BCBSM and/or BCN as follows:*

1. Provider shall support a comprehensive Hemophilia management program.

2. Provider shall provide tailored services unique to the clinical, psycho-social-economic needs of individuals with Hemophilia or other bleeding disorders.

3. Provider shall provide utilization management programs that promote excellent patient care and appropriate utilization (cost) management standards.

4. Provider shall provide nursing services as part of the Hemophilia management program.

C. *Other Care Management Programs—Provider shall provide a Compounding Management Program as follows and, if requested by BCBSM and/or BCN, Provider shall provide IVIG Distribution Management and Chemotherapy Care Management Programs as follows:*

1. Provider shall support a comprehensive therapy management program for a Compounding Management Program and, if requested by BCBSM and/or BCN, for an IVIG Distribution Management Program and Chemotherapy Care Management Program.
2. Provider shall customize services to meet the unique clinical and psycho-social-economic needs of patients.
3. Provider shall provide utilization management programs that promote excellent patient care and appropriate utilization (cost) management standards.

D. *Quality Assurance and Utilization*

1. Provider shall provide best in class utilization management programs to improve therapy adherence, compliance and patient outcomes.
2. Provider shall have a comprehensive Quality Assurance / Quality Improvement (QA/QI) program and shall meet the following requirements and standards:
 - a. Provider shall provide BCBSM and BCN with documentation of dispensing and non-dispensing errors and how each of these errors was corrected.
 - b. Provider will contact physician's office and clarify any part of a script that is not legible.
 - c. Provider must have formal prescription quality assurance and error prevention policies, procedures and protocols – and shall maintain documentation of utilization review activities. Copies of these documents must be provided to BCBSM and BCN upon request.
 - d. Provider shall provide BCBSM and BCN with copies of protocols used to ensure patient safety for products dispensed to BCBSM and BCN members.
 - e. Provider shall provide best in class utilization management programs to improve therapy adherence, compliance and patient outcomes.
 - f. Provider shall have a reliable product recall policy and procedures.

g. Provider shall maintain comprehensive patient profiles (medical histories) for all enrolled patients and shall request medication histories from each new patient.

h. Provider shall acquire all products and supplies from reputable manufacturers.

i. Provider (Pharmacists) will pro-actively contact prescribing physicians to confirm prescriptions, dosing, regimen, etc.

j. Provider shall demonstrate how automation is used and have acceptable quality control policies and procedures to assure quality care.

k. Provider shall maintain adequate drug risk analysis procedures.

l. Provider will maintain a formal procedure to assure complaint resolution within 5 calendar days of receipt of complaint, and will immediately forward the member complaint to BCBSM or BCN, as applicable, when the member or his/her representative indicates the member wishes the matter to be handled as an expedited grievance. Provider will provide reporting on complaints with number and types of complaints in the form required by BCBSM/BCN.

m. Provider will adhere to the Omnibus Budget Reconciliation Act requirements in the dispensing process.

n. Provider will possess specific programs, protocols, tools, etc., to manage or prevent waste.

o. Provider will comply with BCBSM's and BCN's formulary, clinical programs and drug policies.

E. *Patient Education and Assistance and Monitoring*

1. Provider shall send high-quality educational materials with all filled prescriptions, subject to BCBSM's and BCN's prior written approval.

2. Provider shall prepare and distribute group and member communications on program use and access to services, subject to BCBSM and BCN prior approval.

3. Provider shall make a Nurse, Pharmacist and administrative support associates easily accessible to answer Member questions.

4. Provider shall provide easy access to patients for order requests, refill requests, documentation, etc.
5. Provider shall maintain policies and procedures to address patient problems, complaints and timely resolution.
6. Provider shall clearly offer the ability to speak with a Pharmacist or Nurse in all communications with patients (telephone, writing, publications, etc.).
7. Provider shall document patient compliance and other applicable clinical and quality of life data as applicable to patients' therapy regimen.

3. Training

1. Provider shall maintain rigorous initial and ongoing training for all clinicians.
2. Provider shall provide comprehensive training for all non-clinician associates who will service Members with respect to the triage of clinical issues.
3. Provider shall provide comprehensive training for all associates (clinicians and non-clinicians) who will service prescribing physicians (or office staff)

4. Contractual Service Requirements

A. Capabilities – General/IT Systems/Eligibility & Membership/Reporting

1. Provider will effectively manage unique benefit designs, eligibility criteria, reimbursement variations, etc. by line of business / product / account.
2. Provider agrees to –
 - a. Provide an owned and operated Michigan based dispensing facility to support the BCBSM and BCN population, or
 - b. Provide Specialty Medications in association with a local pharmacy in emergency and 'stat' situations. Emergency/stat situations require delivery of medication within the same day to any geographic location within Michigan or in locations where significant BCBSM or BCN population resides outside of Michigan.

3. Provider will provide comprehensive Information Technology capabilities required to service the proposed program and provide the operational capabilities comparable to nationally recognized, best-in-class specialty pharmacies.

B. *Account Service and Specialty Pharmacy Program Implementation*

1. Provider will submit all pertinent clinical information on new drugs to BCBSM and BCN for drug coverage and policy decisions.

2. Provider will provide a comprehensive Implementation Plan for all services (or select services as may be awarded) to BCBSM and BCN to assure a smooth Specialty Pharmacy program launch.

3. Provider will not assess any Implementation charges to BCBSM or BCN for any services performed in connection with the implementation(s).

4. Provider will meet with BCBSM and BCN monthly to review implementation, performance, resolve patient and ordering physician issues and complaints, review reports, billing issues, payment issues, audit issues, to discuss areas for improvement, etc.

ADDENDUM F
PERFORMANCE GUARANTEES

| Item # | Performance Guarantee: | Service Standard: | Penalty: |
|--------|--|---|----------|
| 1 | Provider guarantees that less than 3% of calls will be abandoned. | For the purposes of this Agreement, "abandoned" means that Provider did not answer the incoming call within 20 seconds and the customer disconnected after placing the call but before the call was answered by Provider. | \$ |
| 2 | Provider guarantees that less than 1% of calls will be blocked. | For the purposes of this Agreement, "blocked" calls are incoming phone calls that, due to volume, can not be completed. They are calls that are initially received by the Provider telephonic system, but are not received by either a live representative or the Interactive Voice Response (IVR) system. n | \$ |
| 3 | Provider guarantees an average speed to answer of less than 20 seconds. | For the purposes of this Agreement, "answer" means by a live representative or Interactive Voice Response (IVR) system. | \$ |
| 4 | Provider guarantees that 95% of written inquiries will be responded to within 5 calendar days. | For the purposes of the Agreement, "responded to" means by a letter sent within 5 calendar days of receipt of written inquiry. "Written Inquiries" include inquiries received by fax, U.S. mail or private carrier, or electronic mail. It is understood that calendar days shall exclude recognized national holidays. | \$ |
| 5 | Provider guarantees that 100% of claims will be submitted in accordance with BCBSM and BCN policies, procedures and administrative requirements, which include | n TBD | |

| Item # | Performance Guarantee: | Service Standard: | Penalty: |
|--------|--|---|----------|
| | the requirements contained in 2.13 of the Specialty Pharmacy Agreement. | | |
| 6 | Provider guarantees that 99% of all claims processed will have no financial errors. | For purposes of this Agreement, "no financial error" means a complete and accurate claim for payment of Covered Services, free of outstanding subrogation, coordination of benefits, or other secondary payer issues, filed in the correct electronic format and containing all pertinent information as may be required in applicable statutory and regulatory guidelines and in compliance with applicable BCBSM/BCN policies, procedures and administrative requirements. | |
| 7 | Provider guarantees that 99% of all claims submitted by Provider to the claims processor will have no errors. | For purposes of this Agreement, "no errors" means a complete and accurate claim for payment of Covered Services, free of outstanding subrogation, coordination of benefits, or other secondary payer issues, filed in the correct electronic format and according to the applicable fee schedule, free of incorrect patient, charge, dosage, or quantity information, in compliance with applicable BCBSM/BCN policies, procedures and administrative requirements, excluding incorrect price for medical claims. | |
| 8 | Provider guarantees that 100% of initial claims will be submitted within 60 days of the date of service; otherwise BCBSM and BCN will be under no obligation to pay for services rendered. | For the purposes for this agreement, "initial claim" does not include any resubmitted claim for claims already submitted or processed. | |
| 9 | Provider guarantees that Provider will reconcile 100% of reimbursements and appeal any disputed claims | N/A | |

| Item # | Performance Guarantee: | Service Standard: | Penalty: |
|--------|---|---|----------|
| | within a maximum of 180 days from date the payment is made. | | |
| 10 | Provider guarantees that 100% of prescriptions requiring no intervention (including out of stock) will be sent or scheduled to be sent within average of 5 calendar days from the date the prescription is received, but none shall exceed 10 calendar days, excluding manufacturer back order. | For purposes of this Agreement, orders received after normal business hours will be considered to have been received on the next business day. | |
| 11 | Provider guarantees that 100% of prescriptions requiring intervention (including out of stock) will be sent or scheduled to be sent within average of 7 calendar days from the date the prescription is received, but none shall exceed 14 calendar days, excluding manufacturer back order, without notification to BCBSM and BCN. | For purposes of this Agreement, orders received after normal business hours will be considered to have been received on the next business day. | \$ |
| 12 | Provider guarantees a <u>non-dispensing</u> error rate of 2% or less. | For the purposes of this Agreement, "non-dispensing error" includes but is not limited to clerical errors, incorrect address, incorrect co-pays, physician information and errors which impact the delivery and claim processing of orders. | \$ |
| 13 | Provider guarantees a <u>dispensing</u> error rate of 2% or less. | For the purpose of this Agreement, "dispensing error" includes, but is not limited to incorrect medication, incorrect dosage, incorrect dosing information and any medication errors. | \$ |

| Item # | Performance Guarantee: | Service Standard: | Penalty: |
|--------|--|-------------------|----------|
| 14 | Provider guarantees an out-of-stock rate of 2% or less, excluding manufacturer backorders. | N/A | 100,000 |

*Each penalty will fluctuate in direct proportion to Provider's Specialty Medication sales through the BCBSM and BCN Specialty Pharmacy program (self-administered and Physician office) relative to sales of

Provider's obligations under this Addendum F shall survive termination or expiration of this Agreement.

Addendum G

Medicare Attestation

1. Provider acknowledges to the best of its knowledge, information and belief, there are no past or pending investigations, legal actions, or matters subject to arbitration involving Provider or any key management, executive staff, or any major shareholders (5% or more) of Provider on matters relating to payments from governmental entities, both federal and state, for healthcare and/or prescription drug services.

2. Provider acknowledges to the best of its knowledge, information, and belief that Provider has not been criminally convicted nor has a civil judgment been entered against it for fraudulent activities nor is it sanctioned under any Federal program involving the provision of health care or prescription drug services.

3. Provider acknowledges to the best of its knowledge, information and belief, neither Provider nor any key management, executive staff, or any major shareholders (5% or more) of Provider appear in the List of Excluded Individuals/Entities as published by the Department of Health and Human Services Office of the Inspector General, nor in the List of Debarred Contractors as published by the General Services Administration.

The List of Excluded Individuals/Entities published by the Department of Health and Human Services Office of the Inspector General can be found at <http://oig.hhs.gov/fraud/exclusions/database.html>. The List of Debarred Contractors published by the General Services Administration can be found at <http://epls.arnet.gov/>.

4. Provider is obligated to notify BCBSM immediately to the best of its knowledge, information and belief of any change in circumstances occurring after the Effective Date of this Medicare Amendment which would require the Provider or its key management, executive staff, or any major shareholders (5% or more) to then respond affirmatively to any of the questions posed in paragraphs 1, 2 and 3 of this Medicare Attestation.



**SCHEDULE B – SPECIALTY PHARMACY REIMBURSEMENT —
INDEPENDENT AND CHAIN FOR NON-MEDICARE PART D PROGRAMS**

**SPECIALTY PHARMACY
REIMBURSEMENT/RATES**

A. Reimbursement for Specialty Medications dispensed to non-Medicare Part D Members is governed by this Schedule B. Schedule B does not apply to medications dispensed to Medicare Part D Members. Schedule A is not applicable to Specialty Medications except as specifically provided in Schedule B.

B. Under this Schedule B, Covered Specialty Pharmacy Services will be reimbursed based on the following formula:

The sum of Drug Product Cost plus applicable Dispensing Fee, plus any applicable Pharmacy Incentive minus Member Copayment and Deductible.

The BCBSM approved amount is the sum of the Drug Product Cost, applicable Dispensing Fee and any applicable Pharmacy Incentive:

1. Drug Product Cost

1.1 Specialty Pharmacy Price List. Reimbursement for Specialty Medications that are listed on the attached Price List, which are included in BCBSM's or BCN's MAC List is the lesser of submitted ingredient cost, Provider's Retail Charge, the MAC List price or AWP minus the drug specific discount reflected on the Price List.

1.2. Generic Versions of Brand Drugs Where Brand Drug is on the Price List.

Reimbursement for generic versions of brand drugs where the brand drugs are on the Specialty Pharmacy Price List is the lesser of submitted ingredient cost Provider's Retail Charge, or AWP minus () for: 1) drugs approved as generic drugs beginning when the drug comes to market as a generic drug and ending when the drug is placed on the Price List; or 2) generic drugs not referenced on the Price List beginning on the Effective Date of this Amendment and ending when the drug is placed on the Price List.

1.3. Generic Version of Brand Drugs Where Brand Drug is not on the Price List. Amended Schedule A applies to any generic drug for which the brand name drug is not on the Price List.

1.4. Brand Name Drugs Not on the Price List. Amended Schedule A governs reimbursement for Specialty Medications that are brand name drugs not on the Price List until BCBSM establishes an AWP discount for the Specialty Medication and places the drug on the Price List. The AWP discount will apply beginning when the drug is placed on the Price List.

1.5. Reimbursement for all other Specialty Medications will be the lesser of submitted ingredient cost, Provider's Retail Charge, or AWP minus the drug specific discount reflected on the Price List.

2. Dispensing Fee

› dispensing fee will be paid to the Provider.

3. Pharmacy Incentive

pharmacy incentive will be paid to the Provider.

4. Member Copayment

Member copayments will be determined by each Group (or in the case of individual coverage, each individual) purchasing the Covered Specialty Pharmacy Services under this Agreement and will vary per Group (or individual in the case of individual coverage).

5. Deductible

Member deductibles will be determined by each Group (or individual in the case of individual coverage) purchasing the Covered Specialty Pharmacy Services under this Agreement and will vary per Group (or individual in the case of individual coverage).

C. Dispensing Limitations

1. Specialty Medications Dispensed To Non-Medicare Part D Members

Provider is not required to dispense Specialty Medications to non-Medicare Part D Members. However, if Provider does dispense Specialty Medications, Provider will be reimbursed for Specialty Medications according to Schedule B.

A Provider that is a participating 90-Day Retail Network Provider may dispense up to a 90-day supply of a Specialty Medication if prescribed as such to a non-Medicare Part D Member (other than a BCN Member) if the Member's benefit plan permits a 90-day supply and if the Specialty Medication is covered under the Member's benefit plan. As with other Specialty Medications, the 90-day supply will be reimbursed according to Schedule B rates.

A Provider that is not a 90-day Retail Network Provider may only dispense up to a 34-day supply to a non-Medicare Part D Member if the Specialty Medication is covered under the Member's benefit plan. Reimbursement is governed by Schedule B.

BCBSM / BCN Specialty Pharmacy Price List

**Attachment 1
September 2006**

| PRODUCT | AWP Based Discount (-x%) |
|----------------------------|---------------------------------|
| ACTHAR GEL | |
| ACTIMMUNE | |
| ARALAST | |
| ARANESP | |
| ARIMIDEX | |
| ARIXTRA | |
| AROMASIN | |
| AVONEX | |
| BETASERON | |
| BRAVELLE | |
| CARIMUNE | |
| CASODEX | |
| CEENU | |
| CELLCEPT | |
| CETROTIDE | |
| CHOREX | |
| COPAXONE | |
| COPEGUS | |
| CYCLOSPORINE | |
| CYCLOSPORINE SOLN | |
| CYTOXAN | |
| ELIGARD | |
| EMCYT | |
| ENBREL | |
| EPOGEN | |
| EULEXIN | |
| EXJADE | |
| FACTREL | |
| FARESTON | |
| FEMARA | |
| FERTINEX | |
| FLUTAMIDE | |
| FOLLISTIM | |
| FORTEO | |
| FRAGMIN | |
| FUZEON | |
| GANCICLOVIR | |
| GANIRELIX ACETATE | |
| GENGRAF | |
| GENOTROPIN | |
| GEREF | |
| GLEEVEC | |
| GONAL F | |
| HEPARIN 5000U/0.5ML | |
| HEPARIN 5000U/ML CARPUJECT | |
| HEPARIN 20,000U/ML | |
| HEPARIN 5000U/ML 10ML | |
| HEPARIN 5000U/ML 1ML | |
| HEPARIN 10,000U/ML 1ML | |
| HEPSERA | |
| HEXALEN | |
| HUMATROPE | |
| HUMIRA | |
| HYDREA | |

**BCBSM / BCN Specialty Pharmacy Price List
Attachment 1
September 2006**

| PRODUCT | AWP Based Discount (-x%) |
|------------------------------|--------------------------|
| HYPERRHO | |
| HYDROXYUREA | |
| INFERGEN | |
| INNOHEP | |
| INTRON A | |
| IRESSA | |
| KINERET | |
| LEUCOVORIN | |
| LEUKERAN | |
| LEUKINE | |
| LEUPROLIDE ACETATE | |
| LOVENOX | |
| LUPRON | |
| LUPERIS | |
| LYSODRYN | |
| MATULANE | |
| MEGACE SUSPENSION | |
| MEGESTROL ACETATE SUSPENSION | |
| MERCAPTOPYRINE | |
| MYLERAN | |
| NEORAL | |
| NEULASTA | |
| NEUMEGA | |
| NEUPOGEN | |
| NEXAVAR | |
| NILANDRON | |
| NOLVADEX | |
| NORDITROPIN | |
| NOVAREL | |
| NUTROPIN | |
| ORFADIN TABS | |
| OVIDREL | |
| PEGASYS | |
| PEG-INTRON | |
| PREGNYL | |
| PROCRIT | |
| PROFASI | |
| PROGRAF | |
| PULMOZYME | |
| PURINETHOL | |
| RAPAMUNE | |
| RAPTIVA | |
| REBETOL | |
| REBETRON KIT | |
| REBIF | |
| REMODULIN | |
| REPRONEX | |
| REVLIMID | |
| RIBASPHERE | |
| RIBAVIRIN | |
| ROFERON-A | |
| SAIZEN | |
| SANDIMMUNE | |
| SANDOSTATIN | |

BCBSM / BCN Specialty Pharmacy Price List
Attachment 1
September 2006

| PRODUCT | AWP Based Discount (-x%) |
|-------------|--------------------------|
| SANGCYA | |
| SENSIPAR | |
| SEROSTIM | |
| SUPPRELIN | |
| SUTENT | |
| TAMOXIFEN | |
| TARCEVA | |
| TARGRETIN | |
| TEMODAR | |
| TEV-TROPIN | |
| THALOMID | |
| THIOGUANINE | |
| TOBI | |
| TRACLEER | |
| VENTAVIS | |
| WINRHO SDF | |
| XELODA | |
| XOLAIR | |
| ZOLADEX | |
| ZORBTIVE | |

September 13, 2006

Mr. Bruce Kutinsky
Option Care, Inc.
Executive Vice President
Specialty Pharmacy
1350 Highland Drive, Suite D
Ann Arbor, MI 48108

Re: Specialty Pharmacy Agreement Between Blue Cross Blue Shield of Michigan, Blue Care Network of Michigan and Option Care, Inc.

Dear Mr. Kutinsky:

Blue Cross Blue Shield of Michigan, Blue Care Network of Michigan and Option Care, Inc. are the parties to a Specialty Pharmacy Agreement (Agreement) effective March 1, 2006. This letter confirms that, after having read the Agreement, the parties seek to amend the insurance requirements contained in Section 2.3, to clarify the reimbursement methodology contained in Addendum A, and to replace the price list attached as Addendum A-1. The parties agree this letter constitutes an Amendment to the Agreement effective March 1, 2006 (the Effective Date).

The following shall be added to Article I, Definitions and the remaining definitions renumbered:

1.12 Generic Code Number (GCN) means: A number that is specific to the generic ingredients, route of administration, dosage form and drug strength. GCN is the same across manufacturers or package sizes.

The following shall replace Section 2.3 of the Agreement:

2.3 **Insurance** – The minimum amount of comprehensive general liability coverage that Provider shall have and maintain is one million dollars (\$1,000,000) per occurrence and five million dollars (\$5,000,000) aggregate. Provider shall maintain valid professional liability (druggist) and product liability insurance at a minimum of six million dollars (\$6,000,000) per occurrence and

eight million dollars (\$8,000,000) aggregate. Evidence thereof shall be furnished to BCBSM and BCN upon request. All insurance shall be held with carriers having at least an "A" rating and, with respect to comprehensive general liability coverage, include BCBSM and BCN as additional named insureds. If Provider fails to provide coverage in a continuous manner, BCBSM and BCN will charge back to Provider any expense incurred by BCBSM and BCN, or a reasonable estimate of the expense, in purchasing like protection, plus the value of any claims that would not have been paid by BCBSM and BCN had Provider obtained proper insurance coverage.

The following shall replace Addendum A of the Agreement:

ADDENDUM A

SPECIALTY PHARMACY PROGRAM REIMBURSEMENT AND RATES

A. Covered Services Provided To Members. Under the Specialty Pharmacy program, reimbursement for Covered Services provided to Members will be based on the following formula: Drug Product Cost minus Member copayment and deductible equals the reimbursement to Provider.

Drug Product Cost

1. Price List. Reimbursement for Specialty Medications listed on Addendum A-1 (the Price List) is AWP minus the appropriate negotiated percentage as described in the Provider's response to the RFP and mutually agreed upon by the parties in writing (Addendum A-1*).

2. Generic Drugs not on the Price List.

A. Reimbursement for Specialty Medications is AWP minus it () for: 1) drugs approved as Generic Drugs beginning when the drug comes to market as a Generic Drug and ending when the drug is placed on the Price List; or 2) drugs not referenced on the Price List, beginning on the Effective Date of the Agreement and ending when the drug is placed on the Price List.

B. When the drug is placed on the Price List, the Price List price applies.

C. Dispense As Written requests will be processed and paid according the Member's Plan Design. When a Brand Drug is available in generic form, BCBSM will develop a MAC price for the Generic Drug and share the MAC price with the Provider for input and agreement before the MAC price is applied. The Generic Drug shall be placed on both the Price

List and BCBSM's MAC list. The MAC price and Price List price for the Generic Drug shall be the same. Members with a Mandatory MAC benefit design will be charged the cost difference between the Brand Drug price and the MAC price plus copay when the Brand Drug is dispensed instead of the Generic Drug.

3. New Brand Drugs. Reimbursement for Specialty Medications that are Brand Drugs is Cost plus percent). Within sixty (60) days of introduction of the product and the Cost plus price being established (or as soon as an agreement can be reached), the parties will negotiate an AWP discount for the Specialty Medication for placement on the Price List.

*Addendum A-1 lists the negotiated AWP discount for Specialty Medications by GCN. In the event that a GCN becomes obsolete, Provider shall use the replacement GCN upon the date the previous GCN becomes obsolete as indicated by First Data Bank, the FDA or any other mutually agreed upon source. Provider shall immediately notify BCBSM and BCN of the new GCN. The AWP discount on the obsolete GCN will apply to any replacement GCN. Addendum A-1 may be revised upon mutual agreement of the parties.

Member Copayment

The copayment level for Members under the Specialty Pharmacy program will be determined by each Group (or in the case of individual coverage, individual) purchasing the Specialty Medication under this Agreement and will vary per Group (or individual in the case of individual coverage).

Deductible

The deductible for Members under the Specialty Pharmacy program will be determined by each Group (or individual in the case of individual coverage) purchasing the Specialty Medication under this Agreement and will vary per Group (or individual in the case of individual coverage).

Dispensing Fee

Pharmacy Incentive

Ancillary Products

Provider shall dispense Ancillary Products to Members with Specialty Medications. The Drug Product Cost includes the cost of Ancillary Products. BCBSM and BCN will not provide additional reimbursement to Provider for Ancillary Product costs.

Programs and Services

The Drug Product Cost includes the costs of all programs and services included in the Provider's service program provided to the Member by the Provider, including but not limited to focused therapy management. Additional reimbursement will not be made to the Provider for these costs unless otherwise agreed to by the parties in writing.

B. Covered Services Provided to Physicians and Billed to BCBSM/BCN. When BCBSM and BCN invoke the option to include Covered Services provided to Physicians under this Agreement, at a date to be determined by BCBSM and BCN, reimbursement for Covered Services provided to Physicians and billed by Provider to BCBSM or BCN will be based on the following formula: Drug Product Cost minus Member copayment and deductible equals the reimbursement to Provider.

Drug Product Cost

Reimbursement for Specialty Medications is ASP plus . . . percent

Reimbursement for Specialty Medications with no ASP is AWP minus . . . percent (. . .). Once an ASP is established, pricing shall change to ASP plus . . . percent

Member Copayment

The copayment level for Members under the Specialty Pharmacy program will be determined by each Group (or in the case of individual coverage, individual) purchasing the Specialty Medication under this Agreement and will vary per Group (or individual in the case of individual coverage).

Deductible

The deductible for Members under the Specialty Pharmacy program will be determined by each Group (or individual in the case of individual coverage) purchasing the Specialty Medication under this Agreement and will vary per Group (or individual in the case of individual coverage).

Dispensing Fee

Pharmacy Incentive

Ancillary Products

If Provider dispenses Ancillary Products to Physicians, Provider may bill Physicians directly for these costs but BCBSM and BCN will not reimburse Provider for these costs.

C. Covered Services Provided and Billed to Physicians. When BCBSM and BCN invoke the option to include Covered Services provided to Physicians under the pricing provided in this Agreement, at a date to be determined by BCBSM and BCN, reimbursement for Covered Services provided to Physicians and billed by Provider to Physicians will equal the Drug Product Cost as set forth below:

Drug Product Cost

Reimbursement for Specialty Medications is ASP plus percent

Reimbursement for Specialty Medications with no ASP is AWP minus percent Once an ASP is established, pricing shall change to ASP plus percent

Dispensing and Other Fees

Pharmacy Incentive

Ancillary Products

If Provider dispenses Ancillary Products to Physicians, Provider may bill Physicians directly for these costs but BCBSM and BCN will not reimburse Provider for these costs.

D. No Other Remuneration

No other remuneration of any kind will be paid to Provider in connection with this Agreement by BCBSM or BCN or others, including but not limited to administrative fees, service fees, shipping and handling costs, or sales tax, unless otherwise agreed to by the parties in writing.

The attached Price List shall replace the original price list in Addendum A-1.

Except for the changes made by this Amendment, all other terms of the Agreement shall remain the same.

SIGNATURE

Please sign below to acknowledge your agreement to the terms of this Amendment to the Agreement.

PROVIDER

BLUE CROSS BLUE SHIELD OF MICHIGAN

BY: _____

BY: _____

TITLE _____

TITLE _____

DATE _____

DATE _____

BLUE CARE NETWORK OF MICHIGAN

BLUE CROSS BLUE SHIELD OF MICHIGAN

BY: _____

BY: _____

TITLE _____

TITLE _____

DATE _____

DATE _____

**Addendum A-1
Drug Pricing List**

ADDENDUM A-1 (Medial)

| NDC # | PRODUCT | THERAPEUTIC GROUP / CATEGORY | Billed Unit (QTY) | Jcode | ASP | ASP+10 |
|-------|---------|------------------------------|-------------------|-------|-----|--------|
|-------|---------|------------------------------|-------------------|-------|-----|--------|

RECEIVED

Detroit, MI 48226-2998



Blue Shield
Blue Care Network
of Michigan

JUL 28 2006

June 26, 2006

Mr. Michael Barone
Vice President
Medco Health Solutions, Inc.
100 Parsons Pond Drive
Franklin Lakes, NJ 07417-2603

Re: Specialty Pharmacy Drugs

Dear Mr. Barone,

Please accept this letter as your formal notice pursuant to Section B (1) (a) (iv) of Amendment No. 2 to the Pharmacy Benefit Manager Agreement that Blue Cross Blue Shield of Michigan ("BCBSM") and Blue Care Network of Michigan (BCN) are terminating Medco Health Solution's ("Medco") services with respect to Specialty Drugs dispensed under the Mail Order Pharmacy Program effective October 1, 2006. Accordingly, Medco shall not dispense Specialty Drugs under the Specialty Pharmacy Mail Order Program after September 30, 2006. In addition, Medco shall not submit for any rebates for Specialty Drugs dispensed after September 30, 2006 under the Medco Retail Pharmacy Program for BCBSM or BCN members.

"Specialty Drugs" means pharmaceutical products that are generally biotechnological in nature, with many requiring injection or other non-oral methods of administration, and that have special shipping or handling requirements, including, but not limited to, the drugs listed in Addendum A (which Addendum may be updated by BCBSM and BCN from time to time). Some of the disease categories currently in Medco's specialty pharmacy programs include cancer, cystic fibrosis, Gaucher disease, growth hormone deficiency hemophilia, immune deficiency, Hepatitis C, infertility, multiple sclerosis, rheumatoid arthritis, and RSV prophylaxis.

It is our expectation that Medco will assist BCBSM and BCN in the smooth transition of existing and future prescriptions to our new specialty pharmacy mail order vendor.

If you have any questions, please feel free to call us. Thank you for your anticipated cooperation.

Sincerely,



Kim Sorget,
Vice President, Provider Contracting and Pharmacy Services
Blue Cross Blue Shield of Michigan



Douglas Woll, M.D.,
Senior Vice President and Chief Medical Officer
Blue Care Network of Michigan

c: Atheer Kaddis
Jim Grzegorzcyk
Glen Perry

Attachment: Addendum A

ADDENDUM A

Between

AUG 04 2006

Blue Cross Blue Shield of Michigan, Blue Care Network of Michigan,

And

Medco Health Solutions, Inc.

Whereas, Blue Cross Blue Shield of Michigan ("BCBSM"), Blue Care Network of Michigan ("BCN") and Medco Health Solutions, Inc. ("Medco") are parties to an agreement that is effective January 1, 2000 (the "Agreement"); and

Whereas, the Agreement and its amendments expire December 31, 2005;

Whereas, after execution of this Amendment No. 2, the parties agree to enter into good faith negotiations to complete a new master agreement to replace the Agreement as amended and to incorporate these terms of Amendment No. 2 and other general governing provisions of the relationship.

Now therefore, the parties agree as follows:

A. EXTENSION OF TERM.

The term of the Agreement shall be extended until December 31, 2007. Except as set forth in this Amendment, the terms and conditions of the Agreement and Amendment No. 1 shall remain in full force and effect.

B. MEDCO'S CONTINUED PHARMACY BENEFIT MANAGEMENT SERVICES.

1. Mail Order Pharmacy Services for BCBSM and BCN Effective

a. Mail Order Pricing.

- (i) **Brand Drugs (Excluding Specialty Drugs):** AWP minus effective January 1, 2005, and AWP minus % effective January 1, 2006, plus dispensing fee per prescription effective

Medco will be reimbursed at AWP minus % in those cases where a Brand Drug is dispensed and the drug is on BCBSM's MAC List unless the physician prevents substitution (DAW1). Medco may collect the difference between the BCBSM Allowed Amount for the Brand Drug and the MAC amount from the Member if the Member prevents substitution (DAW2), or, under a mandatory MAC program, for both DAW1 and DAW2 claims. If BCBSM's MAC list contains drugs that state law requires the Brand Drugs to be dispensed in the states where the mail service pharmacy is located, BCBSM will allow a DAW=7 code to override the AWP minus % pricing provided Medco supplies BCBSM

with adequate documentation describing the requirement. Likewise, for all multi-source Brand Drugs dispensed with a DAW=8 (i.e. Generic Drug not available in the marketplace), BCBSM will reimburse Medco for the brand name product provided that BCBSM can verify that a shortage of the Generic Drug exists. In all other situations when a Brand Drug on BCBSM's MAC list is dispensed, Medco will be reimbursed at AWP minus _____ for the Brand Drug.

- (ii) **Generic Drugs:** (AWP minus _____ %) + _____ dispensing fee per prescription (applies to both MAC and non-MAC Generic Drugs) effective _____

- (iii) **MPSERS Pricing at Mail Service:** MPSERS pricing at Mail Service through December 31, 2007, remains at Brands: AWP- _____ plus \$(_____ dispensing fee per prescription and Generics: Lower of BCBSM MAC or AWP minus _____ % plus _____ dispensing fee per prescription.

- (iv) **Specialty Pharmacy Program:** Notwithstanding anything to the contrary in Sections (i), (ii), or (iii) above and elsewhere in the Agreement, effective _____ BCBSM will pay Medco for those Covered Drugs designated as Specialty Drugs in Schedule A under the Mail Order Pharmacy Program on a separate ingredient cost basis (provided in Schedule A) plus applicable Dispensing Fee (provided in Schedule A), subject to the Copayment/Coinsurance in the applicable Plan Design. "Specialty Drugs" means pharmaceutical products that are generally biotechnological in nature, with many requiring injection or other non-oral methods of administration, and that have special shipping or handling requirements. Some of the disease categories currently in Medco's specialty pharmacy programs include cancer, cystic fibrosis, Gaucher disease, growth hormone deficiency hemophilia, immune deficiency, Hepatitis C, infertility, multiple sclerosis, rheumatoid arthritis, and RSV prophylaxis. Under the Retail Pharmacy Program, BCBSM will pay Medco for the Specialty Drugs in Schedule A according to the pricing set forth in the Retail Pharmacy program pricing sections of the Agreement. The pricing in Schedule A applies only to Specialty Drugs under the pharmacy benefit. BCBSM, at its discretion, may terminate Medco's services with respect to Specialty Drugs by giving Medco ninety (90) days' prior written notice, and Medco would no longer be obligated to provide these Specialty Drugs at Mail Service. Specialty Drugs may be provided by Medco or other third-party specialty pharmacy that has a written arrangement with Medco. Medco may delete a product or increase the AWP discount for a product on Schedule A upon notice to BCBSM. If Medco wants to add a product or decrease the AWP discount for a product on Schedule A, Medco will give BCBSM and BCN prior written notice. BCBSM and BCN will provide written approval or disapproval with thirty (30) days of receipt of Medco's notice. If approved, Medco shall add the product or decrease the AWP discount effective as of the date of BCBSM's or BCN's approval. If not approved, Medco will not be obligated to supply the product at mail service. Specialty Drugs

are excluded from calculations, guarantees, credits, and payments regarding Total Rebates under the Mail Order Pharmacy Program and the Retail Pharmacy Program set forth in this Agreement.

At no additional cost to BCBSM or BCN other than as set forth in Schedule A to Agreement, services for Specialty Drugs under the Mail Order Pharmacy Program consist of:

- Clinical support that provides, according to Medco's procedures:
 - Eligible Person tele-counseling from specially trained pharmacists and nurses
 - Care management, including information and support directly to the Eligible Person
 - Coordination of care with the Eligible Persons case manager and/or home care agency
- Specialty Drug educational materials and product information
 - Standard communications notifying Eligible Persons of changes in plan coverage
 - Personalized mailings and outbound phone calls by Medco Special Care Pharmacy to Eligible Persons purchasing, at retail pharmacies, Specialty Drugs that are clinically appropriate for maintenance use
- Toll-free telephone line for Eligible Persons using Specialty Drugs
- Express delivery to physician's office or Eligible Person's home
 - Standard two (2) day delivery
 - Overnight delivery as physician required (excluding Sundays)
- Logistics coordination of delivery to Eligible Person's home or physician's office
- Analysis of integrated pharmacy and medical claims databases to identify utilizers, if applicable and agreed upon
- Ancillary supplies provided with each self-injectable medication
- Drug Utilization Review applied to specialty pharmacy related prescription claims and, when available from Medco, medical claims
- Enhanced Physician services, consisting of communication materials, forms and informational hotline

Additional communications to Eligible Persons or physicians beyond these listed above will be quoted upon request.

- b. **Postage Increases.** After _____ Medco will absorb any future postage increases for mail order claims where it performs formulary and formulary rebate contracting functions. For business where BCBSM and/or another vendor manages formulary rebate contracting, future postage increases will apply up to a (cumulative) maximum amount of _____ mail service claim over the contract term. Medco will be responsible for any postage fee increases that exceed _____ mail service claim.
- c. **Third-Party POS Fees.** Medco will be responsible for negotiating and paying POS (claim transaction) fees imposed by the claims processor used by BCBSM and BCN. BCBSM will assist Medco in negotiating these fees with the claims processor. BCBSM may require the claims processor to permit/facilitate a direct line interface to Medco for

processing mail service transactions online, real time. All charges associated with installing and maintaining the direct line to the claims processor will be the responsibility of Medco. Medco will have ninety (90) days to install a direct line with BCBSM/BCN's claims processor once that claims processor has been identified to Medco. After the ninety (90) day period BCBSM will have no obligation to pay Medco for any claims transaction fees. In the event the claims processor cannot accommodate the direct line interface, then Medco will be responsible for claims transaction fees imposed by the claims processor up to \$ paid claim for mail service transactions. Any transaction (point of service) fees exceeding \$ /paid claim will be deducted from future rebates earned by BCBSM on a dollar for dollar basis.

- d. **Exclusive Mail Order Pharmacy.** Medco will be BCBSM's and BCN's exclusive Mail Order pharmacy during the term of the Agreement, unless a BCBSM or BCN customer requests a different Mail Order pharmacy. BCBSM or BCN will allow Medco every reasonable opportunity to bid for the business. Medco acknowledges that BCBSM or BCN cannot require a customer to use Medco's mail order services. This exclusivity provision does not apply to Specialty Pharmaceutical services.

C. Medco's Pharmaceutical Manufacturer Rebate Contracting.

Medco shall contract with pharmaceutical manufacturers for all BCBSM Groups enrolled in the Open (Clinical) Formulary. BCBSM's P&T Committee will continue to review and approve all changes to the Open (Clinical) Formulary.

D. Transition of Certain BCBSM Groups Rebate Contracting.

Upon thirty (30) days' prior written notice, BCBSM may transition any Group enrolled in a three-tier benefit design or other high-control benefit designs as determined by BCBSM to a third party rebate contracting manager.

E. Out-of-Michigan Retail Pharmacy Network for BCBSM's National Accounts as determined by BCBSM.

1. Medco shall maintain an out-of-Michigan retail pharmacy network that will be available to BCBSM's National Accounts business that is processed on the NASCO system.
2. Medco guarantees that its out-of-Michigan Brand Drug Retail Network Guarantee shall be an average of AWP minus plus dispensing fee. Generic Drugs will continue to be priced using BCBSM's MAC list and BCBSM will use the current methodology for reconciling these retail network guarantees. Medco guarantees that the average Dispensing Fee for Generic Drugs will not exceed per prescription. BCBSM agrees that the Retail Network guarantees will be reconciled in aggregate. Medco agrees that all non-Michigan Retail Network discounts and dispensing fees will be passed through directly to BCBSM without any withholds by Medco.
3. Medco shall have a ninety (90) day retail network out-of-Michigan for certain BCBSM designated groups no later than April 1, 2006. Medco shall pay BCBSM per day for each day that such ninety (90) day network is not available after April 1, 2006 as a result of Medco's action or inaction and BCBSM having supplied Medco all information or data necessary. Medco agrees that all non-

Michigan Retail Network discounts and dispensing fees will be passed through directly to BCBSM without any withholds by Medco.

F. Claim Processing Fees.

The claims processing fee is \$ _____ per paid point of service claim.

G. Rebate Guarantee.

Medco shall pay BCBSM rebates as follows:

1. The rebate guarantees are based on the formulary content of BCBSM's Open (Clinical) Formulary as of September 1, 2005. If BCBSM changes the content of its Open (Clinical) Formulary after September 1, 2005, Medco Health reserves the right to modify the rebate payment on a going forward basis.
2. Medco shall pay BCBSM a rebate of _____ for Total Rebates for Prevacid.
3. Medco will pay BCBSM, on a quarterly basis, ninety (90) days for the end of each quarter, the sum of the applicable Brand Formulary Rebate Guarantee set forth in the following chart multiplied by the number of paid Brand Formulary Claims processed for such quarter.

| Brand Formulary Rebate Guarantee | | | |
|----------------------------------|--------------------|--------------------|--------------------|
| Channel | Calendar Year 2005 | Calendar Year 2006 | Calendar Year 2007 |
| Retail | | | |
| Mail Order | | | |

4. Medco will then reconcile the rebates paid to BCBSM pursuant to G(3) above with the guaranteed rebate percentages set forth in the following chart and if the rebates actually paid to BCBSM are less than the guaranteed rebate amounts, then Medco shall pay BCBSM the difference.

| Brand Formulary Rebate Sharing | | | |
|--------------------------------|--------------------|--------------------|--------------------|
| Channel | Calendar Year 2005 | Calendar Year 2006 | Calendar Year 2007 |
| Retail | Total Rebates | Total Rebates | % of Total Rebates |
| Mail Order | % of Total Rebates | Total Rebates | % of Total Rebates |

5. **Rebates** - Medco and its subsidiaries receive formulary rebates from certain drug manufacturers as a result of the inclusion of those manufacturers' branded products on the Formulary ("Formulary Rebates"). Medco also receives additional rebates and/or fees from certain manufacturers for such products, which may take into account various factors, including the utilization of certain drugs within their respective therapeutic categories for Medco's book of business in aggregate as a result of various commitments, services, and programs including, but not limited to, formularies, but excluding payments or fees from certain manufacturers related to drug-specific dispensing, shipping and handling, and other services associated with Specialty Drugs dispensed by Medco ("Additional Rebates and Fees"). Formulary Rebates and Additional Rebates and Fees are jointly referred to as "Total Rebates."

H. Clinical Allowance.

Medco will provide a Clinical Allowance in the total amount of \$ _____ o BCBSM for calendar years 2006 and 2007. BCBSM can utilize 100% of this Clinical Allowance based on mutually agreeable parameters.

I. Point of Care Allowance.

Any unused portion of the Point of Care Allowance as of December 31, 2005 will be available for BCBSM's use through December 31, 2007.

J. Data feeds to BCBSM.

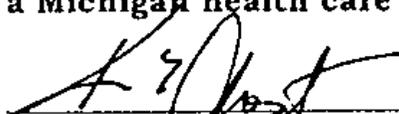
Medco shall continue to provide BCBSM with a bi-weekly feed of BCBSM data via the Claim Activity Response Record (CAT File) at no additional cost to BCBSM.

K. e-Prescribing.

If BCBSM connects to RxHub for claims history, eligibility, formulary, and/or benefit information to support e-prescribing, then BCBSM shall not be charged any additional costs or fees by Medco for BCBSM members whose claims are processed by Medco.

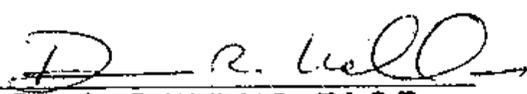
**Blue Cross Blue Shield of Michigan,
a Michigan health care corporation**

Medco Health Solutions, Inc.


By: Kim Seiget
Its: Vice President Provider Contracting
& Pharmacy Services
Date: 5/11/06


By: Thomas M. Moriarty
Deputy General Counsel
Date: 5/19/06

**Blue Care Network of Michigan,
a Michigan health maintenance organization**


By: Douglas R. Woll, M.D., F.A.C.P.
Its: Senior Vice President and
Chief Medical Officer
Date: 5/23/06

62706.1 (05/04/06) gsm

Schedule A

**PHARMACY BENEFIT MANAGER MASTER AGREEMENT
AS AMENDED AND RESTATED
JANUARY 1, 2000**

between

BLUE CROSS AND BLUE SHIELD OF MICHIGAN,
an independent licensee of the Blue Cross and Blue Shield Association

and

THIS AMENDED and RESTATED AGREEMENT, effective the first day of January 2000, is between Blue Cross and Blue Shield of Michigan, a Michigan nonprofit health care corporation with its principal place of business at 600 Lafayette East, Detroit, Michigan 48226 ("BCBSM"), and _____) with its principal place of business at _____

BCBSM is engaging _____ to serve as its Pharmacy Benefit Manager. The terms and conditions of this engagement are set forth below.

**ARTICLE I
DEFINITIONS**

1.1 **Agreement** means this Agreement and all Attachments, Addenda, Statements of Work and/or Amendments that are in writing, signed by the parties, and are identified as Attachments, Addenda, Statements of Work and/or Amendments to this Agreement;

1.2 **AWP** means the average wholesale price of a prescription drug or other pharmaceutical product on the date of service submitted on the claim, as set forth in the version of First Data Bank's Blue Book (or other nationally recognized source as agreed to by the parties) in print on the service date, notwithstanding any retroactive price changes. The AWP will be based on the package size from which the product is dispensed except for the Mail Order Pharmacy for which the AWP is based on 100 unit or 16 oz. quantities or the next smaller quantity if an item is not packaged in those sizes;

1.3 **Brand Drug** means a drug designated as brand according to the First Data Bank Generic Price Indicator values of "0" - non-drug, "2" - priced as brand, "3" - patent protected cross licensed products, "4" - repackaged products, as modified in certain instances by _____ in accordance with its business practices. In addition, as requested by _____

BCBSM, _____ will provide a claim line reconciliation and explanation of products that have been modified no more frequently than once per month;

1.4 Branded Formulary Claim means a claim for a Brand Drug that is listed in the applicable Formulary;

1.5 Certificate means any and all Certificates, Riders, or other benefit documents issue to Members by BCBSM, its subsidiaries and affiliates or under their sponsorship and any changes or additions thereto that may be made from time to time;

1.6 Control Plan means the Blue Cross and Blue Shield Plan in whose service area an entity with employee and retiree locations in more than one service area is headquartered or another Blue Cross Blue Shield Plan to whom Control Plan rights have been ceded as permitted by the applicable Blue Cross Blue Shield license agreements;

1.7 Covered Services means federal legend (Rx only) prescription medications, insulin, insulin syringes and needles when dispensed with insulin, and other services and products specifically provided for in Certificates or other benefit documents;

1.8 DRAMS® means Drug Risk Analysis Message System, BCBSM's on-line interactive claims processing/drug utilization review system for pharmacy claims;

1.9 Estimated Formulary Rebates means the number of Branded Formulary Claims in quarter multiplied by the applicable Rebate Guarantee in Attachment A;

1.10 Formulary means a continually updated list of prescription medications which represent the current clinical judgment of providers and experts in the diagnosis and treatment of disease;

1.11 Formulary Rebates means those rebates paid by a pharmaceutical manufacturer for inclusion of any of such manufacturer's products on _____ Formulary or BCBSM's Custom Formulary which are designated as Formulary, Earned or Base Rebates in _____ contracts with manufacturers;

1.12 Generic Drug means a drug designated as generic according to the First Data Bank Generic Price Indicator values of "1" priced as generic. For purposes of calculating the generic dispensing rate, Generic Drug also means a drug that is reimbursed as a generic (Brand Drug priced at MAC), as modified in certain instances by _____ in accordance with its business practices. In addition, as requested by BCBSM, _____ will provide a claim line reconciliation and explanation of products that have been modified no more frequently than once per month;

1.13 Gross Plan Cost means the aggregate Ingredient Costs plus dispensing fees paid BCBSM to _____ for Covered Drugs dispensed to Members, including any applicable incentive payments;

- 1.14 **Group** means a corporation, association, governmental unit, BCBSM Subsidiary, or other entity or group of individuals whose Members are entitled to receive Covered Services;
- 1.15 **Incentive Rebate** means rebates and/or fees other than Formulary Rebates that receives from pharmaceutical manufacturers which may take into account various factors including the utilization of certain drugs within their respective therapeutic categories for book of business in aggregate or specific to BCBSM as a result of various commitments, services and programs including, but not limited to, formularies;
- 1.16 **Ingredient Costs** means the lower of AWP less the appropriate discount; MAC, if applicable; U & C less contracted dispensing fee; or pharmacy's submitted ingredient cost;
- 1.17 **Member** means a person who is entitled by contract to receive Covered Services;
- 1.18 **NASCO** means the National Account Service Company, a partnership of Blue Cross Blue Shield Plans and the Blue Cross Blue Shield Association that provides a centralized electronic system for processing claims and furnishes related services to Members of all Blue Cross Blue Shield Plans;
- 1.19 **Network Pharmacy** means any pharmacy that is a member of the networks developed for BCBSM and Mail Order Pharmacy;
- 1.20 **Paid Claim** means a claim for Covered Services dispensed by Network Pharmacies for which payment has been made to the Network Pharmacy by or BCBSM, or in a case where the Member copayment or deductible is equal to or greater than the price of the Covered Service, by the Member. For purposes of this definition, Paid Claim does not mean an adjustment to a claim previously paid in whole or in part;
- 1.21 **Plan Design** means the Covered Services, exclusions, copayment, formulary (including formulary drug selection cost indications, and formulary compliance programs), and other specifications applicable to each Group, as set forth in this Agreement or otherwise agreed to, in writing, by the parties;
- 1.22 **Prescriber** means a health care professional authorized by law to prescribe federal legend (Rx only) drugs for treatment of human conditions. BCBSM may deny payment for Covered Services prescribed by an individual who is not so authorized;
- 1.23 **Single Source Drug** means a drug designated as single source according to the First Data Bank Generic Indicator value of "2" (GI = 2), as modified in certain instances by in accordance with its business practices. In addition, as requested by BCBSM, will provide a claim line reconciliation and explanation of products that have been modified no more frequently than once per month;

1.24 **Statement of Work** means a document duly executed and signed by the parties to this Agreement, specifying Group-specific variations to the National Pharmacy Program;

1.25 **U & C** means a Network Pharmacy's normal retail charge for services, supplies, and pharmaceutical products dispensed to a customer.

ARTICLE II SCOPE OF SERVICES TO BE PROVIDED BY

In consideration of the administrative fees paid by BCBSM as defined in section 6.2, will provide the following services under this Agreement:

2.1 Groups Covered

a. **Full Service Groups.** For Groups in this category, [redacted] manages the pharmacy network outside of Michigan, processes all retail and mail order claims (both subscriber and provider submitted) in and out of Michigan, assumes clinical management responsibilities inside and outside of Michigan, processes Formulary Rebates, services non-Michigan provider inquiries, and provides mail order services as set forth in Section 2.4 (including inquiries regarding mail order claims and billing) in and out of Michigan.

b. **Other than Full Service Groups.** For other than Full Service Groups, [redacted] processes retail claims (provider submitted) generated outside Michigan. [redacted] also manages the pharmacy network outside of Michigan, assumes clinical management responsibilities inside and outside of Michigan, and processes all Formulary Rebates and provides mail order service as set forth in Section 2.4 (including inquiries regarding mail order claims and billing) in and out of Michigan.

2.4 Mail Order Services

a. Reimbursement.

1. Mail Order Pharmacy will be reimbursed as follows:

a) For Brand Drugs, reimbursement will be the lesser of AWP - plus dispensing fee or submitted Ingredient Cost plus dispensing fee. The dispensing fee is

b) For all Generic Drugs, reimbursement will be the lesser of AWP - plus dispensing fee or submitted Ingredient Cost plus dispensing fee. The dispensing fee is

c) Notwithstanding the reimbursement provisions in sections a. and b. above, beginning July 1, 2001, and for so long as there are no less expensive competing products in the market, the following products will be reimbursed for the remainder of the term of the Agreement according to the following pricing:

| <u>Name</u> | <u>Ingredient Cost</u> |
|-------------|------------------------|
| Betaseron | AWP - |
| Ceredase | |
| Cerezyme | |
| Copaxone | |
| Helixate | |

If, beginning July 1, 2001, any of the above products is available at a lower price in the market, will extend this price to BCBSM.

d) Incentives.

... reimbursement plus applicable Member copayment/deductible as payment in full for Covered Services.

3. The Mail Order Pharmacy will collect from Members the full amount of any copayments and deductibles related to Covered Services, except where the Member share is greater than the cost of the Covered Service, in which case the Mail Order Pharmacy will credit the Member the difference between the Member's share and the cost of the Covered Service. However, in no case will a Member be required to pay any amounts denied or recovered due to overpayment, audit, sanctions, or any other reason as a result of an error by

4. If required by the applicable Plan Design, will require the Mail Order Pharmacy to attempt to collect from the Member the difference in cost between the brand name drug and the BCBSM MAC list price.

5. Mail Order Pharmacy may also charge Member for services that are not Covered Services.

6. Notwithstanding the foregoing, the existing mail order pricing for as of the date of execution of this Agreement will remain in effect. At

its option. § may elect to have the pricing terms under this Agreement extended to its Mail Order business.

b. Mail Services Requirements

1. Education and Training. will provide customized educational materials explaining its services for distribution by BCBSM to Groups.

2. Customer Service

a) will maintain a toll free (800) customer service telephone line for use by Members, with hours from 8:00 a.m. to 12:00 a.m. midnight (EST), Monday through Friday, and 8:00 a.m. to 6:00 p.m. (EST) on Saturday. These hours may be adjusted, but in no case will provide fewer than 88 hours of coverage per week. will maintain an emergency telephone line staffed by a pharmacist during other hours.

b) will supply BCBSM with pre-addressed stamped envelopes for use in Member mailings.

3. Mail Services Coverage

a) The Plan Design applicable to each Group will be designated by BCBSM in writing. BCBSM will communicate any modifications of the Plan Design to Members in a manner reasonably acceptable to , at least thirty (30) days prior to the effective date of such modifications, or within such lesser period prior to the effective date as reasonably possible.

b) Up to a maximum of a 90 day supply of Covered Services per prescription or refill will be dispensed by subject to the professional judgment of the dispensing pharmacist, limitations imposed on controlled substances and manufacturer's recommendations. Prescriptions may be refilled if the prescription so states. Prescriptions will not be filled (i) more than 12 months after issuance, (ii) more than 6 months after issuance for controlled substances or (iii) if prohibited by applicable law or regulation.

4. Dispensing Procedures

a) will dispense Covered Services to Members, and dispense Generic Drugs except when not authorized, pursuant to the applicable law and regulations in the state in which pharmacy is located, and in accordance with the terms and provisions of this Agreement and consistent with the applicable plan design.

- b) All matters pertaining to the dispensing of Covered Services or the practice of pharmacy in general are subject to the professional judgment of the dispensing pharmacist.
- c) Any Covered Services that cannot be dispensed in accordance with customary dispensing protocols, or that requires special recordkeeping procedures, may be excluded from coverage under this Agreement upon prior written notice to BCBSM.
- d) As of June 30, 2000, _____ will use its best efforts to obtain each prescriber's DEA number (or other physician identifier as agreed to by the parties) and will transmit the number on the claim. If the number is not obtainable, _____ will transmit the pharmacy DEA number on the claims. DEA numbers are required on all controlled substance prescriptions.
- e) If it becomes impracticable, for reasons of a force majeure or otherwise, for _____ to dispense prescriptions to Members, _____ will notify BCBSM and use reasonable efforts to have prescriptions dispensed from an affiliated mail service pharmacy, subject to BCBSM approval and to applicable laws and regulations. Such approval will not be unreasonably withheld.
- f) If the applicable Plan Design allows for reimbursement of items that do not require a prescription by law, _____ agrees to dispense them only pursuant to a prescription order. Records of the prescription order must be maintained by _____
- g) Covered Services will be mailed via standard shipping to Members at _____ expense. Priority shipping will be at the Member's expense.
- h) If _____ makes an error in dispensing a Covered Service and the Member returns it to _____ within fourteen business days of receipt, _____ will issue a credit to BCBSM or to the Member, as appropriate, for the amount charged for the returned Covered Service and _____ will either issue a credit to the Member for the cost of return postage, or supply a prepaid mailer for the Member to return the drug, or replace the Covered Service at no charge to the Member or BCBSM.
- i) _____ will respond promptly to all claims by Members for non-delivery. In the event of verified non-delivery, _____ will immediately replace the order by utilizing standard protocols. Current _____ protocol is to dispense the next refill to the Member, resulting in a copayment and charge to the client. When the Member reports non-delivery, _____ will instruct him or her to notify _____ when the last refill is needed in the event the original package is never received. _____ will also advise the

Member that, at the time of last refill, will issue a free of charge refill to replace the lost package.

5. Claims - To service groups whose mail order claims are processed by BCBSM, will submit claims using BCBSM's on-line interactive claims processing system (DRAMS) or subsequently designated processor. will pay all line charges.

6. Miscellaneous

a) Utilization - will comply with such utilization program requirements and meet such utilization standards as mutually agreed to by BCBSM and , from time to time.

b) Publication - will permit BCBSM to publish name and appropriate identifying information in connection with participation in BCBSM's mail service drug program, subject to the prior written approval of name and identifying information will be and remain the exclusive property of

c) Compliance With Legal and Regulatory Requirements - will comply with all applicable legal and regulatory requirements governing its mail order operations.

d) Law and Ethics - will require that its employees comply with all applicable state and federal laws and rules of professional ethics relating to the procurement and dispensing of prescription drugs and other pharmaceutical products.

e) Qualified Personnel - will require that all personnel are fully qualified and that all prescription drugs are dispensed by licensed pharmacists to the extent required by applicable law and regulations.

f) Notification - will immediately notify BCBSM in writing of any changes in its mail order business or any adverse circumstances that may materially affect its ability to provide mail order services under this Agreement, such as loss of its license, acquisition or sale of mail order pharmacies, any malpractice litigation relating to services provided under this Agreement or litigation brought against by a regulatory body alleging fraud involving Medicare or Medicaid, or any litigation brought by another health care program or insurance carrier involving widespread fraud in business practices that apply to this Agreement.

g) will comply with all applicable BCBSM program instructions in manuals, bulletins, and other provider notices BCBSM furnished to