



# STATE OF MICHIGAN ENTERPRISE PROCUREMENT

Department of Technology, Management, and Budget  
525 W. ALLEGAN ST., LANSING, MICHIGAN 48913  
P.O. BOX 30026 LANSING, MICHIGAN 48909

## CONTRACT CHANGE NOTICE

Change Notice Number **7**  
to  
Contract Number **071B3200060**

<b>CONTRACTOR</b>	MEDIMPACT HEALTHCARE SYSTEMS INC
	10181 Scripps Gateway Court
	San Diego, CA 92131
	Angela Gardner
	858-790-6205
	angela.gardner@medipact.com
	*****7651

<b>STATE</b>	<b>Program Manager</b>	Lauri Schmidt	MCSC
		517-373-9211	
		schmidt@l@michigan.gov	
	<b>Contract Administrator</b>	Mary Ostrowski	DTMB
		(517) 284-7021	
		ostrowskim@michigan.gov	

### CONTRACT SUMMARY

PHARMACY BENEFITS MANAGEMENT FOR STATE EMPLOYEES/RETIRES - DTMB /CIVIL SERVICE COMMISSION

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2013	December 31, 2015	3 - 1 Year	December 31, 2016
PAYMENT TERMS		DELIVERY TIMEFRAME	
Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card	<input type="checkbox"/> Direct Voucher (DV)	<input type="checkbox"/> Other	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

### MINIMUM DELIVERY REQUIREMENTS

N/A

### DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$996,000,000.00	\$0.00	\$996,000,000.00		

### DESCRIPTION

Effective December 1, 2016 the following amendment is hereby incorporated into Section 1.022 and Attachment A of the Contract per the attached Change Notice Attachment 7 adding MedReconciliation - Government Subrogation Claims Services. Please note that the Contract Administrator identified in section 2.021 is changed to Mary Ostrowski. All other terms, conditions, specifications and pricing remain the same. Per DTMB contractor and agency agreement, and DTMB Procurement approval.

## Change Notice 7 Attachment

1. Section 1.022 is expanded to add a new subsection **Q. MedReconciliation™ – Government Subrogation Claims Services** to read as follows:

### **Q. MEDRECONCILIATION™ – GOVERNMENT SUBROGATION CLAIMS SERVICES.**

Pharmacy claims processed and/or paid by Government Agencies and/or their respective third-party contracted entities may include those claims which the State is legally responsible for as a third-party payor.

The Contractor must perform the third-party claims (Subrogation Claims) processing and dual eligibility identification process on behalf of the State for the Government Agencies, for the fees set forth in the Optional Clinical and Administrative Services set forth in Attachment A (Pricing).

1. Subrogation Claims. "Subrogation Claims" are claims submitted by Government Agencies on behalf of, or in the name of Eligible Members for which the State is responsible as a third-party payor and which will be processed through the Contractor's on-line claims adjudication system or otherwise sent to and processed by the Contractor, in accordance with the terms of Change Notice 7.
2. Government Submitted Claims. Government Agencies may submit Subrogation Claims for, on behalf of, or in the name of Eligible Members. The Contractor must process and pay these Subrogation Claims on behalf of the State as set forth in this Change Notice 7. Any amounts payable to a Government Agency must be deemed benefits under the Plan Guidelines and the State will pay such amount in accordance with the payment terms of Change Notice 7 as well as the Subrogation Claims processing fee set forth in this Attachment A. The Contractor may also charge the State and the State shall pay any processing fees generally charged to Participating Pharmacies, but not payable by a Government Agency pursuant to applicable Law for Subrogation Claims processed hereunder. Notwithstanding any other provision of this Agreement, the State agrees to a reimbursement rate to the VA equal to the current rate as published in the Federal Register (which is currently the VA actual acquisition cost (times the days' supply) plus a VA administrative fee per prescription), or such replacement rate as established by the Department of Veterans Affairs less any applicable co-pay or deductible. If the VA or military treatment facilities submit the Subrogation Claims on-line using the on-line claims adjudication system, the provisions contained herein must still apply except the Subrogation Claims processing fee must be replaced with the contracted Claims processing fee.
3. Government Agency Request(s) for Eligible Member List. Government Agencies may submit requests for Eligible Member Lists to the Contractor, and the Contractor may submit Eligible Member Lists to the Government Agencies in response to such requests or allow Government Agencies to have electronic access to such lists, under a data use agreement. The Contractor must submit the Eligible Member Lists to the Government Agencies. Eligibility List may include up to three (3) years of eligibility data.
4. Processing Subrogation Claims. The Government Agency may submit Subrogation Claims within a statutory window, which often exceeds that which the State has in place for all other Claims. The State will direct the Contractor to process the Subrogation Claims in accordance with the time frames specified under the Law or such longer periods if requested by the State. In addition, the number of days' supply approved must be in compliance with the applicable Law, which may include processing a claim for a quantity other than what was submitted (versus rejecting a claim based on quantity limits). Additionally, the State will allow 90 day supplies submitted by the VA regardless of days' supply limits in other circumstances and repackaged NDCs (typically for 90 day supplies). Subrogation Claims shall not be subject to prior authorization requirements and if they satisfy other plan requirements, such Claims will be paid. In all other respects, Subrogation Claims must process under the Plan Guidelines in place at the time of receipt of the Subrogation Claim by the Contractor from the Government Agency, regardless of the original date of the prescription fill on the Subrogation Claim. A Subrogation Claims that are submitted to the Contractor for payment that predate the term of this Change Notice 7 must be processed in accordance with this Change Notice 7, as amended. Subrogation Claims that are received after the termination or expiration of this Contract, but filled prior to the termination or expiration of this Contract, must be processed by means of the amended language in this Change Notice 7 for the duration of the Claims run-out period agreed to in the Contract (as applicable). After termination or expiration of the Contract Subrogation Claims that are received must be returned to the submitter with notice to submit to the

State for processing. In all other respects, Subrogation Claims must be payable by the State as all other Claims are under the Contract.

5. Any remuneration obtained by the Contractor from a third-party for the processing of the Subrogation Claims belong solely to the Contractor and must be used to partially cover the work efforts with processing these Subrogation Claims and must not be included in the calculation of any costs, fees, or guarantees.
  6. The Contractor may process any Subrogation Claims that the Contractor has received prior to the date of this Amendment.
2. The Optional Clinical and Administrative Services section in Attachment A, Pricing is amended by deleting in its entirety the Subrogation fees and replacing it with a new Subrogation fee to read as follows:
- Subrogation: \$3.00 per subrogated claim





# STATE OF MICHIGAN ENTERPRISE PROCUREMENT

Department of Technology, Management, and Budget  
525 W. ALLEGAN ST., LANSING, MICHIGAN 48913  
P.O. BOX 30026 LANSING, MICHIGAN 48909

## CONTRACT CHANGE NOTICE

Change Notice Number 6  
to  
Contract Number 071B3200060

<b>CONTRACTOR</b>	MEDIMPACT HEALTHCARE SYSTEMS INC
	10181 Scripps Gateway Court
	San Diego, CA 92131
	Angela Gardner
	858-790-6205
	angela.gardner@medimpact.com
	*****7651

<b>STATE</b>	Program Manager	Lauri Schmidt	MCSC
		517-373-9211	
		schmidt@l@michigan.gov	
	Contract Administrator	Michael Kennedy	DTMB
		(517) 284-7025	
		KennedyM6@michigan.gov	

### CONTRACT SUMMARY

**DESCRIPTION:** Pharmacy Benefits Management for State Employees/Retirees - DTMB /Civil Service Commission

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2013	December 31, 2015	3 - 1 Year	December 31, 2016
<b>PAYMENT TERMS</b>		<b>DELIVERY TIMEFRAME</b>	
NET 45		N/A	
<b>ALTERNATE PAYMENT OPTIONS</b>			<b>EXTENDED PURCHASING</b>
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>MINIMUM DELIVERY REQUIREMENTS</b>			

### DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
<b>CURRENT VALUE</b>		<b>VALUE OF CHANGE NOTICE</b>	<b>ESTIMATED AGGREGATE CONTRACT VALUE</b>	
\$996,000,000.00		\$ 0.00	\$996,000,000.00	

**DESCRIPTION:** Effective 5/27/16, the following amendments are incorporated into this Contract in accordance with Section 2.024 - Change Requests:

- Contract Administrator is changed to Michael Kennedy (Section 2.020)
- Section 1.030 – Subcontractors are updated to reflect the following:



**MEDIMPACT CONTRACTED VENDORS**  
JANUARY 1, 2016

<b>VENDOR NAME &amp; ADDRESS</b>	<b>PHONE</b>	<b>SERVICE</b>	<b>CONTRACT EFFECTIVE</b>
<b>Advanced Medical Review</b> 2950 31 <sup>st</sup> Street, Suite 100 Santa Monica, CA 90405	800-726-1207	Member appeals ( <i>second level appeals requiring external review; excludes Part D</i> )	October 1, 2008
<b>Convergys Customer Management Corporation</b> 201 East Fourth Street Cincinnati, OH 45202-4206	513-723-7000	Call Center	July 31, 2013
<b>Corporate Translation Services, Inc., dba CTS Languagelink</b> 911 Main Street, Suite 10 Vancouver, WA 98660	855-295-9177	Foreign language telephone translation services	February 9, 2009
<b>Change Healthcare</b> 3055 Lebanon Pike, Suite 1000 Nashville, TN 37214	615-932-3000	Print/mail prior authorization/coverage determinations letters to members (all lines of business)	TBD 2016
<b>Health Information Designs</b> 391 Industry Drive Auburn, AL 36863	334-502-3262	PA overflow	December 5, 2010
<b>LUCE Communications, LLC</b> dba ABG Communications 3810 Wabash Drive Mira Loma, CA 91752	909-361-7100	Part D EOB and transition letter print vendor, ID Card printing & mailing	October 1, 2005
<b>Medical Consultants Network</b> 1301 5 <sup>th</sup> Avenue, Suite 2900 Seattle, WA 98101	206-343-6100	Member appeals ( <i>second level appeals requiring external review; excludes Part D</i> )	October 1, 2011
<b>Medical Review Institute of America</b> 2875 Decker Lake Drive, Suite 300 Salt Lake City, UT 84119	800-654-2422	PA support/Member appeals ( <i>first and second level /external review service</i> )	September 22, 2003
<b>SCIOinspire Corporation</b> dba SCIO Health Analytics 433 South Main Street, Suite 203 West Hartford, CT 06110	860-676-8808	Pharmacy auditing	July 1, 2014
<b>Silverlink Communications, Inc.</b> 67 South Bedford Street, Suite 300 Burlington, MA 010803	781-425-5700	inbound / outbound call management application	May 1, 2011
<b>SinfoniaRx</b> One East Toole Tucson, AZ 85701	520-499-3388	Medication therapy management ("MTM")	February 4, 2010
<b>SureScripts, LLC</b> 2800 Crystal Drive Arlington, VA 22202	703-921-2191	e-Prescribing and e-prior authorization connectivity	August 31, 2008
<b>Transact Rx (formerly DSI, PNT)</b> 999 Ponce de Leon Boulevard Coral Gables, FL 33134	800-971-5500	Vaccine network	July 1, 2008

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

STATE OF MICHIGAN  
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET  
 PROCUREMENT  
 P.O. BOX 30026, LANSING, MI  
 4890 OR  
 525 W. ALLEGAN, LANSING, MI 48933

**CHANGE NOTICE NO. 5**  
 to  
**CONTRACT NO.**  
**071B3200060**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
MedImpact Healthcare Systems, Inc. 10181 Scripps Gateway Court San Diego CA 92131	Angela Gardner	angela.gardner@medimpact.com
	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
	858-790-6205	7651

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	CSC	Lauri Schmidt	517-373-9211	schmidtL@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Lance Kingsbury	517-284-7017	KingsburyL@michigan.gov

**CONTRACT SUMMARY**

**DESCRIPTION:**

Pharmacy Benefits Management for State Employees/Retirees - DTMB /Civil Service Commission

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE (S) NOTED BELOW
January 1, 2013		3, 1 year	December 31, 2015

PAYMENT TERMS	DELIVERY TIMEFRAME
<input type="checkbox"/> N/A <input type="checkbox"/>	<input type="checkbox"/> N/A <input type="checkbox"/>

ALTERNATE PAYMENT OPTIONS	EXTENDED PURCHASING
P Card: Direct Voucher (DV) Other	Yes X No

**MINIMUM DELIVERY REQUIREMENTS**

N/A

**DESCRIPTION OF CHANGE NOTICE**

EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXPIRATION DATE
Yes	one year			December 31, 2016
CURRENT VALUE		VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE	
\$691,095,000.00		\$275,000,000.00	\$996,000,000.00	

**DESCRIPTION:** This contract is hereby extended to December 31, 2016, and increased by \$275,000,000.00. The following language is hereby incorporated into Attachments A and B of this contract. Also, Transamerica will become the CMS approved plan sponsor for the Medicare GenerationsRx plan and any references to Stonebridge will thereafter refer to and mean Transamerica. All other terms, conditions, specifications, and pricing remain the same. Per contractor and agency agreement, DTMB Procurement approval and the approval of the State Administration Board on September 30, 2015.

This Amendment ("Amendment") amends the Service Agreement ("Agreement") effective the 1st day of January 2013. That Agreement is by and between MedImpact Healthcare Systems, Inc. ("MedImpact"), a California corporation located at 10181 Scripps Gateway Court, San Diego, CA 92131, and State of Michigan, Department of Technology, Management and Budget DTMB-Procurement (Contract No. 071B3200060) ("Client"), located at 530 W. Allegan, Lansing, MI 48909. This Amendment is effective January 1, 2016.

WHEREAS, MedImpact and Client entered into the Agreement pursuant to which MedImpact agreed to provide certain services relating to prescription claim processing, eligibility verification, pricing, pharmacy network administration, and reporting required by Client, and

NOW THEREFORE, MedImpact and Client hereby agree to amend the Agreement as follows:

1. Unless otherwise specifically defined herein, capitalized terms used in this Amendment shall have the meanings stated in the Agreement.
2. Except as modified by this Amendment and to the extent not inconsistent therewith, all terms and conditions of the Agreement shall remain in full force and effect. This Amendment, the Agreement, and all exhibits, work orders, schedules, appendices, amendments and addenda thereto constitute the entire agreement of the parties with respect to the subject matter contained therein and supersedes any and all prior agreements between the parties, whether oral or written, concerning the subject matter contained herein.
3. The Retail Broad Network Rates and Dispensing Fees under Retail Pharmacy Program in Attachment A, Pricing shall be deleted and replaced with the following:

The following rates are effective January 1, 2016, through December 31, 2016.

Retail Pharmacy Rate Guarantees – Broad Network

Brand Name Drug	AWP – 16.70%	\$1.20 Dispensing Fee
Generic Drug	AWP – 79.20%	\$1.20 Dispensing Fee

4. The Mail Order Brand Drugs and Generic Drugs rates and Dispensing Fees under Mail Order Pharmacy Program in Attachment A, Pricing shall be deleted and replaced with the following:

The following rates are effective January 1, 2016 through December 31, 2016

Mail Order Guarantees

Brand Name Drug	AWP – 22.80%	\$7.80 Dispensing Fee
Generic Drug	AWP – 89.55%	\$7.80 Dispensing Fee

5. The Retail Claims Minimum Guarantees and Mail Claims Minimum Guarantees under Rebates in Attachment A, Pricing shall be deleted and replaced with the following:

The following rates are effective January 1, 2016 through December 31, 2016  
Rebates

100% of Rebate recovery shall be passed through to Plan Sponsor  
Minimum Guarantees:

Retail	\$22.03 per Brand Name Drug claim	1-83 days
Mail	\$50.67 per Brand Name Drug claim	>83 days

6. The administrative fee amount under Administrative Fees in Attachment A, Pricing shall be deleted and replaced with the following:

The following administrative fee is effective January 1, 2016, through December 31, 2016

The Plan Sponsor will pay the Contractor a fee not to exceed \$3.07 Per Contract Holder Per Month (PCHPM) which is an all-inclusive fee that includes, but is not limited to:

7. The administrative fee amount under the EGWP Administrative Fees in Attachment A, Pricing shall be deleted and replaced with the following:

The following administrative fee is effective January 1, 2016, through December 31, 2016.

All inclusive administration fee for EGWP: \$9.00 PMPM

8. The Retail Broad and Retail 90-day Network, Mail Order, LTC and Home Infusion rates and Dispensing Fees under EGWP Program in Attachment A, Pricing shall be deleted and replaced with the following:

The following rates are effective January 1, 2016, through December 31, 2016

Retail Broad and Retail 90-day Network Guarantees

Brand Name Drug	AWP – 17.15%	\$0.85 Dispensing Fee
Generic Drug	AWP – 79.75%	\$0.85 Dispensing Fee

Mail Order Guarantees

Brand Name Drug	AWP – 22.60%	\$7.80 Dispensing Fee
Generic Drug	AWP – 90.55%	\$7.80 Dispensing Fee

LTC Guarantees

Brand Name Drug	AWP – 9.75%	\$5.70 Dispensing Fee
Generic Drug	AWP – 70.0%	\$5.70 Dispensing Fee

Home Infusion Guarantees

Brand Name Drug	AWP – 13.0%	\$4.00 Dispensing Fee
Generic Drug	AWP – 60.0%	\$4.00 Dispensing Fee

9. The Rebates under EGWP Program in Attachment A, Pricing shall be deleted and replaced with the following:

The following rates are effective January 1, 2016 through December 31, 2016

Rebates

100% of Rebate recovery shall be passed through to Plan Sponsor

Minimum Guarantees:

Retail	\$27.05 per Brand Name Drug claim	1-83 days
Mail	\$56.81 per Brand Name Drug claim	>83 days

10. Attachment B, Specialty Pricing List shall be deleted in its entirety and replaced with the new Attachment B, Specialty Pricing List attached hereto and incorporated herein as referenced.
11. The Specialty Pricing Terms in section 1.060 shall be expanded to add the following:

Retail Claims Minimum Rebate Guarantees (1 to 83 Day Supply) shall apply to Specialty Drug claims filled at Retail. Mail Claims Minimum Rebate Guarantees (>83 Day Supply) shall apply to Specialty Drug claims filled at a Mail Service Pharmacy or a Specialty Pharmacy.



**Attachment B, Diplomat Specialty Pricing List**  
(Prices subject to change)

<b>Drug</b>	<b>AWP Discount</b>
ABACAVIR	15.5%
ABACAVIR-LAMIVUDINE-ZIDOVUDINE	15.5%
ABRAXANE	14.5%
ACTEMRA	14.2%
ACYCLOVIR	52.5%
ADCETRIS	14.5%
ADCIRCA	14.8%
ADEFOVIR DIPIVOXIL	20.2%
ADRIAMYCIN	39.5%
ADVATE	34.5%
ADVATE H	34.5%
ADVATE L	34.5%
ADVATE M	34.5%
ADVATE SH	34.5%
ADVATE UH	34.5%
AFINITOR	14.5%
AFINITOR DISPERZ	14.5%
AGRYLIN	15.0%
ALDURAZYME	14.5%
ALIMTA	14.5%
ALKERAN	15.8%
ALOXI	36.5%
ALPHANATE	34.1%
ALPHANINE SD	14.0%
ALPROLIX	13.6%
ALPROSTADIL	29.4%
AMICAR	37.0%
AMINOCAPROIC ACID	30.1%
AMPYRA	14.2%
ANASTROZOLE	54.8%
ANZEMET	15.8%
APTIVUS	15.5%
ARANESP	15.5%
ARAVA	15.5%
ARIMIDEX	15.8%
ARIXTRA	33.8%
AROMASIN	15.8%
ARRANON	13.5%
ARTHROTEC 50	15.5%
ARTHROTEC 75	15.5%
ARZERRA	13.7%
ASACOL HD	15.5%
ATGAM	14.5%

<b>ATRIPLA</b>	15.5%
<b>AUBAGIO</b>	15.8%
<b>AVASTIN</b>	14.5%
<b>AVEED</b>	10.0%
<b>AVONEX</b>	16.0%
<b>AVONEX ADMINISTRATION PACK</b>	16.0%
<b>AVONEX PEN</b>	16.0%
<b>AZACITIDINE</b>	12.9%
<b>AZASAN</b>	14.5%
<b>AZATHIOPRINE</b>	48.0%
<b>AZULFIDINE</b>	15.5%
<b>BACLOFEN</b>	18.0%
<b>BARACLUDE</b>	14.5%
<b>BEBULIN VH IMMUNO</b>	30.4%
<b>BELEODAQ</b>	16.0%
<b>BENEFIX</b>	14.5%
<b>BENLYSTA</b>	13.4%
<b>BETASERON</b>	15.8%
<b>BETHKIS</b>	14.8%
<b>BICNU</b>	14.5%
<b>BIVIGAM</b>	16.0%
<b>BLEOMYCIN SULFATE</b>	40.5%
<b>BONIVA</b>	14.5%
<b>BOSULIF</b>	17.7%
<b>BOTOX</b>	14.5%
<b>BOTOX COSMETIC</b>	14.5%
<b>BRAVELLE</b>	14.5%
<b>BUPHENYL</b>	10.0%
<b>BUPRENEX</b>	14.5%
<b>BUSULFEX</b>	14.5%
<b>CALCITRIOL</b>	20.5%
<b>CAMPTOSAR</b>	14.5%
<b>CANASA</b>	15.5%
<b>CAPECITABINE</b>	18.0%
<b>CARBOPLATIN</b>	33.2%
<b>CARIMUNE NF NANOFILTERED</b>	14.5%
<b>CASODEX</b>	15.8%
<b>CATHFLO ACTIVASE</b>	14.5%
<b>CAVERJECT</b>	14.5%
<b>CEENU</b>	15.8%
<b>CELESTONE</b>	14.5%
<b>CELLCEPT</b>	15.5%
<b>CERDELGA</b>	14.5%
<b>CEREZYME</b>	14.5%
<b>CERUBIDINE</b>	18.7%
<b>CETROTIDE</b>	14.5%

<b>CHORIONIC GONADOTROPIN</b>	34.0%
<b>CIDOFOVIR</b>	15.5%
<b>CIMZIA</b>	16.8%
<b>CISPLATIN</b>	45.5%
<b>CLADRIBINE</b>	31.5%
<b>CLOLAR</b>	13.5%
<b>CLOMIPHENE CITRATE</b>	44.1%
<b>COLISTIMETHATE</b>	31.5%
<b>COLY-MYCIN M PARENTERAL</b>	14.5%
<b>COLY-MYCIN S</b>	33.4%
<b>COMBIVIR</b>	15.5%
<b>COMETRIQ</b>	13.2%
<b>COMPLERA</b>	15.5%
<b>COPAXONE</b>	16.0%
<b>COPEGUS</b>	15.8%
<b>CORTROSYN</b>	24.5%
<b>CRIXIVAN</b>	15.5%
<b>CUVPOSA</b>	13.2%
<b>CYCLOPHOSPHAMIDE</b>	14.5%
<b>Cyclospar MIC</b>	14.5%
<b>CYCLOSPORINE</b>	14.5%
<b>CYCLOSPORINE MODIFIED</b>	14.5%
<b>CYTARABINE</b>	36.5%
<b>CYTOVENE</b>	15.5%
<b>D.H.E.45</b>	14.5%
<b>DACARBAZINE</b>	44.5%
<b>DACOGEN</b>	14.5%
<b>DALVANCE</b>	14.8%
<b>DANAZOL</b>	14.5%
<b>DAPSONE</b>	14.5%
<b>DAUNORUBICIN HCL</b>	23.5%
<b>DDAVP</b>	15.8%
<b>DECAVAC</b>	14.5%
<b>DEFEROXAMINE MESYLATE</b>	36.0%
<b>DELATESTRYL</b>	14.5%
<b>DELESTROGEN</b>	15.0%
<b>DEPOCYT</b>	14.5%
<b>DEPO-ESTRADIOL</b>	14.5%
<b>DEPO-MEDROL</b>	28.5%
<b>DEPO-PROVERA</b>	14.5%
<b>DEPO-TESTOSTERONE</b>	34.4%
<b>DEPOCYT</b>	14.5%
<b>DESFERAL</b>	14.5%
<b>DESFERAL MESYLATE</b>	14.5%
<b>DEXAMETHASONE</b>	18.4%
<b>DEXAMETHASONE SODIUM PHOSPHATE</b>	18.4%

<b>DIDANOSINE</b>	15.5%
<b>DIHYDROERGOTAMINE MESYLATE</b>	14.5%
<b>DOBUTAMINE HCL</b>	19.5%
<b>DOBUTAMINE HCL IN DEXTROSE</b>	19.5%
<b>DOXIL</b>	16.5%
<b>DYSPORT</b>	13.6%
<b>EDEX</b>	13.2%
<b>EDURANT</b>	15.5%
<b>ELAPRASE</b>	13.0%
<b>ELIGARD</b>	14.5%
<b>ELITEK</b>	14.5%
<b>ELOCTATE</b>	16.8%
<b>ELOXATIN</b>	15.0%
<b>ELSPAR</b>	14.5%
<b>EMCYT</b>	15.8%
<b>EMEND</b>	14.5%
<b>EMTRIVA</b>	15.5%
<b>ENBREL</b>	16.5%
<b>ENGRIX-B ADULT</b>	30.1%
<b>ENGRIX-B PEDIATRIC-ADOLESCENT</b>	30.1%
<b>ENOXAPARIN SODIUM</b>	34.0%
<b>ENTECAVIR</b>	18.6%
<b>ENTYVIO</b>	15.5%
<b>EPIRUBICIN HCL</b>	54.5%
<b>EPIVIR</b>	15.5%
<b>EPIVIR HBV</b>	15.5%
<b>EPOGEN</b>	15.5%
<b>ERBITUX</b>	14.5%
<b>ERIVEDGE</b>	13.0%
<b>ESTRADIOL</b>	18.0%
<b>ETOPOPHOS</b>	15.0%
<b>ETOPOSIDE</b>	15.8%
<b>EUFLEXXA</b>	14.5%
<b>EXEMESTANE</b>	15.0%
<b>EXJADE 250MG</b>	13.0%
<b>EXJADE 500MG</b>	13.8%
<b>EXTAVIA</b>	14.8%
<b>EYLEA</b>	12.0%
<b>FABRAZYME</b>	14.5%
<b>FANAPT</b>	14.5%
<b>FARESTON</b>	15.8%
<b>FASLODEX</b>	15.8%
<b>FEIBA NF</b>	15.8%
<b>FEIBA VH IMMUNO</b>	15.8%
<b>FEMARA</b>	15.8%
<b>FIRAZYR</b>	11.0%

FIRMAGON	15.0%
FLEBOGAMMA DIF	14.5%
FLOXURIDINE	31.3%
FLUDARABINE PHOSPHATE	31.3%
FLUOROURACIL	14.5%
FLUPHENAZINE HCL	49.5%
FLUTAMIDE	38.5%
FOLLISTIM AQ	14.8%
FOLOTYN	13.7%
FONDAPARINUX SODIUM	33.5%
FORTEO	14.5%
FRAGMIN	16.5%
FULYZAQ	11.5%
FUZEON	16.0%
GAMASTAN S-D	11.2%
GAMMAGARD LIQUID	14.5%
GAMMAGARD S-D	14.5%
GAMMAKED	14.3%
GAMMAPLEX	14.5%
GAMUNEX-C	14.5%
GANCICLOVIR SODIUM	22.2%
GANIRELIX ACETATE	14.5%
GARDASIL	14.5%
GASTROCROM	14.5%
GAZYVA	15.5%
GEMCITABINE HCL	23.3%
GEMZAR	15.0%
GENGRAF	22.1%
GENOTROPIN	15.0%
GILENYA	15.5%
GLEEVEC	16.0%
GONAL-F	14.5%
HARVONI	18.0%
HAVRIX	14.5%
HECORIA	17.0%
HECTOROL	14.5%
HELIXATE FS	34.5%
HEMOFIL M	20.0%
HEPAGAM B	14.5%
HEPSERA	15.5%
HERCEPTIN	14.5%
HEXALEN	11.5%
HIZENTRA	10.2%
HUMATE-P	31.3%
HUMATROPE	16.2%
HUMIRA	16.5%



HYALGAN	15.5%
HYCANTIN	14.5%
HYDROXYUREA	51.5%
HYQVIA	14.0%
IFEX	52.5%
IFOSFAMIDE	14.5%
IMBRUVICA	15.0%
IMOGAM RABIES-HT	14.5%
INCIVEK	15.2%
INFED	23.3%
INFERGEN	15.8%
INLYTA	12.0%
INTEGRILIN	15.8%
INTELENCE	15.5%
INTRON A	16.0%
INVEGA	14.5%
INVEGA SUSTENNA	14.5%
INVIRASE	15.5%
IPRIVASK	15.0%
ISENTRESS	14.5%
ISTODAX	15.0%
IXEMPRA	14.5%
JAKAFI	15.0%
JEVTANA	16.2%
KADCYLA	14.2%
KALETRA	15.5%
KALYDECO	12.8%
KEPIVANCE	34.5%
KETOROLAC TROMETHAMINE	34.5%
KEYTRUDA	13.4%
KINERET	15.5%
KOATE-DVI	37.9%
KOGENATE FS	37.5%
KRYSTEXXA	14.5%
LAMIVUDINE	25.1%
LAMIVUDINE HBV	25.1%
LEFLUNOMIDE	53.9%
LEMTRADA	15.5%
LEUCOVORIN CALCIUM	19.5%
LEUKERAN	15.8%
LEUKINE	23.0%
LEUPROLIDE ACETATE	42.7%
LEXIVA	15.5%
LOVENOX	17.0%
LUMIZYME	13.6%
LUPANETA PACK	15.4%

LUPRON DEPOT	14.5%
LUPRON DEPOT-PED	14.5%
LYSODREN	15.8%
MAKENA	15.8%
MEDROXYPROGESTERONE ACETATE	21.5%
MEGACE ES	15.8%
MEGESTROL ACETATE	40.9%
MEKINIST	16.0%
MENACTRA	14.5%
MENOMUNE-A-C-Y-W-135	14.5%
MENOPUR	14.5%
MENVEO A-C-Y-W-135-DIP	14.2%
MEPRON	14.5%
MERCAPTOPURINE	45.5%
MESALAMINE	26.5%
MESNA	44.5%
MESNEX	15.5%
METHOTREXATE ORAL	51.8%
METHOTREXATE INJECTION	25.5%
METHOTREXATE SODIUM	25.5%
MIACALCIN	14.5%
MICRHOGAM ULTRA-FILTERED PLUS	12.0%
MONOCLATE-P	14.3%
MONONINE	29.3%
MONOVISC	15.0%
MOZOBIL	13.6%
MYCOPHENOLATE MOFETIL	48.5%
MYFORTIC	15.5%
MYLERAN	15.5%
MYOBLOC	14.5%
MYOZYME	14.5%
NALBUPHINE HCL	27.5%
NEORAL	20.9%
NEULASTA	16.5%
NEUMEGA	15.8%
NEUPOGEN	15.8%
NEVIRAPINE	40.0%
NEVIRAPINE 50MG/5ML LIQ	90.0%
NEXAVAR	15.8%
NORDITROPIN FLEXPPO	22.8%
NORDITROPIN NORDIFLEX	22.8%
NORVIR	15.5%
NOVAREL	14.5%
NOVOSEVEN RT	27.4%
NPLATE	13.5%
NUTROPIN	15.0%

NUTROPIN AQ	15.0%
NUTROPIN AQ NUSPIN	15.0%
OCTAGAM	18.5%
OCTREOTIDE ACETATE	42.0%
OLYSIO	16.0%
OMNITROPE	15.0%
OMNITROPE 5.8MG	25.0%
ONDANSETRON HCL	54.5%
ONFI	14.0%
OPDIVO	13.2%
ORENCIA	16.0%
ORTHOVISC	14.5%
OTEZLA	14.8%
OTREXUP	15.0%
OVIDREL	14.5%
OZURDEX	14.5%
PAMIDRONATE DISODIUM	34.5%
PANRETIN	13.5%
PEGASYS	17.7%
PEGASYS PROCLICK	17.7%
PEGINTRON	17.4%
PEGINTRON REDIPEN	17.4%
PENTASA	14.8%
PERJETA	7.5%
PHENTOLAMINE MESYLATE	14.9%
PLEGRIDY	16.5%
PLEGRIDY PEN	16.5%
POMALYST	15.8%
PREGNYL	14.5%
PREZISTA	14.5%
PRIALT	14.5%
PRIVIGEN	14.5%
PROCRIT	16.0%
PROFILNINE	30.5%
PROGESTERONE	36.0%
PROGESTERONE IN OIL	36.0%
PROGRAF	14.5%
PROLIA	14.5%
PROMACTA	15.8%
PROQUAD	14.5%
PULMOZYME	15.0%
QUTENZA	13.2%
RABAVERT	14.5%
RAGWITEK	14.0%
RANITIDINE HCL	44.1%
RAPAMUNE	14.5%

REBETOL	15.8%
REBIF	16.0%
REBIF REBIDOSE	16.0%
RECLAST	14.5%
RECOMBINATE	34.5%
REMICADE	15.5%
REPRONEX	14.5%
REVATIO	14.5%
REVLIMID	15.8%
REYATAZ	15.5%
RHOGAM ULTRA-FILTERED PLUS	23.3%
RIBAPAK	23.6%
RIBASPHERE	41.5%
RIBAVIRIN	51.5%
RILUTEK	14.5%
RILUZOLE	15.0%
RIMSO-50	14.5%
RISPERDAL	14.5%
RISPERDAL CONSTA	14.5%
RITUXAN	15.5%
RIXUBIS	26.5%
ROTATEQ	14.5%
SAIZEN	11.5%
SAMSCA	14.5%
SANCUSO	15.0%
SANDIMMUNE	22.5%
SANDOSTATIN	14.5%
SANDOSTATIN LAR	14.5%
SELZENTRY	15.5%
SENSIPAR	14.5%
SEROSTIM	15.0%
SILDENAFIL	65.0%
SIMPONI	15.0%
SIMPONI ARIA	15.0%
SIMULECT	14.5%
SIROLIMUS	15.0%
SODIUM BICARBONATE	36.5%
SOLIRIS	14.5%
SOLTAMOX	3.5%
SOLU-CORTEF	14.5%
SOLU-MEDROL	14.5%
SOMATULINE DEPOT	13.5%
SOVALDI	17.0%
SPRYCEL	16.0%
STAVUDINE	15.5%
STELARA	15.8%

STIMATE	14.5%
STIVARGA	14.0%
STRIBILD	14.9%
SULFASALAZINE	42.7%
SULFASALAZINE DR	42.7%
SULFAZINE	42.7%
SUPPRELIN LA	14.5%
SUSTIVA	15.5%
SUTENT	16.0%
SYLATRON	15.0%
SYLATRON 4-PACK	15.0%
SYNAGIS	14.5%
SYNRIBO	12.0%
SYNVISC	15.8%
SYNVISC-ONE	15.8%
TACROLIMUS	16.0%
TAFINLAR	15.0%
TAMOXIFEN CITRATE	54.5%
TARCEVA	15.8%
TARGRETIN	13.9%
TASIGNA	13.5%
TAXOTERE	14.5%
TECFIDERA	15.5%
TEMODAR	15.8%
TEMOZOLOMIDE	38.8%
TESTOSTERONE CYPIONATE	20.5%
TETANUS TOXOID ADSORBED	14.5%
TETANUS-DIPHTERIA-DECAVAC	14.5%
TEV-TROPIN	28.2%
THALOMID	15.8%
THERACYS	15.8%
THIOTEPA	15.0%
THROMBATE III	24.1%
THYROGEN	14.5%
TIKOSYN	14.5%
TIVICAY	14.8%
TOBI	15.0%
TOBI PODHALER	15.0%
TOBRAMYCIN	18.8%
TOPOTECAN HCL	33.4%
TORISEL	14.5%
TRETINOIN	26.1%
TREXALL	15.8%
TRIMETHOBENZAMIDE HCL	16.5%
TRIMETHOPRIM	16.5%
TRIUMEQ	17.0%



TRIZIVIR	15.5%
TRUVADA	15.5%
TWINRIX	14.5%
TYKERB	16.5%
TYZEKA	15.5%
UCERIS	14.1%
VALCYTE	15.5%
VALSTAR	13.5%
VANTAS	14.5%
VARIVAX VACCINE	14.5%
VELCADE	14.5%
VENOFER	20.0%
VICTOZA 2-PAK	14.5%
VICTOZA 3-PAK	14.5%
VICTRELIS	16.2%
VIDAZA	14.5%
VIDEX EC	15.5%
VIEKIRA PAK	17.0%
VINCRIStINE SULFATE	14.5%
VIRACEPT	15.5%
VIRAMUNE	15.5%
VIRAMUNE XR	15.5%
VIRAZOLE	15.0%
VIREAD	15.5%
VISTIDE	15.5%
VITAMIN K1	36.5%
VIVITROL	14.0%
VOTRIENT	15.0%
VPRIV	13.2%
WILATE	35.6%
XELJANZ	15.9%
XELODA	17.3%
XEOMIN	13.4%
XGEVA	14.5%
XTANDI	14.4%
XYNTHA	37.8%
XYNTHA SOLOFUSE	37.8%
YERVOY	13.7%
ZALTRAP	11.5%
ZELBORAF	15.2%
ZEMPLAR	14.5%
ZERIT	15.5%
ZIAGEN	15.5%
ZIDOVUDINE	18.9%
ZINECARD	15.0%
ZOFRAN	15.5%

<b>ZOFRAN ODT</b>	15.5%
<b>ZOLADEX</b>	35.7%
<b>ZOLINZA</b>	15.8%
<b>ZOMETA</b>	15.8%
<b>ZORBTIVE</b>	14.5%
<b>ZORTRESS</b>	14.5%
<b>ZOSTAVAX</b>	14.5%
<b>ZYDELIG</b>	15.5%
<b>ZYKADIA</b>	15.6%
<b>ZYPREXA</b>	14.5%
<b>ZYPREXA RELPREVV</b>	14.5%
<b>ZYTIGA</b>	15.8%
<b>ZYVOX</b>	14.5%

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

**CHANGE NOTICE NO. 4**  
to  
**CONTRACT NO. 071B3200060**  
between  
**THE STATE OF MICHIGAN**  
and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
MedImpact Healthcare Systems, Inc. 10181 Scripps Gateway Court San Diego, CA 92131	Angela Gardner	Angela.Gardner@medimpact.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	858-790-6205	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	CSC	Lauri Schmidt	517-373-9211	schmidt1@michigan.gov
BUYER	DTMB	Lance Kingsbury	517-241-3768	kingsbury1@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Pharmacy Benefits Management for State Employees/Retirees – DTMB / Civil Service Commission			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2013	December 31, 2015	3, 1-Year Options	December 31, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>		December 31, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED AGGREGATE CONTRACT VALUE REMAINS:		
\$0.00		\$691,095,000.00		
Effective January 1, 2015, the following documents are hereby incorporated into this contract. All other terms, conditions, specifications, and pricing remain the same. Per Contractor and agency agreement and DTMB Procurement approval.				

This Amendment ("Amendment") amends the Service Agreement ("Agreement") effective the 1st day of January 2013. That Agreement is by and between MedImpact Healthcare Systems, Inc. ("MedImpact"), a California corporation located at 10181 Scripps Gateway Court, San Diego, CA 92131, and State of Michigan, Department of Technology, Management and Budget DTMB-Procurement (Contract No. 071B3200060) ("Client"), located at 530 W. Allegan, Lansing, MI 48909. This Amendment is effective January 1, 2015.

WHEREAS, MedImpact and Client entered into the Agreement pursuant to which MedImpact agreed to provide certain services relating to prescription claim processing, eligibility verification, pricing, pharmacy network administration, and reporting required by Client, and

NOW THEREFORE, MedImpact and Client hereby agree to amend the Agreement as follows:

12. Unless otherwise specifically defined herein, capitalized terms used in this Amendment shall have the meanings stated in the Agreement.
13. Except as modified by this Amendment and to the extent not inconsistent therewith, all terms and conditions of the Agreement shall remain in full force and effect. This Amendment, the Agreement, and all exhibits, work orders, schedules, appendices, amendments and addenda thereto constitute the entire agreement of the parties with respect to the subject matter contained therein and supersedes any and all prior agreements between the parties, whether oral or written, concerning the subject matter contained herein.
14. The Specialty Pricing Terms section under 1.060 Contract Pricing shall be deleted in its entirety and replaced with the following:
  1. All pricing represents a discount off AWP or WAC plus or minus an Upcharge and no dispensing fee, or Actual Acquisition Cost plus an Upcharge plus a dispensing fee. These rates supersede any Generic MAC's (Maximum Allowable Costs) that the payor may have in effect unless the generic product is available from three or more manufacturers.
  2. All discounts are included in the pricing. No additional discounts are available as we have included all contract pricing and volume discounts in this pricing.
  3. New drugs will be priced at the default category discount of 14.5% until pricing is finalized, which shall be no later than 30 days after the product becomes available.
  4. Generally, all NDCs of the same brand will be priced at the discount offered on the brand on the price list. Should there be multiple NDC numbers with variable discounts within a brand, they will be individually listed.
  5. AWP's are subject to change. All discounts are against the AWP in effect on the date of service. Should legal, manufacturer or governmentally mandated changes result in a change in the standard relationship between AWP and WAC, the discount off AWP will be adjusted immediately such that actual reimbursement dollars remain consistent, resulting in economic neutrality.
  6. This pricing is based on an Exclusive and Mandated Provider Agreement for commercial lives and an open access network for EGWP.
  7. The proposed contract rate for the drug component includes the cost of all minor ancillary supplies such as needles and alcohol pads needed to administer a drug in the recipient's home when applicable or when the ancillary supplies are included in the drug packaging.
  8. Ancillary medical supplies and equipment needed to administer a drug at a provider site such as a physician's office or a clinic are the responsibility of the provider administering the drug and is not included in the proposed contract rate for the drug component.
  9. Per Diem nursing services when required will be billed as follows: Initial site of care: \$200.00 per up to 2 hours; Each Additional Hour: \$100.00 per hour; Travel time: \$50.00 per hour. Geography and hi-tech skill set may also necessitate travel time to be incurred, travel greater than one hour each way will incur travel time per hour - Diplomat will only bill for actual expenses it incurs. Any needed supplies or pumps will be billed as a pass through.

10. IVIG products are experiencing limited and inconsistent availability. We reserve the right to request updated pricing discounts quarterly based on availability and current price.

11. For Hizentra (and other Ig's) the monthly infusion pump costs, multi-lead administration sets and other medically necessary ancillary supplies will be billed to the client at cost as a pass through.

15. The Retail Broad Network Rates and Dispensing Fees under Retail Pharmacy Program in Attachment A, Pricing shall be deleted and replaced with the following:

The following rates are effective January 1, 2015 through December 31, 2015

Retail Pharmacy Rates – Broad Network

Brand Name Drug	AWP – 16.50%	\$1.20 Dispensing Fee
Generic Drug	AWP – 79.20%	\$1.20 Dispensing Fee

16. The Mail Order Brand Drugs and Generic Drugs rates and Dispensing Fees under Mail Order Pharmacy Program in Attachment A, Pricing shall be deleted and replaced with the following:

The following rates are effective January 1, 2015, through December 31, 2015.

Mail Order

Brand Name Drug	AWP – 22.80%	\$7.80 Dispensing Fee
Generic Drug	AWP – 89.55%	\$7.80 Dispensing Fee

17. The Retail Claims Minimum Guarantees and Mail Claims Minimum Guarantees under Rebates in Attachment A, Pricing shall be deleted and replaced with the following:

The following rates are effective January 1, 2015, through December 31, 2015.

Rebates

100% of rebate recovery shall be passed through to Plan Sponsor

Minimum Guarantees:

Retail	\$22.03 per Brand Name Drug claim	1-83 days
Mail	\$50.67 per Brand Name Drug claim	>83 days

18. The administrative fee amount under Administrative Fees in Attachment A, Pricing shall be deleted and replaced with the following:

The following administrative fee is effective January 1, 2015, through December 31, 2015.

The Plan Sponsor will pay the Contractor a fee not to exceed \$3.07 Per Contract Holder Per Month (PCHPM) which is an all-inclusive fee that includes, but is not limited to:

19. The administrative fee amount under the EGWP Administrative Fees in Attachment A, Pricing shall be deleted and replaced with the following:

The following administrative fee is effective January 1, 2015, through December 31, 2015.

All inclusive administration fee for EGWP: \$9.49 PMPM

20. The Retail Broad and Retail 90-day Network, Mail Order, LTC and Home Infusion rates and Dispensing Fees under EGWP Program in Attachment A, Pricing shall be deleted and replaced with the following:

The following rates are effective January 1, 2015, through December 31, 2015.

Retail Broad and Retail 90-day Network

Brand Name Drug	AWP – 16.75%	\$1.00 Dispensing Fee
Generic Drug	AWP – 79.75%	\$1.00 Dispensing Fee



**Mail Order**

Brand Name Drug	AWP – 22.60%	\$7.80 Dispensing Fee
Generic Drug	AWP – 90.55%	\$7.80 Dispensing Fee

**LTC**

Brand Name Drug	AWP – 9.75%	\$5.70 Dispensing Fee
Generic Drug	AWP – 70.0%	\$5.70 Dispensing Fee

**Home Infusion**

Brand Name Drug	AWP – 13.0%	\$4.00 Dispensing Fee
Generic Drug	AWP – 60.0%	\$4.00 Dispensing Fee

21. The Rebates under EGWP Program in Attachment A, Pricing shall be deleted and replaced with the following:

The following rates are effective January 1, 2015, through December 31, 2015.

**Rebates**

100% of Rebate recovery shall be passed through to Plan Sponsor

**Minimum Guarantees:**

Retail	\$24.23 per Brand Name Drug claim	1-83 days
Mail	\$55.73 per Brand Name Drug claim	>83 days

22. Attachment B, Specialty Pricing List shall be deleted in its entirety and replaced with a new Attachment B, Specialty Pricing List attached hereto and incorporated herein as referenced.

Each party represents and warrants that it has the necessary power and authority to enter into this Amendment and to consummate the transactions contemplated hereby. The parties have caused this Amendment to be executed by their respective duly authorized officers or agents as of the latest signature date below.

**Attachment B, Diplomat Specialty Pricing List  
(Prices subject to change)**

Product Name	NDC11	Discount off AWP
Abacavir	51079020406	15.5%
Abacavir	68180028607	15.5%
Abraxane	68817013450	14.5%
Actemra	50242013501	14.2%
Actemra	50242013601	14.2%
Actemra	50242013701	14.2%

Product Name	NDC11	Discount off AWP
Acyclovir Oral	00093894005	52.5%
Adcetris	51144005001	14.5%
Adcirca	66302046760	14.8%
Adefovir Dipivoxil	42794000308	20.2%
Adriamycin	55390023610	39.5%
Advate - Super High FVIII	00944294410	34.5%
Advate Reconstituted Sol	00944292102	34.5%
Advate Reconstituted Sol	00944292202	34.5%
Advate Reconstituted Sol	00944292302	34.5%
Afinitor	00078056651	14.5%
Afinitor	00078056751	14.5%
Afinitor	00078059451	14.5%
Afinitor	00078062051	14.5%
Agrylin	54092006301	15.0%
Aldurazyme	58468007001	14.5%
Alimta	00002762301	14.5%
Alkeran	52609000105	15.8%
Aloxi	62856079701	36.5%
Alphanate Low	68516460101	34.1%
Alphanate Mid	68516460201	34.1%
AlphaNine SD	68516360202	14.0%
Alprolix	64406092201	13.6%
Alprolix	64406093301	13.6%
Alprostadi	00703150102	29.4%
Amicar	66479002282	37.0%
Amicar	66479002356	37.0%
Aminocaproic Acid Syr	61748004408	30.1%
Aminocaproic Acid Tab	61748004501	30.1%
Ampyra	10144042760	14.2%
Anastrozole	68382020906	54.8%
Anzemet Tabs	00088120305	15.8%
Aptivus	00597000302	15.5%
Aranesp	55513000304	15.5%
Aranesp	55513000404	15.5%
Aranesp	55513000504	15.5%
Aranesp	55513002104	15.5%
Aranesp	55513002304	15.5%
Aranesp	55513002504	15.5%
Aranesp	55513005704	15.5%
Aranesp	55513011101	15.5%
Arava	00088216130	15.5%
Arimidex	00310020130	15.8%
Arixtra	00007323002	33.8%
Arixtra	00007323011	33.8%
Arixtra	00007323202	33.8%

Product Name	NDC11	Discount off AWP
Arixtra	00007323411	33.8%
Arixtra	00007323611	33.8%
Aromasin	00009766304	15.8%
Arranon	00007440106	13.5%
Arthrotec	00025141190	15.5%
Arthrotec	00025142160	15.5%
Arzerra	00173082133	13.7%
Asacol HD	00430078327	15.5%
Atgam	00009722402	14.5%
Atripila	15584010101	15.5%
Aubagio	58468021002	15.8%
Aubagio	58468021101	15.8%
Avastin	50242006101	14.5%
Aveed	67979051143	10.0%
Avonex Pen	59627000304	16.0%
Avonex PFS	59627000205	16.0%
Avonex SDV	59627000103	16.0%
AzaCITIDine	00781325394	12.9%
Azasan	65649023141	14.5%
Azasan	65649024141	14.5%
Azathioprine Tabs	00054408425	48.0%
Azulfidine	00013010120	15.5%
Azulfidine EN	00013010201	15.5%
Baclofen	00832102450	18.0%
Baraclude	00003161112	14.5%
Bebulin VH	64193024402	30.4%
Beleodaq	68152010809	16.0%
BeneFIX - Super High	58394063603	14.5%
Benlysta	49401010101	13.4%
Benlysta	49401010201	13.4%
Betaseron	50419052335	15.8%
Betaseron	50419052435	15.8%
Bethkis	10122082056	14.8%
Bicnu	00015301260	14.5%
Bivigam	59730650201	16.0%
Bleomycin	63323013610	40.5%
Boniva	00004019109	14.5%
Bosulif	00069013501	17.7%
Botox	00023114501	14.5%
Botox	00023923201	14.5%
Bravelle	55566850506	14.5%
Buphenyl	62592018864	10.0%
Buprenex	12496075701	14.5%
Busulfex	59148007091	14.5%
Calcitriol Inj	00054312041	20.5%

Product Name	NDC11	Discount off AWP
Calcitriol Oral	00054000713	20.5%
Calcitriol Oral	00093065701	20.5%
Camptosar	00009752903	14.5%
Canasa	58914050156	15.5%
Capecitabine	00093747306	18.0%
Capecitabine	00093747489	18.0%
Carboplatin	61703033956	33.2%
Carboplatin	63323017205	33.2%
Carimune NF	44206041706	14.5%
Casodex	00310070510	15.8%
Casodex	00310070530	15.8%
Cathflo Activase	50242004164	14.5%
Caverject	00009370105	14.5%
Caverject	00009768604	14.5%
CeeNU	00015303020	15.8%
CeeNU	00015303120	15.8%
Celestone Soluspan	00085056605	14.5%
Cellcept	00004025901	15.5%
Cellcept	00004025943	15.5%
Cellcept	00004026001	15.5%
Cellcept	00004026129	15.5%
Cerdelga	58468022001	14.5%
Cerezyme	58468466301	14.5%
Cerubidine	55390028110	18.7%
Cetrotide	44087120301	14.5%
Cetrotide	44087122501	14.5%
Chorionic Gonadltropin	63323002510	34.0%
Cidofovir	67457021005	15.5%
Cimzia	50474070062	16.8%
Cimzia	50474071079	16.8%
Cimzia	50474071081	16.8%
Cisplatin	63323010364	45.5%
Cisplatin	63323010365	45.5%
Cladribine	63323014010	31.5%
Clolar	58468010001	13.5%
Clomiphene tabs	00093004103	44.1%
Clomiphene tabs	49884070154	44.1%
Colistimethate	00574085801	31.5%
Coly-Mycin M	42023010701	14.5%
Coly-Mycin S	42023010801	33.4%
Combivir	49702020218	15.5%
Cometriq	42388001114	13.2%
Cometriq	42388001214	13.2%
Cometriq	42388001314	13.2%
Complera	61958110101	15.5%

Product Name	NDC11	Discount off AWP
<b>Copaxone</b>	68546031730	16.0%
<b>Copaxone</b>	68546032512	16.0%
Copegus	00004008694	15.8%
Cortrosyn	00548590000	24.5%
Crixivan	00006057362	15.5%
Cuvposa	00259050116	13.2%
Cyclophosphamide Inj	10019095501	14.5%
Cyclophosphamide Inj	10019095601	14.5%
Cyclophosphamide Inj	10019095701	14.5%
Cyclospor MIC	00172731146	14.5%
Cyclospor MIC	00172731246	14.5%
Cyclospor MIC	00172731320	14.5%
Cyclospor MIC	00185093230	14.5%
Cyclospor MIC	00185093330	14.5%
Cyclospor MIC	00591222215	14.5%
Cyclospor MIC	00591222315	14.5%
Cyclospor MIC	00591222455	14.5%
Cyclosporine Inj	55390012210	14.5%
Cytarabine Liposomal Inj	61703030538	36.5%
Cytarabine Liposomal Inj	61703031922	36.5%
Cytovene	00004694003	15.5%
Dacarbazine	00703507503	44.5%
Dacarbazine	55390009010	44.5%
Dacogen	62856060001	14.5%
<b>Dalvance</b>	<b>57970010001</b>	<b>14.8%</b>
Danazol	00527136801	14.5%
Danazol	00527136901	14.5%
Danazol	00555063402	14.5%
Danazol	00555063502	14.5%
Danazol	00555063509	14.5%
Dapsone	49938010230	14.5%
Daunorubicin	55390010801	23.5%
DDAVP	00075001600	15.8%
DDAVP	00075002600	15.8%
DDAVP	00075245153	15.8%
DDAVP Nasal	00075245201	15.8%
Decavac	49281029183	14.5%
Deferoxamine	00555113111	36.0%
Deferoxamine	55390026310	36.0%
Delatestryl	67979050140	14.5%
Delestrogen	42023011101	15.0%
Delestrogen	42023011201	15.0%
Depo Estradiol	00009027101	14.5%
Depo Medrol	00009028002	28.5%
Depo Medrol	00009307301	28.5%

Product Name	NDC11	Discount off AWP
Depo Medrol	00009347501	28.5%
Depo Medrol	00009347503	28.5%
Depo Provera	00009074630	14.5%
Depo Testosterone	00009034702	34.4%
Depo Testosterone	00009041701	34.4%
Depo Testosterone	00009041702	34.4%
DepoCyt	57665033101	14.5%
Desferal	00078034751	14.5%
Desferal	00078046791	14.5%
Dexamethasone	00069454502	18.4%
Dexamethasone	00517490525	18.4%
Dexamethasone	00641036725	47.5%
Dexamethasone	49884008401	18.4%
Dexamethasone	49884008701	18.4%
Didanosine	65862031030	15.5%
Didanosine	65862031130	15.5%
Didanosine	65862031330	15.5%
Dihydroergotamine Mesylate	00574085005	14.5%
Dihydroergotamine Mesylate	66490004101	14.5%
Dobutamine	00409202520	19.5%
Doxil	59676096001	16.5%
DysPort	15054050001	13.6%
DysPort	15054053006	13.6%
Edex	52244001002	13.2%
Edex	52244002002	13.2%
Edurant	59676027801	15.5%
Elaprase	54092070001	13.0%
Eligard	00024022205	14.5%
Elitek	00024515175	14.5%
Eloctate	64406080401	16.8%
Eloxatin	00024059240	15.0%
Elspar	67386041151	14.5%
Emcyt	00013013202	15.8%
Emend	00006046102	14.5%
Emend	00006046106	14.5%
Emend	00006046206	14.5%
Emend	00006046405	14.5%
Emtriva	61958060101	15.5%
Enbrel	58406042534	16.5%
Enbrel	58406043504	16.5%
Enbrel	58406044504	16.5%
Enbrel	58406045504	16.5%
Engerix-B	58160082052	30.1%
Engerix-B	58160082111	30.1%
Enoxaparin	00781313363	34.0%

Product Name	NDC11	Discount off AWP
Enoxaparin	00781322464	34.0%
Enoxaparin	00781342868	34.0%
Enoxaparin	00781350069	34.0%
Enoxaparin	00781365569	34.0%
Enoxaparin	00955100410	34.0%
Entecavir	00093578656	18.6%
Entecavir	00093578698	18.6%
Entecavir	00093578756	18.6%
Entyvio	64764030020	15.5%
Epirubicin	25021020351	54.5%
Epirubicin	61703034735	54.5%
Epivir	49702020413	15.5%
Epivir	49702020548	15.5%
Epivir HBV	00173066200	15.5%
Epogen	55513012610	15.5%
Epogen	55513014410	15.5%
Epogen	55513028310	15.5%
Epogen	55513047810	15.5%
Erbitux	66733094823	14.5%
Erbitux	66733095823	14.5%
Erivedge	50242014001	13.0%
Estradiol Tab	00378145205	18.0%
Estradiol Tab	00378145801	18.0%
Estradiol Tab	00378145805	18.0%
Estradiol TRN	00378335199	18.0%
Estradiol USP	00591048805	18.0%
Etopophos	00015340420	15.0%
Etoposide Caps	00378326694	15.8%
Etoposide Inj	63323010450	15.8%
Euflexxa	55566410001	14.5%
Exemestane	59762285801	15.0%
Exjade	00078046815	13.0%
Exjade	00078046915	13.0%
Exjade	00078047015	13.8%
Extavia	00078056912	14.8%
Eylea	61755000502	12.0%
Fabrazyme	58468004001	14.5%
Fanapt	00078059520	14.5%
Fanapt	00078059620	14.5%
Fanapt	00078059720	14.5%
Fanapt	00078059820	14.5%
Fanapt	00078060020	14.5%
Fanapt	00078060208	14.5%
Fareston	42747032730	15.8%
Faslodex	00310072010	15.8%



Product Name	NDC11	Discount off AWP
Femara	00078024915	15.8%
Firazyr	54092070202	11.0%
Firmagon	55566830101	15.0%
Flebogamma DIF	61953000404	14.5%
Floxuridine	55390013501	31.3%
Floxuridine	63323014507	31.3%
Fludarabine	25021020505	31.3%
Fludarabine	61703034418	31.3%
Fluorouracil IV	63323011720	14.5%
Fluorouracil IV	63323011751	14.5%
Fluorouracil IV	63323011761	14.5%
Fluorouracil Top Soln	51672406301	14.5%
Fluphenazine	00378600401	49.5%
Fluphenazine	00378600901	49.5%
Fluphenazine	00378609701	49.5%
Flutamide	49884075313	38.5%
Follistim aq	00052031301	14.8%
Follistim aq	00052031601	14.8%
Follistim aq	00052032601	14.8%
Folotyn	48818000101	13.7%
Fondaparinux	60505607804	33.5%
Fondaparinux	60505608004	33.5%
Forteo	00002840001	14.5%
Fragmin	62856010110	16.5%
Fragmin	62856012510	16.5%
Fragmin	62856015010	16.5%
Fragmin	62856025010	16.5%
Fragmin	62856050010	16.5%
Fragmin	62856075010	16.5%
Fulyzaq	65649080202	11.5%
Fuzeon	00004038039	16.0%
Gamastan SD	13533063504	11.2%
Gamastan SD	13533063512	11.2%
Gammagard LIQ	00944270002	14.5%
Gammagard LIQ	00944270004	14.5%
Gammagard LIQ	00944270005	14.5%
Gammaked	76125090010	14.3%
Gammaflex	64208823402	14.5%
Gammaflex	64208823403	14.5%
Gamunex-C	13533080020	14.5%
Ganciclovir	63323031510	22.2%
Ganirelix	00052030151	14.5%
Gardasil	00006404541	14.5%
Gardasil	00006410909	14.5%
Gastrocrom	18860067870	14.5%

Product Name	NDC11	Discount off AWP
Gazyva	50242007001	15.5%
Gemcitabine HCL	00781328379	23.3%
Gemzar	00002750101	15.0%
Gemzar	00002750201	15.0%
Gengraf	00074646332	22.1%
Gengraf	00074647932	22.1%
Genotropin	00013262681	15.0%
Genotropin	00013264681	15.0%
Genotropin	00013264902	15.0%
Genotropin	00013265002	15.0%
Genotropin	00013265102	15.0%
Genotropin	00013265202	15.0%
Genotropin	00013265302	15.0%
Genotropin	00013265402	15.0%
Genotropin	00013265502	15.0%
Genotropin	00013265702	15.0%
Gilenya	00078060751	15.5%
Gleevec	00078040134	16.0%
Gleevec	00078043815	16.0%
Gonal-f	44087903001	14.5%
Gonal-f	44087907001	14.5%
Havrix	58160082511	14.5%
Havrix	58160082611	14.5%
Healon	08544508421	14.5%
Healon	08544508501	14.5%
HECORIA	00078061605	17.0%
HECORIA	00078061705	17.0%
HECORIA	00078061805	17.0%
Hectorol	58468012001	14.5%
Hectorol	58468012101	14.5%
Helixate FS - Low	00053813001	34.5%
Hemofil - FVIII - High	00944293201	20.0%
Hepagam B	60492005101	14.5%
Hepagam B	60492005201	14.5%
Hepsera	61958050101	15.5%
Herceptin	50242013468	14.5%
Hexalen	62856000110	11.5%
Hizentra	44206045101	10.2%
Hizentra	44206045202	10.2%
Hizentra	44206045404	10.2%
Humate-P Low	63833061502	31.3%
Humatrope CRT	00002814701	16.2%
Humatrope CRT	00002814801	16.2%
Humatrope CRT	00002814901	16.2%
Humira	00074379902	16.5%

Product Name	NDC11	Discount off AWP
Humira	00074433902	16.5%
Humira	00074433906	16.5%
Humira	00074433907	16.5%
Humira	00074937402	16.5%
Hyalgan	89122072412	15.5%
Hyalgan	89122072420	15.5%
Hycamtin	00007420101	14.5%
Hycamtin	00007420511	14.5%
Hycamtin	00007420711	14.5%
Hydroxyurea Caps	00555088202	51.5%
Ifex	00338399101	52.5%
Ifosfamide	00703342711	14.5%
Ifosfamide	00703342911	14.5%
Imbruvica	57962014009	15.0%
Imbruvica	57962014012	15.0%
Imogam HT	49281019020	14.5%
Incivek	51167010001	15.2%
Infed	52544093102	23.3%
Infergen	66435020115	15.8%
Inlyta	00069014501	12.0%
Inlyta	00069015111	12.0%
Integrilin	00085113601	15.8%
Intelence	59676057001	15.5%
Intron A	00085053901	16.0%
Intron A	00085057102	16.0%
Intron A	00085111001	16.0%
Intron A HSAF	00085113301	16.0%
Intron A HSAF	00085116801	16.0%
Invega	50458055001	14.5%
Invega	50458055101	14.5%
Invega	50458055201	14.5%
Invega HSP	50458055210	14.5%
Invega Susten	50458056101	14.5%
Invega Susten	50458056201	14.5%
Invirase	00004024515	15.5%
Iprivask	51292011112	15.0%
Isentress	00006022761	14.5%
Istodax	59572098301	15.0%
Ixempra kit	00015191012	14.5%
Jakafi	50881000560	15.0%
Jakafi	50881001060	15.0%
Jakafi	50881001560	15.0%
Jakafi	50881002060	15.0%
Jevtana	00024582411	16.2%
Kadcyla	50242008701	14.2%

Product Name	NDC11	Discount off AWP
Kadcyla	50242008801	14.2%
Kaletra	00074395646	15.5%
Kaletra	00074679922	15.5%
Kalydeco	51167020002	12.8%
Kepivance	66658011206	34.5%
Ketorolac	00378113401	34.5%
Keytruda	00006302901	13.4%
Keytruda	00006302902	13.4%
Kineret	66658023428	15.5%
Koate DVI Low	76125025020	37.9%
Kogenate FS Bio Set High	00026379550	37.5%
Krystexxa	54396080101	14.5%
Lamivudine	60505325006	25.1%
Lamivudine	60505325106	25.1%
Lamivudine	60505325203	25.1%
Lamivudine	65862055260	25.1%
Lamivudine	65862055330	25.1%
Leflunomide Tabs	00093017356	53.9%
Leflunomide Tabs	00093017456	53.9%
Leflunomide Tabs	00781505631	53.9%
Leflunomide Tabs	00781505731	53.9%
Leflunomide Tabs	66993016030	53.9%
Leucovorin CA Tabs	00054449613	19.5%
Leucovorin CA Tabs	00054449625	19.5%
Leucovorin CA Tabs	00555048402	19.5%
Leucovorin CA Tabs	51079058205	19.5%
Leucovorin Tabs	00054449710	19.5%
Leucovorin Tabs	00054449911	19.5%
Leukeran	00173063535	15.8%
Leukine	58468018102	23.0%
Leuprolide AC	41616093640	42.7%
Lexiva	49702020718	15.5%
Lovenox	00075062040	17.0%
Lovenox	00075062160	17.0%
Lovenox	00075062280	17.0%
Lovenox	00075062430	17.0%
Lovenox	00075291201	17.0%
Lumizyme	58468016001	13.6%
Lupaneta	00074105205	15.4%
Lupaneta	00074105305	15.4%
Lupron Depot	00074210803	14.5%
Lupron Depot	00074334603	14.5%
Lupron Depot	00074364103	14.5%
Lupron Depot	00074364203	14.5%
Lupron Depot	00074366303	14.5%

Product Name	NDC11	Discount off AWP
Lupron Depot-Ped	00074228203	14.5%
Lupron Depot-Ped	00074244003	14.5%
Lysodren	00015308060	15.8%
Makena	64011024301	15.8%
Medroxyprogesterone	00703680101	21.5%
Medroxyprogesterone	00703680104	21.5%
Medroxyprogesterone	59762374001	21.5%
Medroxyprogesterone	59762374005	21.5%
Medroxyprogesterone	59762453702	21.5%
Megace	49884094969	15.8%
Megestrol Acetate Sus	49884090761	40.9%
Megestrol Acetate Sus	60432012616	40.9%
Megestrol Acetate Tab	49884028901	40.9%
Megestrol Acetate Tab	49884029005	40.9%
Mekinist	00173084813	16.0%
Menactra	49281058905	14.5%
Menomune ACYW	49281048901	14.5%
Menopur	55566750102	14.5%
Menveo	46028020801	14.2%
Mepron	00173054700	14.5%
Mercaptopurine Tabs	00054458127	45.5%
Mercaptopurine Tabs	00378354725	45.5%
Mercaptopurine Tabs	49884092202	45.5%
Mesalamine	45802009828	26.5%
Mesalamine	45802009851	26.5%
Mesna	25021020111	44.5%
<b>Mesnex</b>	<b>67108356509</b>	<b>15.5%</b>
Methotrexate IV	10139006210	25.5%
Methotrexate IV	61703035038	25.5%
Methotrexate IV	67457022102	25.5%
Methotrexate tabs	00555057235	51.8%
Methotrexate tabs	67253032010	51.8%
Miacalcin	00078031154	14.5%
MICRhoGAm	00562780625	12.0%
Monoclote-P Super High	00053763402	14.3%
Mononine - High	00053623302	29.3%
<b>Monovisc</b>	<b>59676082001</b>	<b>15.0%</b>
Mozobil	58468014001	13.6%
Mycophenolate Caps	16729001916	48.5%
Mycophenolate Caps	16729009401	48.5%
Mycophenolate Caps	16729009416	48.5%
Myfortic	00078038566	15.5%
Myfortic	00078038666	15.5%
Myleran	00173071325	15.5%
Myobloc	10454071010	14.5%

Product Name	NDC11	Discount off AWP
Myobloc	10454071210	14.5%
Myozyme	58468015001	14.5%
Nalbuphine	00409146401	27.5%
Neoral	00078024615	20.9%
Neoral	00078024815	20.9%
Neoral	00078027422	20.9%
Neulasta	55513019001	16.5%
Neumega	58394000408	15.8%
Neupogen	55513020910	15.8%
Neupogen	55513053010	15.8%
Neupogen	55513054610	15.8%
Neupogen	55513092410	15.8%
Nevirapine	00054045058	40.0%
Nevirapine	51991033106	90.0%
Nexavar	50419048858	15.8%
Norditropin Nordiflex	00169770311	22.8%
Norditropin Nordiflex	00169770421	22.8%
Norditropin Nordiflex	00169770521	22.8%
Norditropin Nordiflex	00169770821	22.8%
Norvir	00074333330	15.5%
Norvir	00074663330	15.5%
Novarel	55566150101	14.5%
NovoSeven RT	00169702001	27.4%
Nplate	55513022101	13.5%
Nutropin AQ	50242004314	15.0%
Nutropin AQ	50242007301	15.0%
Nutropin AQ NuSpin	50242007401	15.0%
Nutropin AQ NuSpin	50242007501	15.0%
Nutropin AQ NuSpin	50242007601	15.0%
Octagam	67467084301	18.5%
Octreotide	55390016401	42.0%
Octreotide	62756034944	42.0%
Octreotide	62756035040	42.0%
Octreotide	62756035240	42.0%
Octreotide	63323037601	42.0%
Olysio	59676022528	16.0%
Omnitrope Crtg	00781300126	15.0%
Omnitrope Crtg	00781300426	15.0%
Omnitrope Dil	00781400436	25.0%
Ondansetron IV	00781301095	54.5%
Ondansetron IV	51672409103	54.5%
Onfi	67386031321	14.0%
Onfi	67386031501	14.0%
Orencia	00003218710	16.0%
Orencia	00003218811	16.0%

Product Name	NDC11	Discount off AWP
Orencia	00003218831	16.0%
Orthovisc	59676036001	14.5%
Otezla	59572063106	14.8%
OTREXUP	54436001004	15.0%
OTREXUP	54436001504	15.0%
OTREXUP	54436002004	15.0%
OTREXUP	54436002504	15.0%
Ovidrel	44087115001	14.5%
Ozurdex	00023334807	14.5%
Pamidronate	61703032518	34.5%
Pamidronate	61703032618	34.5%
Panretin	62856060122	13.5%
Peg Intron	00085127901	17.4%
Peg Intron	00085129101	17.4%
Peg Intron	00085136801	17.4%
Peg Intron Redi-Pen	00085129701	17.4%
Peg Intron Redi-Pen	00085129702	17.4%
Peg Intron Redi-Pen	00085130401	17.4%
Peg Intron Redi-Pen	00085137001	17.4%
Peg Intron Redi-Pen	00085137002	17.4%
Pegasys	00004035009	17.7%
Pegasys	00004035730	17.7%
Pegasys	00004036530	17.7%
Pegasys Proclick	00004036030	17.7%
Pentasa	54092018981	14.8%
Pentasa	54092019112	14.8%
Perjeta	50242014501	7.5%
Phentolamine Mesylate	55390011301	14.9%
Pomalyst	59572050200	15.8%
Pomalyst	59572050221	15.8%
Pomalyst	59572050300	15.8%
Pomalyst	59572050400	15.8%
Pomalyst	59572050421	15.8%
Pregnyl	00052031510	14.5%
Prezista	59676056101	14.5%
Prezista	59676056201	14.5%
Prialt	18860072010	14.5%
Privigen	44206043710	14.5%
Procrit	59676030201	16.0%
Procrit	59676030401	16.0%
Procrit	59676031001	16.0%
Procrit	59676031002	16.0%
Procrit	59676032004	16.0%
Procrit	59676034001	16.0%
Profilnine SD Low/Mid	68516320101	30.5%

Product Name	NDC11	Discount off AWP
Progesterone Inj	00517075001	36.0%
Prograf	00469060773	14.5%
Prograf	00469061711	14.5%
Prograf	00469061773	14.5%
Prograf	00469065711	14.5%
Prograf	00469065773	14.5%
Prolia	55513071001	14.5%
Promacta	00007464013	15.8%
Promacta	00007464113	15.8%
Promacta	00007464213	15.8%
Proquad	00006499900	14.5%
Pulmozyme	50242010040	15.0%
Qutenza	49685092801	13.2%
Rabavert	63851050101	14.5%
Ragwitek	00006542030	14.0%
Ranitidine Inj	00472038316	44.1%
Ranitidine Tabs	53746025310	44.1%
Ranitidine Tabs	53746025402	44.1%
Ranitidine Tabs	64679090702	44.1%
Rapamune	00008103006	14.5%
Rapamune	00008104005	14.5%
Rapamune	00008104105	14.5%
Rapamune	00008104110	14.5%
Rebetol	00085119403	15.8%
Rebif	44087002203	16.0%
Rebif	44087004403	16.0%
Rebif Rebidose	44087018801	16.0%
Rebif Rebidose	44087332201	16.0%
Rebif Rebidose	44087334401	16.0%
Rebif titration pack	44087882201	16.0%
Reclast	00078043561	14.5%
Recombinate	00944284310	34.5%
Recombinate	00944284410	34.5%
Recombinate	00944284510	34.5%
Recombinate w/BaxJet Low	00944283410	34.5%
Remicade	57894003001	15.5%
Repronex	55566718502	14.5%
Revatio	00069419068	14.5%
Revlimid	59572040200	15.8%
Revlimid	59572040228	15.8%
Revlimid	59572040500	15.8%
Revlimid	59572040528	15.8%
Revlimid	59572041000	15.8%
Revlimid	59572041028	15.8%
Revlimid	59572041500	15.8%



Product Name	NDC11	Discount off AWP
Revlimid	59572041521	15.8%
Revlimid	59572042000	15.8%
Revlimid	59572042021	15.8%
Revlimid	59572042500	15.8%
Revlimid	59572042521	15.8%
Reyataz	00003362212	15.5%
Reyataz	00003362412	15.5%
Reyataz	00003363112	15.5%
RhoGam Ultra Filtered Plus	00562780501	23.3%
RibaPak	66435010599	23.6%
RibaPak	66435010699	23.6%
RibaPak	66435010799	23.6%
RibaPak	66435010899	23.6%
Ribasphere Caps	66435010118	41.5%
Ribasphere Caps	66435010184	41.5%
Ribasphere Tabs	66435010216	41.5%
Ribavirin Tabs	68382004603	51.5%
Rilutek	00075770060	14.5%
RILUZOLE	64980019106	15.0%
Rimso-50	67457017750	14.5%
Risperdal	50458030001	14.5%
Risperdal	50458030006	14.5%
Risperdal	50458030050	14.5%
Risperdal	50458030104	14.5%
Risperdal	50458030206	14.5%
Risperdal	50458032001	14.5%
Risperdal	50458033006	14.5%
Risperdal Con	50458030611	14.5%
Risperdal Con	50458030711	14.5%
Risperdal Con	50458030811	14.5%
Risperdal Con	50458030911	14.5%
Rituxan	50242005121	15.5%
Rixubis	00944303002	26.5%
Rotateq	00006404741	14.5%
Saizen	44087100502	11.5%
Saizen	44087108001	11.5%
Saizen	44087108801	11.5%
Samsca	59148002050	14.5%
Samsca	59148002150	14.5%
Sancuso	42747072601	15.0%
Sandimmune	00078010901	22.5%
Sandimmune	00078011022	22.5%
Sandimmune	00078024015	22.5%
Sandimmune	00078024115	22.5%
Sandostatin	00078018001	14.5%

Product Name	NDC11	Discount off AWP
Sandostatin	00078018325	14.5%
Sandostatin lar	00078034061	14.5%
Sandostatin lar	00078034161	14.5%
Sandostatin lar	00078034261	14.5%
Selzentry	49702022318	15.5%
Selzentry	49702022418	15.5%
Sensipar	55513007330	14.5%
Sensipar	55513007430	14.5%
Sensipar	55513007530	14.5%
Serostim	44087000407	15.0%
Serostim	44087000607	15.0%
Sildenafil Citrate	60505340409	65.0%
Simponi	57894007001	15.0%
Simponi	57894007002	15.0%
Simponi	57894007101	15.0%
Simponi	57894007102	15.0%
Simulect	00078033184	14.5%
SIROLIMUS	68382052001	15.0%
Sodium Bicarbonate	00409663734	36.5%
Soliris	25682000101	14.5%
Soltamox	13632012301	3.5%
Solu-Cortef	00009001103	14.5%
Solu-Cortef	00009001104	14.5%
Solu-Cortef	00009001305	14.5%
Solu-Cortef	00009001612	14.5%
Solu-Medrol	00009004722	14.5%
Somatuline	15054009001	13.5%
Somatuline	15054012001	13.5%
Sovaldi	61958150101	17.0%
Sprycel	00003052411	16.0%
Sprycel	00003052711	16.0%
Sprycel	00003052811	16.0%
Sprycel	00003085222	16.0%
Sprycel	00003085522	16.0%
Sprycel	00003085722	16.0%
Stavudine	00378504391	15.5%
Stavudine	31722051560	15.5%
Stavudine	31722051660	15.5%
Stavudine	31722051760	15.5%
Stelara	57894006003	15.8%
Stelara	57894006103	15.8%
Stimate	00053687100	14.5%
Stivarga	50419017103	14.0%
Stribild	61958120101	14.9%
Sulfasalazine	00591079605	42.7%

Product Name	NDC11	Discount off AWP
Supprelin	67979000201	14.5%
Sustiva	00056047492	15.5%
Sutent	00069055038	16.0%
Sutent	00069077038	16.0%
Sutent	00069098038	16.0%
Sylatron	00085128703	15.0%
Sylatron	00085131202	15.0%
Synagis	60574411301	14.5%
Synagis	60574411401	14.5%
Synribo	63459017714	12.0%
Synvisc	58468009001	15.8%
Tacrolimus	00781210201	16.0%
Tacrolimus	00781210301	16.0%
Tafinlar	00173084608	15.0%
Tafinlar	00173084708	15.0%
Tamoxifen Citrate Tabs	00093078205	54.5%
Tamoxifen Citrate Tabs	00093078256	54.5%
Tamoxifen Citrate Tabs	00093078406	54.5%
Tarceva	50242006201	15.8%
Tarceva	50242006301	15.8%
Tarceva	50242006401	15.8%
Targretin	00187552675	13.9%
Tasigna	00078052687	13.5%
Tasigna	00078059287	13.5%
Taxotere	00075800301	14.5%
Tecfidera	64406000501	15.5%
Tecfidera	64406000602	15.5%
Tecfidera	64406000703	15.5%
Temodar	00085136603	15.8%
Temodar	00085141702	15.8%
Temodar	00085142503	15.8%
Temodar	00085142504	15.8%
Temodar	00085143003	15.8%
Temodar	00085143004	15.8%
Temodar	00085151904	15.8%
Temozolomide	00093759941	38.8%
Temozolomide	00093759957	38.8%
Temozolomide	00093760041	38.8%
Temozolomide	00093760057	38.8%
Temozolomide	00093760141	38.8%
Temozolomide	00093760257	38.8%
Temozolomide	00093763841	38.8%
Temozolomide	00093763857	38.8%
Temozolomide	00093763941	38.8%
Temozolomide	00093763957	38.8%

Product Name	NDC11	Discount off AWP
Testosterone Cypionate	00781307370	20.5%
Testosterone Cypionate	00781307470	20.5%
Tetanus Toxoid	49281082010	14.5%
Tev-Tropin	57844071319	28.2%
Thalomid	59572020514	15.8%
Thalomid	59572020594	15.8%
Thalomid	59572021015	15.8%
Thalomid	59572021095	15.8%
Thalomid	59572021513	15.8%
Thalomid	59572022016	15.8%
TheraCys	49281088001	15.8%
<b>Thiotepa</b>	<b>55390003010</b>	<b>15.0%</b>
Thrombate High	13533060330	24.1%
Thyrogen	58468184904	14.5%
Tikosyn	00069580043	14.5%
Tikosyn	00069581043	14.5%
Tikosyn	00069582043	14.5%
Tivicay	49702022813	14.8%
<b>Tobi</b>	<b>00078049471</b>	<b>15.0%</b>
<b>Tobi</b>	<b>00078063035</b>	<b>15.0%</b>
<b>Tobramycin</b>	<b>00093408563</b>	<b>18.8%</b>
Topotecan	25021020606	33.4%
Torisel	00008117901	14.5%
Tretinoin Caps	00555080802	26.1%
Trexall	51285036801	15.8%
Trimethobenz	00591557101	16.5%
Triumeq	49702023113	17.0%
Trizivir	49702021718	15.5%
Truvada	61958070101	15.5%
Twinrix	58160081511	14.5%
<b>Tykerb</b>	<b>00173075200</b>	<b>16.5%</b>
Tyzeka	00078053815	15.5%
Uceris	68012030930	14.1%
Valcyte	00004003822	15.5%
Valcyte	00004003909	15.5%
Valstar	67979000101	13.5%
Vantas	67979050001	14.5%
Varivax	00006482600	14.5%
Varivax	00006482700	14.5%
Velcade	63020004901	14.5%
Venofer	00517231005	20.0%
Venofer	00517234010	20.0%
Victoza	00169406012	14.5%
<b>Victrelis</b>	<b>00085031402</b>	<b>16.2%</b>
Vidaza	59572010201	14.5%

Product Name	NDC11	Discount off AWP
Videx	00087667117	15.5%
Vincristine	61703030916	14.5%
Viracept	63010001030	15.5%
Viracept	63010002770	15.5%
Viramune	00597004660	15.5%
Virazole	00187000714	15.0%
Viread	61958040101	15.5%
Viread	61958040301	15.5%
Vistide	61958010101	15.5%
Vitamin K	00409915801	36.5%
Vivitrol	65757030001	14.0%
Votrient	00173080409	15.0%
VPRIV	54092070104	13.2%
Wilate	67467018201	35.6%
Wilate	67467018202	35.6%
Xeljanz	00069100101	15.9%
Xeloda	00004110020	17.3%
Xeloda	00004110150	17.3%
Xeomin	00259160501	13.4%
Xeomin	00259161001	13.4%
Xgeva	55513073001	14.5%
Xtandi	00469012599	14.4%
Xyntha Intravenous Kit	58394002403	37.8%
Yervoy	00003232711	13.7%
Zaltrap	00024584001	11.5%
Zelboraf	50242009001	15.2%
Zemplar	00074431430	14.5%
Zemplar	00074431530	14.5%
Zemplar	00074431730	14.5%
Zerit	00003196701	15.5%
Ziagen	49702022118	15.5%
Zidovudine	31722050960	18.9%
Zidovudine	65862002460	18.9%
Zinecard	00013871762	15.0%
Zofran ODT tabs	00173056900	15.5%
Zofran ODT tabs	00173057000	15.5%
Zofran Tabs	00173044700	15.5%
Zoladex	00310095036	35.7%
Zoladex	00310095130	35.7%
Zolinza	00006056840	15.8%
Zometa	00078038725	15.8%
Zorbtive	44087338807	14.5%
Zortress	00078041420	14.5%
Zortress	00078041520	14.5%
Zortress	00078041720	14.5%

Product Name	NDC11	Discount off AWP
<b>Zostavax</b>	00006496341	14.5%
<b>Zydelig</b>	61958170101	15.5%
<b>Zydelig</b>	61958170201	15.5%
<b>Zykadia</b>	00078064070	15.6%
<b>Zyprexa</b>	00002411230	14.5%
<b>Zyprexa</b>	00002763611	14.5%
<b>Zytiga</b>	57894015012	15.8%
<b>Zyvox</b>	00009513502	14.5%

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

**CHANGE NOTICE NO. 3**  
to  
**CONTRACT NO. 071B3200060**  
between  
**THE STATE OF MICHIGAN**  
and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
MedImpact Healthcare Systems, Inc. 10181 Scripps Gateway Court San Diego, CA 92131	Angela Gardner	Angela.Gardner@medimpact.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	858-790-6205	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	CSC	Lauri Schmidt	517-373-9211	schmidt1@michigan.gov
BUYER	DTMB	Lance Kingsbury	517-241-3768	kingsbury1@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Pharmacy Benefits Management for State Employees/Retirees – DTMB / Civil Service Commission			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2013	December 31, 2015	3, 1-Year Options	December 31, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>		December 31, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED AGGREGATE CONTRACT VALUE REMAINS:		
\$0.00		\$691,095,000.00		
Effective immediately, the following list of subcontractors is hereby incorporated into this contract. All other terms, conditions, specifications, and pricing remain the same. Per Contractor and agency agreement and DTMB Procurement approval.				



December 20, 2013

Lance Kingsbury  
State of Michigan  
Department of Technology, Management and Budget - Procurement  
530 West Allegan Street  
Mason Bldg, Second Floor  
Lansing, MI 48933

Re: Subcontracted Services

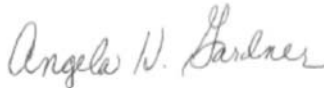
MedImpact has a continuing commitment to provide its Clients with state-of-the-art healthcare services while maintaining a constant focus on quality and value. MedImpact is fully aligned with its Clients regarding the protection of Member's information.

As you are aware, MedImpact holds subcontracts with several service providers that furnish excellent services to or on behalf of our clients and which have the requisite skills, experience, and applicable licenses. We are taking this opportunity to provide you with an updated list of these vendors and a brief description of the services they provide. Depending on the services you have contracted for with MedImpact will determine which, if any of the vendors on the attached list may be providing services to your company. As a reminder, all vendors have executed the appropriate agreements with MedImpact, as applicable, e.g. Business Associate Subcontractor agreement, CMS Regulatory Addendum, Performance Guarantee Addendums, etc. to ensure the services meet MedImpact's high standards and legal and regulatory requirements.

After reviewing the list, please contact me with any questions. Please sign and return this letter via email to: [ContractCommunications@MedImpact.com](mailto:ContractCommunications@MedImpact.com) (or fax to 858-357-2412) acknowledging your approval authorizing and consenting to MedImpact's use of subcontracted vendors. Otherwise, notwithstanding any other provision in the Client Services Agreement between your Company and MedImpact, the parties agree that absent any written objection within thirty (30) days of this letter, your Company will be deemed to have consented to the use of such subcontracted vendors under the Client Services Agreement.

Best Regards,

Approved:



Angela Gardner  
Account Executive

Date: \_\_\_\_\_



List of MedImpact Subcontracted Vendors. Current as of December 2013. MedImpact may add or delete entities at MedImpact's sole discretion.



ABG Marketing & Business Communications	EOB and transition letter print vendor
ABG Marketing & Business Communications	ID Card printing & mailing
Advanced Medical Review	Member appeals - All lines of business
Convergys	Call Center/PA support
CTS Languagelink	Foreign language translation services
Dispensing Solutions Incorporated (DSI) now PTN	Vaccine administration network
Medical Consultants Network	Member appeals - All lines of business
Medical Review Institute	Member appeals - All lines of business/PA support
SCIOinspire Corporation	Pharmacy on-site audits
Silverlink Communications	inbound / outbound call management application
SureScripts, LLC	e-Prescribing connectivity
University of Arizona, College of Pharmacy	Medication therapy management ("MTM")
Summit Data Services (SDS)	IT support
Health Information Designs	PA overflow

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

September 13, 2013

**CHANGE NOTICE NO. 2**  
to  
**CONTRACT NO. 071B3200060**  
between  
**THE STATE OF MICHIGAN**  
and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
MedImpact Healthcare Systems, Inc. 10181 Scripps Gateway Court San Diego, CA 92131	Angela Gardner	Angela.Gardner@medimpact.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	858-790-6205	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	CSC	Lauri Schmidt	517-373-9211	schmidt1@michigan.gov
BUYER	DTMB	Lance Kingsbury	517-241-3768	kingsbury1@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Pharmacy Benefits Management for State Employees/Retirees – DTMB / Civil Service Commission			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2013	December 31, 2015	3, 1-Year Options	December 31, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>		December 31, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED AGGREGATE CONTRACT VALUE REMAINS:		
\$0.00		\$691,095,000.00		

Effective immediately, the following Service Level Agreement (SLA) is hereby incorporated into this contract. Please see the attachment.

All other terms, conditions, specifications, and pricing remain the same.

Per Contractor and agency agreement and DTMB Procurement approval.

The below SLAs (with modifications), that were discussed and agreed upon in a meeting of June 13, 2013, between EBD and Medimpact, are hereby added to the Contract.

MAIL ORDER & SPECIALTY	
Turnaround Time for Prescriptions - Mail Order Services	The Contractor must resolve or dispense and ship 97.5% of routine prescriptions (those prescriptions not requiring intervention) within a quarterly average of two business days of receipt of the order at the Mail Service Pharmacy.
	The Contractor must resolve or dispense and ship 100.0% of all prescriptions with a quarterly average of five business days of receipt of the order at the Mail Service Pharmacy.
Turnaround Time for Prescriptions - Specialty Pharmacy	The Contractor must resolve or dispense and ship 97.5% of routine prescriptions (those prescriptions not requiring intervention) within a quarterly average of two business days of receipt of the order at the Specialty Pharmacy.
	The Contractor must resolve or dispense and ship 100.0% of all prescriptions within a quarterly average of five business days of receipt of the order at the Specialty Pharmacy.
NETWORK ACCESS	
Network	<p>The Contractor's network is expected to provide one or more Participating Pharmacies located within a convenient distance of Member residences, provided there is a pharmacy available. Otherwise, the standard must be the nearest available pharmacy. Convenient distances, for purposes of this Contract, are defined to be:</p> <p>Active</p> <p>One Participating Pharmacy within 2 miles (Urban): 99.9%</p> <p>One Participating Pharmacy within 5 miles (Suburban): 99.9%</p> <p>One Participating Pharmacy within 15 miles (Rural): 98.3%</p> <p>Retirees</p> <p>One Participating Pharmacy within 2 miles (Urban): 99.7%</p> <p>One Participating Pharmacy within 5 miles (Suburban): 99.9%</p> <p>One Participating Pharmacy within 15 miles (Rural): 100.0%</p>

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

**CHANGE NOTICE NO. 1**  
 to  
**CONTRACT NO. 071B3200060**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
MedImpact Healthcare Systems, Inc. 10181 Scripps Gateway Court San Diego, CA 92131	Mark Dunlap	mark.dunlap@medimpact.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	858-829-5826	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	CSC	Lauri Schmidt	517-373-9211	schmidt1@michigan.gov
BUYER	DTMB	Lance Kingsbury	517-241-3768	kingsbury1@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Pharmacy Benefits Management for State Employees/Retirees – DTMB / Civil Service Commission			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2013	December 31, 2015	3, 1-Year Options	December 31, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>		December 31, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED AGGREGATE CONTRACT VALUE REMAINS:		
\$0.00		\$691,095,000.00		
Effective immediately, the following language is hereby incorporated into this contract : The State will utilize the implementation credit to offset any expenses related to the implementation, including consulting fees, as deemed appropriate by the State. The State will receive an invoice and supporting detail from Towers Watson. The State will review the invoice and details for appropriateness. The State will pay Towers Watson the amount billed and submit the invoice and supporting detail to the Contractor for reimbursement. The Contractor must reimburse the State within five business days from receipt of invoice.				
All other terms, conditions, specifications, and pricing remain the same. Per vendor and agency agreement and DTMB Procurement				

approval.

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

January 2, 2013

**NOTICE  
 OF  
 CONTRACT NO. 071B3200060  
 between  
 THE STATE OF MICHIGAN  
 and**

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MedImpact Healthcare Systems, Inc. 10181 Scripps Gateway Court San Diego, CA 92131	Mark Dunlap	mark.dunlap@medimpact.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(858) 829-5826	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	CSC	Lauri Schmidt	(517) 373-9211	schmidt1@michigan.gov
BUYER:	DTMB	Lance Kingsbury	(517) 241-3768	kingsbury1@michigan.gov

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DESCRIPTION			
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ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MIDEAL PARTICIPANTS
<input type="checkbox"/> P-card	<input type="checkbox"/> Direct Voucher (DV)	<input type="checkbox"/> Other	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
MISCELLANEOUS INFORMATION:			
N/A			
ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:		\$691,095,000.00	

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

**CONTRACT NO. 071B3200060**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
MedImpact Healthcare Systems, Inc. 10181 Scripps Gateway Court San Diego, CA 92131	Mark Dunlap	mark.dunlap@medimpact.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(858) 829-5826	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	CSC	Lauri Schmidt	(517) 373-9211	schmidt1@michigan.gov
BUYER:	DTMB	Lance Kingsbury	(517) 241-3768	kingsbury1@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION			
Pharmacy Benefits Management for State Employees/Retirees – DTMB / Civil Service Commission			
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N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
MISCELLANEOUS INFORMATION:			
N/A			
ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:		\$691,095,000.00	

**THIS IS NOT AN ORDER:** This Contract Agreement is awarded on the basis of our inquiry bearing the solicitation #071I2200153. Orders for delivery will be issued directly by the Department of Technology, Management & Budget through the issuance of a Purchase Order Form.

**Notice of Contract #: 071B3200060**

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**FOR THE CONTRACTOR:**

**MedImpact Healthcare Systems, Inc.**

Firm Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

---

---

**FOR THE STATE:**

Signature

**Kevin Dunn, Services Division Director**

Name/Title

**DTMB - Procurement**

Enter Name of Agency

Date





**STATE OF MICHIGAN**  
**Department of Technology, Management and Budget**  
**DTMB-Procurement**

Contract No. 071B3200060  
Pharmacy Benefits Management for State Employees/Retirees – DTMB / Civil Service Commission

Buyer Name: Lance Kingsbury  
Telephone Number: 517-241-3768  
E-Mail Address: [kingsburyl@michigan.gov](mailto:kingsburyl@michigan.gov)



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Attachment A, Pricing

Attachment B, Specialty Pricing

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## **DEFINITIONS**

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

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

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

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

**Average Wholesale Price or AWP** means the "average wholesale price" for the actual package size of the legend drug dispensed as set forth in the most current pricing list in Medi-Span's Prescription Pricing Guide (with supplements). Contractor must use a single nationally recognized reporting service of pharmaceutical prices for Plan Sponsor and such source will be mutually agreed upon by Contractor and Plan Sponsor. Contractor must use the manufacturer's full actual 11-digit NDC to determine AWP for the actual package size on the date the drug is dispensed for all legend drugs dispensed through retail pharmacies, mail service pharmacies and specialty pharmacies. Repackaging which has the effect of inflating AWP is explicitly prohibited. "Price shopping", meaning the Contractor's use of multiple AWP reporting services in order to select the most advantageous AWP price as a means to inflate discount calculations, is prohibited.

**Brand Name Drug** means a legend drug with a proprietary name assigned to it by the manufacturer and distributor and so indicated by Medispan® (or mutually agreed upon nationally recognized publication if unavailable). Brand Drugs include Single-Source Brand Drugs and Multi-Source Brand Drugs.

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

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

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

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

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

**Commercial Wrap** means the self-insured, commercial wrap-around coverage for members supplemented by the Employer Group Waiver Program.

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

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

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



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

**CSC** means the Michigan Civil Service Commission.

**Days** mean calendar days unless otherwise specified.

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

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

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

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

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

**Dispensing Fee** means an amount paid to a pharmacy for providing professional services necessary to dispense a Covered Product to a Member.

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

**DTMB** means the Michigan Department of Technology, Management and Budget.

**DQM** means Drug Quantity Management.

**DUR** means Drug Utilization Review; includes concurrent (CDUR), retrospective (RDUR), and prospective (PDUR).

**EBD** means the Employee Benefits Division.

**Employer Group Waiver Plan (EGWP)** is a retiree pharmacy benefit plan run by, or on behalf of, an employer under CMS Medicare Part D guidelines.

**FDA** means the United States Food and Drug Administration.

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

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

**Generic Drug or Generic Pharmaceutical** means a legend drug that is identified by its chemical, proprietary, or non-proprietary name that is accepted by the U.S. Food and Drug Administration as therapeutically equivalent and interchangeable with drugs having an identical amount of the same active ingredient. Generic Drugs include all products involved in patent litigation, Single-Source Generic Drugs,



Multi-Source Generic Drugs, House Generics, and Generic drugs that may only be available in a limited supply.

**House Generic** means those Brand Drugs submitted with DAW 5 code in place of their generic equivalent(s) and for which, therefore, pharmacies are reimbursed at Generic Drug rates, including MAC, as applicable, for these drugs (e.g., Amoxil v. amoxicillin).

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

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

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

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

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

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

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

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

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

**Member** means each Contract Holder and eligible Dependent.

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

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

**ORS** means Office of Retirement Services.





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

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

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

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

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

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

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

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

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

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

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

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

**SSAE-16** means an auditing standard developed by the American Institute of Certified Public Accountants (AICPA).

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

**Specialty Drugs** means Covered Products and biologicals used in the treatment of complex clinical conditions such as cancer, HIV/AIDS, organ transplant, Gaucher's disease and hemophilia. These agents require special handling and/or close supervision or clinical management. Plan Sponsor must approve





any Covered Products on the Contractor's specialty list.

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

**State** means the State of Michigan, including its departments, divisions, agencies, sections, commissions, officers, employees, and agents.

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

**Subcontractor** means a company selected by the Contractor to perform a portion of the Services, but does not include independent contractors engaged by Contractor solely in a staff augmentation role. Subcontractor, for purposes of mandatory disclosures and other requirements, see, e.g., **Section 2.027**, **Section 2.231**, and **Section 4.018**, includes its employees, representatives, agents, and servants.

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

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

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

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

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

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

**Zero Balance Claim (ZBC)** is a claim where the Plan Sponsor is not responsible for any payment, that is, the member has paid 100% of the claim.



## **Article 1 – Statement of Work (SOW)**

### **1.010 Project Identification**

#### **1.011 Project Request**

This Contract is for the administration of prescription benefit management Services for the Plan listed below:

- Eligible Members of the Plans administered by the Employee Benefits Division (EBD) of the Michigan Civil Service Commission (CSC).

The Contract is effective January 1, 2013 through December 31, 2015.

The period of Contract award through December 31, 2012 will be for implementation and transition for the Contractor; no payment will be made to the Contractor during this period. The Contractor must begin providing all Services to the Plan Sponsor, without interruption, on January 1, 2013.

#### **1.012 Background**

The CSC provides health benefits to active State and retired State employees and their eligible Dependents through the State Health Plan Preferred Provider Organization (PPO) administered by the EBD. Prescription drug benefits are carved-out of the medical plans and are provided by a separate stand-alone plan. The prescription drug plan covers active employees, COBRA participants, Medicare and non-Medicare eligible retirees and their eligible Dependents for a total covered membership of approximately 141,000 covered lives. The Plan does not include participants in the following:

- State enrollees in Health Maintenance Organizations (HMOs).
- State enrollees in the catastrophic medical plan.

### **1.020 Scope of Work and Deliverables**

#### **1.021 In Scope**

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

- A. Provide Retail, Mail Order Services, and Specialty Drug benefit programs and a pharmacy network with convenient access (as defined by Geo-Access requirements) for Members.
- B. Provide claim services, claim eligibility verification, claim payment or denial, claims tracking and review of claim appeals.
- C. Reduce and control the cost of prescription drugs.
- D. Introduce services that improve physician prescribing and treatment.
- E. Provide a fully transparent, Pass-Through Pricing model that results in quality coverage, and must operate in the best interest of the Plan Sponsor not only on a per claim basis, but also in a comprehensive manner relating to overall costs.
- F. Administration of an Employer Group Waiver Plan (EGWP) plus commercial Wrap benefit.

The State reserves the right at any time, at the State's sole discretion, to add additional Plans (such as the Michigan Public School Employees Retirement System (MPERS) Plan to this Contract at any time. For purposes of this Contract, addition of any other Plan is not considered a change in scope.

#### **1.022 Work and Deliverable**

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

##### **A. Plan Design**

Contractor must administer prescription drug benefits in accordance with the Plan of the Plan Sponsor, specifically CSC. The Contractor must duplicate the existing programs for the Plan Sponsor.



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

## **B. Claims Processing**

1. The Contractor must process all prescription drug claims for all Members.
2. The Contractor must pre-load a one-year claim history file, including claims, mail refill file, and Prior Authorizations for the Plan Sponsor at no additional cost.
3. The Contractor's claims processing must include, at a minimum, the following:
  - a. A pharmacy network with an electronic "Point-Of-Sale" (POS) computerized administrative and claims payment system that provides:
    1. Electronic collection and recording of retail charges.
    2. Records of individual Member prescription drug purchases (based upon the latest Comprehensive Claim Format published by the National Council for Prescription Pharmaceutical Programs, Inc. (NCPDP)) to include, at a minimum:
      - Member name, sex, social security number or unique Member identifier and relationship to Contract Holder.
      - Prescription drug name, strength, dosage and days' supply.
      - Eleven digit National Drug Code (NDC) number.
      - Rx number.
      - New fill or refill indicator.
      - Date filled.
      - Pharmacy NABP/NCPDP number.
      - Pharmacy name.
      - National Provider Identifier Number (NPI) and Drug Enforcement Agency (DEA) number.
      - If a compound prescription, list of ingredients and quantities.
      - Usual, customary, and reasonable retail price.
      - Dispense As Written (DAW) indicators.
  3. Single transaction EGWP, plus wrap processing.
  - b. On-line access with network pharmacies that include the following:
    1. Eligibility.
    2. Covered Products.
    3. Covered Product Concurrent Drug Utilization Review (DUR) edits pursuant to latest PBM standard offering example:
      - Pharmaceutical to pharmaceutical interactions.
      - Pharmaceutical to sex edit.
      - Pharmaceutical to age edit.
      - Early refill edit.
      - Duplicate Claim edit.
    4. Contract pricing determination.
  - c. Maintenance of confidentiality of all data by the Contractor, according to all applicable laws, rules, and regulations.
  - d. Transmittal of prescription drug utilization data to current health plan Contractors, in support of the disease management programs they administer on behalf of the Plan Sponsor.

## **C. Provider Network**

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



2. The Contractor's system must comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA).
3. The Contractor must maintain a network of retail pharmacies in areas where Members reside (refer to Geo-Access standards as defined).
4. The pricing is applicable to a broad retail network defined as that which includes all major chains (i.e. greater than 60,000 network).
5. The Contractor must provide pricing terms for a Narrow Network. Contractor must provide a list of participating pharmacies in the proposed Narrow Network. A narrow network is defined as one which does not, at minimum, include a large national retail pharmacy chain.
6. The Contractor must provide pricing terms for a Retail 90-day Network. Contractor must provide a list of participating pharmacies in the proposed Retail 90-day Network. A Retail 90-day network provides Plan Sponsor members the option to fill a 90-day supply of maintenance medication at a Retail pharmacy at same pricing, nearly the same discounts, fees and rebates, as Mail Order.
7. The Contractor's network is expected to provide one or more Participating Pharmacies located within a convenient distance of Member residences, provided there is a pharmacy available. Otherwise, the standard must be the nearest available pharmacy. Convenient distances, for purposes of this Contract, are defined to be:

Actives

- 1 Participating Pharmacy within 2 miles (Urban): 99.9%
- 1 Participating Pharmacy within 5 miles (Suburban): 99.9%
- 1 Participating Pharmacy within 15 miles (Rural): 98.3%

Retirees

- 1 Participating Pharmacy within 2 miles (Urban): 99.7%
- 1 Participating Pharmacy within 5 miles (Suburban): 99.9%
- 1 Participating Pharmacy within 15 miles (Rural): 100.0%

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

**D. Customer Support**

The Contractor must provide a call center, where it must maintain staff dedicated to supporting the needs of the Plan Sponsor's Members. The State prefers that the call center be located in Michigan.

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

1. Telephone and Internet Support
  - a. The Contractor's customer service activities must include, but not be limited to, the following:



1. Single front-end toll-free telephone number with touch-tone routing (if necessary) for Member services to respond to requests for participating pharmacy locations, recipient questions on claims and access, and complaints about pharmacists practices and services.
  - Inquiry/service responsiveness for both retail and Mail Order Services must be integrated.
  - Availability 24x7x365.
  - The system must be expandable to meet demands in the future.
  - The Contractor must have an advanced telephone system that provides the Plan Sponsor with management tracking and reporting capabilities.
  - 100% of call center calls must be recorded.
  - Must utilize Interactive Voice Response (IVR) technology.
2. IVR system with a user-friendly menu. There must be separate toll-free numbers for Members, physicians, and pharmacies.
- b. The Contractor must have professional (licensed) medical and pharmacological advisory staff and other resources to provide pharmacists at the point of sale, with advice pertaining to the proper use of prescription drugs, consistent with prospective drug utilization and other medical standards, as they apply to each Member's Plan. Telephone services must be provided 24x7x365.
- c. The Contractor must produce reports on usage of the toll-free numbers, including number of inquiries, types of inquiries, and timeliness of responses (see Section 1.042).
- d. The Contractor's process must provide a way for Members to locate nearby pharmacies for special situations, such as 24-hour pharmacies or those dispensing compound pharmaceuticals, etc.
  1. The Contractor's customer service staff must have complete on-line access to all computer files and databases that support the system for applicable programs. System access must be restricted on a client-specific basis.
  2. The Contractor's system must be able to inform the customer service staff exactly where a mail service or specialty prescription is within the dispensing process (i.e. doctor call area, fulfillment or shipping). The ability to only track if a prescription was received or sent out does not meet the intent of this requirement.
  3. The Contractor must provide all of the above-stated services through the Internet as well as telephonically.
- e. The Contractor must provide Services and functions to the Plan Sponsor and Members via Internet portal. This must include, but not be limited to, access to Member refill requests.
- f. One random sample member survey must be completed annually on a Plan Sponsor specific basis.

2. Communication Meetings

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

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



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

3. **Communication Material**

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

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

**E. Utilization and Clinical Management Programs**

The Contractor must provide a variety of utilization management programs, such as Prior Authorization (PA), clinical authorization, step therapy, and Drug Quantity Management (DQM) programs for the Plan Sponsor, according to the specifications listed in this section and the Plan Sponsor's current Plan Design.

1. Prescription drug benefits are to be provided only if medically necessary and only if prescribed by a Practitioner.
2. The Contractor must utilize effective (demonstrating positive outcomes) programs for DUR, physician and pharmacist profiling.
3. The Contractor must utilize effective clinical programs that eliminate waste, but do not impede compliance in certain disease categories.
4. The Contractor's utilization management programs must include, but are not limited to, the following:
  - a. Concurrent, prospective, and retrospective DUR.
  - b. Academic detailing, which must include physician education including face-to-face counter detailing on proper drug and dosage prescribing protocols, choice of medications for certain diagnoses, proper dosages, selection of Generic Drugs when available and utilization of preferred single source product as needed.
  - c. Formulary/physician interventions.
  - d. Prescriber and pharmacy profiling.
  - e. Case management.
  - f. Demand management/Nurse advice lines.
  - g. Medication adherence programs.
5. Contractor cannot assess charges for the development of communications for new clinical programs implemented by Plan Sponsor throughout the Contract term.
6. The Contractor cannot substitute a medication with a lower ingredient cost to a higher ingredient cost regardless of the rebate impact.

**F. Formulary And Rebates**

The Formulary, for this Contract, is based on the Plan Sponsor's participation in the State of Michigan Exclusive Formulary Program reflecting the current content of the existing formulary as of April of 2012; with the Contractor serving as the exclusive Formulary Program Manager.



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

1. The Contractor must provide and manage a Formulary that ensures quality and the use of a lowest net cost strategy.
2. The Formulary must be updated periodically.
3. The Contractor must have a Pharmacy and Therapeutics (P&T) Committee that is staffed by independent physicians and clinical pharmacists.
4. The Contractor's P&T Committee must include specialists in diverse areas of practice, such as, cardiologists, obstetricians, pediatricians, gerontologists and internal medicine specialists.
5. The Contractor must provide quarterly Rebate reports to Plan Sponsor that include, but are not limited to, the following data elements:
  - a. Manufacturer, wholesaler, or other source.
  - b. By product including:
    - Number of claims.
    - Total sales.
    - Total Rebate dollars.
    - Total Administrative Fee dollars.
    - Total of all dollars received.
  - c. Total for manufacturer.
  - d. Summary totals by manufacturers, wholesalers, or any other sources of rebates.
  - e. Rebates per prescription for time period.
  - f. Rebates per Brand prescription for time period.
  - g. Top 25 rebated product.
  - h. Source of rebate.
6. The Contractor must submit rebate payments to the Plan Sponsor on a monthly basis.
7. Contractor cannot assess charges for the development of communications for formulary programs implemented by Plan Sponsor throughout the Contract term.
8. The Plan Sponsor has the sole right to approve medication exclusions.

#### **G. Eligibility**

CSC is responsible for transmitting eligibility and enrollment information for State active employees, COBRA participants, and their Dependents. ORS is responsible for transmitting eligibility and enrollment information for the State Employee Retirement System (SERS), State Police Retirement System (SPRS), Judges Retirement System (JRS), and the Military Retirement System (MRS). ORS is also responsible for transmitting eligibility and enrollment information for some of the Defined Contribution former qualified participants.

The Contractor must meet the following requirements:

1. The Contractor must maintain member information.
2. Contractor must provide online access to Plan Sponsor to the Contractor's eligibility system.
3. Eligibility information for Members will be transferred, by CSC, via Electronic Data Interchange (EDI) on a weekly basis. Data for active Members will be supplied through the Human Resource Management Network (HRMN).
4. The Contractor must work with the Plan Sponsor in the implementation of this data transfer. The Contractor is responsible for any changes to its systems or processes





required to support the receipt and processing of the Plan Sponsor's enrollment files at no additional cost to the State of Michigan.

5. The Contractor must be able to accept the Plan Sponsor's electronic enrollment files in the file format IT File Layout Guide.doc and process change transactions to maintain up-to-date information for eligibility certification. The file must be processed and Member eligibility and/or enrollment update completed within 12 hours of notification from the Plan Sponsor or its designee, with confirmation of changes submitted to the Plan Sponsor and number of records loaded. The Contractor must also accept a full audit file on a quarterly basis.
6. Upon verbal notification, Member eligibility and/or enrollment updates must be completed in real-time. The Plan Sponsor will have access to the eligibility system to update member eligibility.
7. The Contractor must have both accessible and experienced staff of information technology professionals to provide timely programming when needed to implement system changes and produce reports.
8. The Contractor must use the State of Michigan's Secure Sockets Layer (SSL) Message Center, or provide a similar secure system, for all administrative communications concerning individual Members, including transport of electronic files containing confidential information.
9. The Contractor must ensure that communication involving any identifiable Member information must be protected using passwords and a File Transfer Protocol (FTP) for retrieval.
10. The Contractor must comply with all requirements of HIPAA.
11. The Contractor must maintain separate records for the Plan Sponsor for auditing and management information reporting and analysis.

#### **H. Identification Cards**

The Contractor must produce and issue Identification (ID) cards to Members according to the Plan Sponsor's requirements. The ID cards must conform to the National Council for Prescription Drug Programs (NCPDP) specifications. ID cards must include the toll-free number for the Contractor's Member services for the Plan Sponsor.

#### **I. Specialty Pharmacy (SRX)**

The Contractor must provide a dedicated and separate Specialty Pharmacy facility, for the delivery of Specialty Drugs. It should be a facility with experienced staff who understands the current evidence-based guidelines regarding drug therapy for the major diseases states that are treated with these medications. At a minimum, the following components must be included in the Contractor's Specialty Drug program:

1. The Contractor must maintain the Specialty Drug list and ensure that it includes all dosage forms and package sizes of products.
2. The Contractor must dispense and ship 95% of routine prescriptions (those prescriptions not requiring intervention) within two business days of receipt of the order at the Specialty Pharmacy.
3. The Contractor must dispense and ship, or resolve, 100% of all prescriptions within five business days of receipt of the order at the Specialty Pharmacy.
4. The Contractor must have the infrastructure and staff to provide this Service in accordance with the Plan Sponsor's requirements.





5. The Contractor must notify the Plan Sponsor monthly, in writing, of all changes to the Specialty Drug list. The Contractor must provide written documentation to the Plan Sponsor supporting the addition of medications to the Specialty Drugs list, including clinical evidence of the medications efficacy, as well as evidence showing that its inclusion meets with generally accepted industry standards. The Plan Sponsor reserves the right to approve additions and deletions to the Specialty Drug List. The Plan Sponsor reserves the right to not cover additions to the Specialty Drug list.
6. The Contractor must have a comprehensive program for managing the care of Members taking Specialty Drugs. It must include, at a minimum, the following elements:
  - a. Intake and initial assessment.
  - b. A plan of care including:
    - PA.
    - Coordination of benefits.
    - Coordination with the Plan Sponsor's hospital and medical benefits.
    - Dosage optimization.
  - c. Education and support.
  - d. Counseling to patients by qualified staff 24x7x365.
  - e. Adherence monitoring.
  - f. Controlled dispensing and distribution, including suitable temperature controls.
  - g. Ongoing re-assessment.
  - h. Detailed reporting.
  - i. Trend management.

#### **J. SSAE-16**

The Contractor must conduct a Type II Statement of Auditing Standards (SSAE-16) audit on an annual basis. A copy of the annual audit, exceptions, and corrective action plans (if applicable) must be sent to the Plan Sponsor.

#### **K. Audits**

The State intends to periodically (at least once every two years) perform on-site audits of plan administrators. Contractor must make records associated with the administration of the State's Plans available to, and must cooperate with, such auditors and audits as the State may designate. The Contractor must maintain and make available to the State's auditors one or all of the following claim source documents for the audit:

- Paper claim submission – Original document or microfilm or print-out of imaged claim document.
- Optical Character Recognition (OCR) – Copy of original paper document.
- Electronic Data Interchange (EDI) – Documentation of original submitted data (in a readable format) as it appeared when received by administrator.

The State's current approach has been to audit two Plan Years at one time, conducted within 12 months of the end of the second year audited. The State reserves the right to change this approach without prior notice.

#### **L. Mail Order Services**

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

1. The Contractor must offer the Member the option of obtaining maintenance drugs via mail order.
2. The Contractor's Mail Service Pharmacy must provide controls on prescription errors and Member services.
3. The Contractor must dispense and ship 97.5% of routine prescriptions (those prescriptions not requiring intervention) within two business days of receipt of the order at the Mail Service Pharmacy.



4. The Contractor must dispense and ship, or resolve, 97.5% of all prescriptions within five business days of receipt of the order at the Mail Service Pharmacy.
5. The Contractor must not perform any therapeutic interchange program without the Plan Sponsor's approval.
6. The Contractor must provide a complete therapeutic interchange list on a quarterly basis.
7. The Contractor must allow a payment plan for members who fill prescriptions for mail order.

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

The Contractor must ensure that the SLAs are measurable using the Contractor's standard management information systems and are measurable for Plan Sponsor specific utilization, not Contractor's Book of Business. The Plan Sponsor reserves the right to independently verify the Contractor's assessment of its performance, either by State employee or third party review. Disagreements regarding SLAs will be subject to Dispute Resolution (Section 2.190).

Within 30 Days (unless otherwise noted in each individual SLA), after the end of each calendar quarter, the Contractor must provide the Plan Sponsor with a report assessing the Contractor's performance under each SLA for the Plan Sponsor, and provide quarterly payment for any applicable penalties to the Plan Sponsor.

The Contractor agrees to measure and pay shortfalls on Performance Guarantees per contractual requirements. Plan Sponsor must receive scheduled reporting on SLAs and should not need to request reporting and/or payment for non-performance.

The Contractor must provide dollar for dollar guarantees for the following items, with no offsets:

- Generic Dispensing Rate (GDR).
- Medication Possession Ratio (MPR).
  - The Contractor guarantees a 10% improvement from the baseline versus post-intervention period for the Medication Possession Ratio (MPR)\* for the following categories:
    - Dyslipidemia
    - Hypertension
    - Diabetes

\*Alternative, newer methods to measure medication adherence include the Proportion of Days Covered (PDC). PDC is a nationally recognized measure developed and maintained by the Pharmacy Quality Alliance (PQA) adopted by CMS. This measure can be used as an option for program measurement and should the State of Michigan choose to do so. The Contractor guarantees a medication adherence improvement of 10% using either the MPR or PDC measurement approaches. Improvement is measured as a relative difference from baseline over a post-intervention program initiation period. Improvement measurement may incorporate well recognized health economic program evaluation methodologies as needed to determine program effect. Baseline period is defined by the most recent six-month time period prior to the initiation of clinical programs. The Post-Intervention period may account for time required for the intervention to take effect and the behavior change to transpire and be available to observe. Additional program evaluation design can be developed and mutually agreed upon with the Plan Sponsor. Three programs targeted for medication adherence improvement in this guarantee include: diabetes, hypertension and dyslipidemia. Other therapeutics categories for medication adherence can be substituted for any one or all of these categories. The Plan Sponsor will agree to implement all clinical programs and benefit design recommendations to improve medication adherence. Guarantee maximum penalty for not reaching goal in the post-intervention period is \$10,000.00 per category or up to \$30,000.00 annually. Penalty will be a prorated amount based on the level of performance to this guarantee.

- Clinical Programs.



Therapeutic Class	Retail GDR Guarantee for Each Contract Year	Mail GDR Guarantee for Each Contract Year	Guarantee Measurement Methodology
Across all therapeutic drug classes and all business segments	Contract Year 1: Target = Prior Year + 1.8%* Maximum Penalty= \$75,000	Contract Year 1: Target = Prior Year + 1.4%* Maximum Penalty= \$30,000	Calculation of GDR equals approved generic Rx count (First Databank Generic Product Indicator = 1) divided by total approved Rx count and will exclude any new branded therapeutic entities released by the US Food and Drug Administration after plan start representing greater than 0.5% of approved claims.
	Contract Year 2: Target = Prior Year + 1.4%* Maximum Penalty= \$75,000	Contract Year 2: Target = Prior Year + 1.0%* Maximum Penalty= \$30,000	
	Contract Year 3: Target = Prior Year + 1.8%* Maximum Penalty= \$75,000	Contract Year 3: Target = Prior Year + 1.2%* Maximum Penalty= \$30,000	

\*GDR guarantee contingent upon no greater than a 10% change in average membership demographics (i.e. age/gender mix) and acceptance of all consultative recommendations for enhanced benefit performance including formulary, or utilization management programs offered by MedImpact. Calculation of GDR equals approved generic Rx count (First Databank Generic Product Indicator = 1) divided by total approved Rx count and will exclude any new branded therapeutic entities released by the US Food and Drug Administration after plan start representing greater than 0.5% of approved claims. Exceeding the GDR guarantee targets may impact rebate return on branded products and may reduce or eliminate any rebate guarantees offered. The GDR will be reconciled on an annual basis and should any penalty be due plan sponsor, the payment will be made within 90 days after the end of the period. Penalty will be calculated dollar for dollar as the lesser of (Average brand amount paid/approved Rx – Average generic amount paid/approved Rx) X (guaranteed approved generic Rx count – actual approved generic Rx count) or maximum penalty.

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

- The Contractor must pay for shortfalls on performance guarantees if they are missed even by a fractional unit. For example, a performance guarantee of two days or less is not considered met if the performance is 2.03 days.

Responses to data inquiries required by Plan Sponsor, or the representative, must be provided timely and within two business days for critical requests and one business week for non-critical requests.

SLA# 1
ID Cards
<b>Guarantee</b>
The Contractor must provide ID Cards for all new Contract Holders and any replacement ID Cards must be mailed within seven Days of Contractor receiving eligibility record.
The Contractor must measure and report its performance on this SLA on a quarterly basis. Performance must be able to be substantiated by documentation providing proof of mailing date.
<b>Penalty Amount: 0.5% of total annual administrative fees per quarter not met</b>



<b>SLA# 2</b>
Eligibility Uploads
<b>Guarantee</b>
The Contractor must upload all Eligibility files according to the Plan Sponsor's schedules (as defined in 1.022G) with 100% accuracy.
The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
<b>Penalty Amount: 0.2% of total annual administrative fees per month not met (files to be uploaded within 24 hours).</b>

<b>SLA# 3</b>
Account Management - Satisfaction
<b>Guarantee</b>
The Plan Sponsor's satisfaction with account management services must be rated as satisfactory. The Contractor must work with the Plan Sponsor to develop an annual survey to assess the Senior Account Manager's performance within following categories:
<ol style="list-style-type: none"> <li>1. Timely issues resolution by the account management team (e.g. issues resolvable by account management are acknowledged, responded to within 24 hours and closed within a seven day period of time).</li> <li>2. Consultative services.</li> <li>3. Timeliness of reporting and annual reviews.</li> <li>4. Frequency of meetings/plan updates.</li> </ol>
The Contractor's annual survey must allow the Plan Sponsor to rate performance on a scale of 1 to 5. The Contractor must achieve a minimum rating of 4 on each of the four categories.
<b>Penalty Amount: 1.0% of total annual administrative fees if a minimum rating of 4 on at least three of the four categories is not achieved.</b>

<b>SLA # 4</b>
Satisfaction Surveys
<b>Guarantee</b>
The Contractor must provide one random, mutually agreed upon, Sample Member survey that must be completed annually on a Plan Sponsor specific basis. Overall satisfaction rate of at least 90% based on a five point rating scale is required. The Contractor's respondent pool must be statistically valid based on the Plan Sponsor's total population.
The Contractor must conduct member satisfaction surveys for State prescription drug benefit members. Surveys will be conducted for each State line of business. Survey respondents must be selected at random from members who have recent experiences with one or more of the following PBM services: 1) retail pharmacy benefit; 2) mail-service pharmacy benefits; 3) customer service. An overall satisfaction rating of at least 90% is required. For the purposes of this calculation, satisfaction is defined as a rating of three or higher on the following five point scale; 5=Completely Satisfied, 4=Very Satisfied, 3=Satisfied, 2=Dissatisfied, 1= Very Dissatisfied. PBM is responsible for survey design, data collection, analysis and costs associated with conducting the surveys. Surveys must be conducted on an ongoing, year-round basis starting after each line of business implementation date. Electronic reports must be shared with State of Michigan on a quarterly basis to monitor results and address any area(s) for service monitoring and ongoing business process improvement.
<b>Penalty Amount: 2.0% of total annual administrative fees if overall satisfaction rate is not at least 90% based on five point scale.</b>

**SLA # 5**

Customer Service Call - Average Speed of Answer

**Guarantee**

The Contractor must answer, on a monthly basis, 95% of calls within an average of 30 seconds or less.

The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.

**Penalty Amount: 0.2% of total annual administrative fees per month not met.**

**SLA # 6**

Customer Service Response Time – Blockage Rate (Busy Signal)

**Guarantee**

The Contractor's monthly blockage rate must not exceed 2%. Blockage is defined as a caller receiving a busy signal.

The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.

**Penalty Amount: 0.1% of total annual administrative fees per month not met.**

**SLA # 7**

First Call Resolution

**Guarantee**

The Contractor must resolve 92% of calls during the first call. Members following up on same issue within seven calendar days cannot be considered resolved.

The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.

**Penalty Amount: 0.1% of total annual administrative fees per month not met.**

**SLA #8**

Customer Service Response Time to Written Inquiries

**Guarantee**

The Contractor must respond to 95% or more of written inquiries within five business days, and 100% of written inquiries within 10 business days.

The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.

**Penalty Amount: 0.1% of total annual administrative fees per month not met.**

**SLA #9**

Customer Service Response Time - Percent of Calls Abandoned

**Guarantee**

The Contractor's monthly call abandonment rate must not exceed 2.75%. A call will be considered abandoned if the Member hangs up at any time after initiating a transfer out of the IVR.

The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.

**Penalty Amount: 0.1% of total annual administrative fees per month not met.**



<b>SLA #10</b>
Turnaround Time for Prescriptions – Mail Order Services
<b>Guarantee</b>
The Contractor must resolve or dispense and ship 97.5% of routine prescriptions (those prescriptions not requiring intervention) within a quarterly average of two business days of receipt of the order at the Mail Service Pharmacy.
The Contractor must resolve or dispense and ship 100% of all prescriptions with a quarterly average of four business days of receipt of the order at the Mail Service Pharmacy.
The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
<b>Penalty Amount: 0.1% of total annual administrative fees per month not met.</b>

<b>SLA #11</b>
Turnaround Time for Prescriptions – Specialty Pharmacy
<b>Guarantee</b>
The Contractor must resolve or dispense and ship 97.5% of routine prescriptions (those prescriptions not requiring intervention) within a quarterly average of two business days of receipt of the order at the Specialty Pharmacy.
The Contractor must resolve or dispense and ship 100% of all prescriptions with a quarterly average of four business days of receipt of the order at the Specialty Pharmacy.
The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
<b>Penalty Amount: 0.1% of total annual administrative fees per month not met.</b>

<b>SLA #12</b>
Timely Production of Management Reports
<b>Guarantee</b>
The Contractor must provide monthly and quarterly reports within 20 Days of the end of the month and quarter, and annual reports within 45 Days of Plan year end.
The Contractor must measure and report its performance on this SLA on an annual basis.
<b>Penalty Amount: 0.1% of total annual administrative fees per month not met.</b>

<b>SLA #13</b>
Point-of-Sale (POS) Claims Accuracy
<b>Guarantee</b>
The Contractor must process and pay 100% of POS claims accurately.
The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
<b>Penalty Amount: 0.1% of total annual administrative fees per month not met.</b>



**SLA #14**

Paper Claims Processing Time – POS

**Guarantee**

The Contractor must pay 95% of all retail paper claims within seven business days.

100% of all retail paper claims must be paid within 15 business days.

Turnaround time is measured beginning the day the claim is received by the Contractor to the day the claim is processed.

The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.

**Penalty Amount: 0.1% of total annual administrative fees per month not met.**

**SLA #15**

Network – POS

**Guarantee**

The Contractor must provide one or more Participating Pharmacies located within a convenient distance of 100% of Member residences, provided there is a pharmacy available, using the parameters below:

- One-mile distance in urban areas.
- Three-mile distance in suburban areas.
- Ten-mile distance in rural areas.

The Contractor must measure and report its performance on this SLA on an annual basis.

**Penalty Amount: 1.0% of total annual administrative fees per month not met.**

**SLA #16**

Point-of-Sale Network System Downtime

**Guarantee**

Contractor's POS system must be available 99.5% of the time with the exception of pre-established scheduled down time.

The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.

**Penalty Amount: 1.0% of total annual administrative fees per month not met.**

**SLA #17**

Member Access to Pharmacist in Call Center

**Guarantee**

The Contractor must, during the hours of 9:00 a.m. to 5:00 p.m. EST., Monday through Friday with the exception of official State of Michigan holidays, ensure that 95% of callers requesting to speak to a pharmacist are connected within two minutes of making the request.

The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.

**Penalty Amount: 1.0% of total annual administrative fees per month not met.**



<b>SLA #18</b>
Rebates
<b>Guarantee</b>
Contractor must provide 100% of all manufacturer revenue as described in Section 1.061 and the Definitions section of the Contract, whereas the Contractor must remit to Plan Sponsor 100% of all such revenues or the minimum guaranteed values whichever is greater for Covered Products. The Contractor must provide a quarterly Rebate report as described in Section 1.022F,5.
The Contractor must provide and pay out the final annual reconciliation within 90 Days of Plan year end.
The Contractor must measure and report its performance on this SLA on a monthly basis.
<b>Penalty Amount: 1.0% of total annual administrative fees per month not met.</b> <b>The Contractor will meet with a four month lead time post go live to accumulate claims experience and generate cash flow specific to this Contract.</b>

<b>SLA #19</b>
Desk Audits – POS
<b>Guarantee</b>
The Contractor must perform desk audits on all claims on a daily basis at Participating Pharmacies in each year of the Contract, including any optional renewal periods which may be exercised.
The Contractor must measure and report on this SLA quarterly.
<b>Penalty Amount: 1.0% of total annual administrative fees per month not met.</b>

<b>SLA #20</b>
On-site Audits – POS
<b>Guarantee</b>
The Contractor must physically perform on-site audits of 3% Participating Pharmacies that fill 200 or more prescriptions per year for CSC Members.
The Contractor must measure and report on this SLA annually.
<b>Penalty Amount: 1.0% of total annual administrative fees per month not met.</b>

<b>SLA #21</b>
Prior Authorizations
<b>Guarantee</b>
The Contractor must provide a final determination of all requests for Prior Authorization (PA) within 72 hours upon receiving all information required for review. If completed information for making a final determination is not received on the initial PA request, the physician's office will be contacted within 48 business hours to request the missing information in order to close out the PA request.
The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
<b>Penalty Amount: 0.1% of total annual administrative fees per month not met.</b>





<b>SLA #22</b>
Mail Order Services Dispensing Accuracy
<b>Guarantee</b>
The Contractor must dispense 100% of all prescriptions without Dispensing Errors.
Dispensing Error is defined as incorrect patient, drug, strength, dose, or form, label or directions.
The Contractor must measure its performance on this SLA on a monthly basis and report on a quarterly basis.
<b>Penalty Amount: 0.1% of total annual administrative fees per month not met.</b>

**N. Medicare Part D**

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

**O. Employer Group Waiver Program (EGWP) Capabilities:**

- A. The Contractor must provide an Employer Group Waiver Plan (EGWP) Prescription Drug Plan (PDP) effective January 1, 2013.
- B. The Contractor must provide a secondary commercial wrap benefit to an EGWP effective January 1, 2013.
- C. The Contractor's customer service support must be available on or prior to Plan Sponsor enrollment period.
- D. The Contractor must have filed, or will file, plan designs with CMS that closely mirror the current plan designs for Plan Sponsor. If Contractor does not have plan designs filed currently, Contractor agrees there will be no charge to file the Plan Sponsor plan designs.
- E. The Contractor must administer a seamless and a basic Part D plan with a Plan Sponsor secondary wrap plan, using a single retiree ID card.
- F. The Contractor's P&T Committee must meet CMS' PDP requirements for objectivity and validity.
- G. The Contractor's formulary options must meet CMS' PDP requirements.
- H. The Contractor must support custom changes to a formulary at the request of the Plan Sponsor.
- I. The Contractor's Medication Therapy Management (MTM) program must include processes for enrollment, targeting, intervention, and outcomes reporting pursuant to CMS requirements.
- J. The Contractor's fraud, waste, and abuse program must meet all CMS required filings related to certification of compliance to the fraud, waste and abuse requirements.
- K. The Contractor's member appeals process must meet all CMS requirements.
- L. The Contractor's account team must support both the active population and EGWP Wrap population.
- M. The Contractor's EGWP implementation manager, assigned to Plan Sponsor, must not manage more than one additional EGWP project during Plan Sponsor implementation.
- N. The Contractor must have resources available to the Plan Sponsor for escalated EGWP member issues.



- O. The Contractor's member services support (call center) must be the same for retirees in the EGWP PDP and active membership. The call center must have additional training in escalation policies for EGWP member issues.
- P. The Contractor must provide a communication timeline that aligns with CMS requirements.
- Q. The Contractor must provide member communications to Plan Sponsor at no additional cost and ensure that customization meets CMS requirements.
- R. The Contractor must collect and track member HICNs at no additional charge to Plan Sponsor.
- S. The Contractor must process a HICN change with subsequent notification to Plan Sponsor.
- T. The Contractor must have a process in place to handle EGWP low-income subsidies that meet CMS requirements.
- U. The Contractor must maximize Part B reimbursement prior to coordinating benefits with Plan Sponsor's EGWP and Wrap plans pursuant to CMS guidelines.
- V. The Contractor must acknowledge Plan Sponsor will conduct an EGWP pre-implementation audit and Contractor confirms it will work with Plan Sponsor and its third-party auditor to complete pre-implementation audit in a timely manner prior to implementation.
- W. The Contractor's core fee and EGWP wrap fee must include the following:
  - i. Administrative Core Service Package
    - 1. Maintenance of Medicare Part D benefit set up parameters.
    - 2. Programming and maintenance of Medicare electronic claims adjudication.
    - 3. Claims adjustment activities in Medicare Part D program.
    - 4. Prescription Drug Event (PDE) file submission and response administration.
    - 5. Pre-Enrollment contact center support.
    - 6. Eligibility management services.
    - 7. Premium billing collections and reporting.
    - 8. MTM Program.
    - 9. PDP Pre-Enrollment Web Site.
  - ii. Clinical Programs
    - 1. PA.
    - 2. Grievances.
    - 3. Coverage Determinations.
    - 4. Re-determinations.
  - iii. Explanation of Benefits (EOB) mailed to members.
  - iv. New enrollee communications as required by CMS.
  - v. Renewal communications as required by CMS.
  - vi. Ongoing communications as required by CMS.
  - vii. Replacement ID Cards and Pharmacy Directories provided to members.
  - viii. Low Income Subsidy (LIS) communications.
  - ix. Transition communications.
  - x. Medicare Post-Enrollment Calls.
  - xi. Web site set-up fees.
  - xii. Communication assistance for Plan Sponsor employed customer service and HR staff.



- xiii. Communication and on-site assistance for Plan Sponsor Benefit Fairs.
- xiv. Template language and assistance in creating client sponsored communications.
- xv. Member Premium Invoicing.

X. The Contractor must obtain the express written approval of the Plan Sponsor for any Formulary updates, changes, or submissions that will be made by Contractor.

<b>SLA #23</b>
Prior Authorization and Exceptions for EGWP and Commercial Wrap
<b>Guarantee</b>
The Contractor must provide a final determination of all requests for PA within 72 hours.
The Contractor must measure the performance of this SLA on a monthly basis and report on a quarterly basis.
<b>Penalty Amount: 0.1% of total annual administrative fees per month not met.</b>

#### **P. Disease Management Programs**

The Contractor must work jointly with Plan Sponsor's medical Contractor to ensure agreed upon disease management services for CSC.

### **1.030 Roles and Responsibilities**

#### **1.031 Contractor Staff, Roles, and Responsibilities**

The Contractor must provide an account team for CSC. The service team must include a dedicated Senior Account Manager (SAM), a Clinical Pharmacist, and an Assistant Account Manager (AAM).

- A. The Contractor must provide a dedicated SAM for the Plan Sponsor who will be the single point of accountability. In addition, the Contractor must provide an AAM. For purposes of this Contract, the SAM and the AAM are considered Key Personnel.
  - 1. SAM: Kurt Laycock. Kurt will directly assist the Plan Sponsor in all of 2013. As soon as practically possible, and with approval by the Plan Sponsor, Contractor will hire a new SAM in 2013, who will report to Kurt and shadow Kurt for that year. In 2014, this Michigan based employee will become the SAM and will report directly to Kurt.
  - 2. AAM: Kristin Bly. Kristin will directly assist the Plan Sponsor in all of 2013. As soon a practically possible, Contractor will hire a new AMM in 2013, who will report to Kristin and shadow Kristin for that year. In 2014, this employee will become the AAM and will report directly to Kristin.
  - 3. Clinical Pharmacist: Dan Yeager, PharmD. Dan will directly assist the Plan Sponsor in all of 2013. As soon a practically possible, and with approval by the Plan Sponsor, Contractor will hire a new CPM in 2013, who will shadow Dan for that year. In 2014, this Michigan based employee will become the Clinical Pharmacist and will report directly to Dan.
- B. The SAM, and/or the AAM, must be made available to the Plan Sponsor, at a location to be determined by the Plan Sponsor, upon request of the Plan Sponsor.
- C. The SAM must have the authority to make decisions regarding Service issues on a daily basis. The Contractor must also provide escalation procedures and contact information for issues which need to be escalated above the SAM.
- D. The SAM must have the authority within his or her organization to obtain the use of all Contractors' resources, both direct and indirect, as are necessary.



- E. The SAM must have at least one qualified back-up, in addition to the AAM, who must be involved in account management and who is capable of performing the responsibilities of the SAM in the event that the SAM is unavailable. The back-up must be familiar with the requirements of this Contract.
- F. The Contractor must work with the Plan Sponsor to develop an annual survey to assess the SAM's performance.
- G. The Contractor must provide a dedicated Implementation Manager for the Plan Sponsor. For purposes of this Contract, the Implementation Manager is considered Key Personnel.
- H. The Implementation Manager must provide regular updates to the Plan Sponsor during scheduled weekly meetings tracking the status of the implementation. The Contractor's SAM must conduct a post-implementation review meeting with the Plan Sponsor within 30 days after the effective date of the Plan's services.
- I. The Contractor's dedicated pharmacist will work with EBD to agree upon procedures to handle Member inquiries with regards to PA. For the purpose of this Contract, the dedicated pharmacist is considered key personnel.
- J. The Contractor's account team must be comprised of individuals available to, and responsible for, at a minimum, the following functions:
  - 1. Account management.
  - 2. Pharmacist(s).
  - 3. Member communications.
  - 4. Claims processing.
  - 5. Enrollment and eligibility.
  - 6. Customer service.
- K. The account team's Pharmacists must work under the direction of the Plan Sponsor and must provide day-to-day assistance to the Plan Sponsor in interfacing with Contractor.
- L. The Contractor must promptly notify the Plan Sponsor of administrative changes in the Contractor's systems or procedures that impact the Plan Sponsor and/or Members.
  - 1. Management meetings must be held between the Contractor and the Plan Sponsor on a quarterly basis to review Plan performance. The Contractor must review all open projects and present the status, progress and results of each project. The Contractor must provide data and cost analysis upon request.
  - 2. Quarterly meetings will be held at a location as determined by the Plan Sponsor, and additional meetings may be held each year.
  - 3. The Contractor must participate in strategic planning sessions to provide the following:
    - a. Data analysis with commensurate recommendations and cost-benefit analysis to provide support for proposed plan modifications.
    - b. Review of changes in the market and identification of emerging trends.
    - c. Provide seminars on related topics for the Plan Sponsor.
  - 4. The Contractor must meet with the Plan Sponsor to review plan performance, report on progress, and identify improvement opportunities. On a quarterly basis, the Contractor must present a comprehensive review of the cost and utilization experience of the Plan to include:
    - a. Proposed solutions to performance variances (such as cost, utilization, and administrative performance and their root causes).
    - b. Working collectively with Plan Sponsor's other benefits administrators (such as hospital/medical Contractor, vision plan administrator, and dental plan administrator) on joint Plan improvement projects.



### **1.040 Contract Implementation & Reporting**

#### **1.041 Contract Implementation Management and Implementation SLA**

The Contractor must provide the final transition and detailed implementation plan, including roles and responsibilities, within five days of the Contract execution date, including a final Disruption Analysis, and a plan for averting disruption and communicating any disruption to affected Members. All transition and implementation plans are subject to the approval of the Plan Sponsor.

- The Contractor must complete a pre or post implementation audit at no cost to the State. The Contractor must accommodate a pre- and post- implementation audit at the Contractor's expense in order to verify your readiness to administer the Plan Sponsor's program. The pre-implementation audit must be completed before the program effective date and the post-implementation audit must be conducted at a mutually agreed upon timeframe post effective date. These audits may include, but are not limited to, ID card production and turnaround time, eligibility, claims processing, customer service, plan design set-up, and overall pricing. The review will be conducted by an audit firm selected by Plan Sponsor.

The following SLA applies to implementation only:

<b>Implementation SLA</b>
Implementation
<b>Guarantees</b>
The Contractor must begin providing full Services as described throughout Section 1.022 at 12:00 a.m. EST on January 1, 2013. Implementation guarantee measures will be mutually agreed with Plan Sponsor and will include project management, system testing, enrollment materials, member communications, eligibility loading and claim processing and customer service readiness.
<b>Penalty Amount: The total penalty at risk for failure to meet the implementation dates under this SLA is 1.0% of total annual administrative fees per month. The total amount at risk for failure to meet the implementation dates is \$400,000.00.</b>

#### **1.042 Reports**

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

- A. The Contractor must provide monthly and quarterly reports within 20 days of the end of the month and quarter, and annual reports within 45 days of year end.
- B. The Contractor must provide (monthly) an electronic copy of all paid claims to the Plan Sponsor or their designee.
- C. The Plan Sponsor must receive the Contractor's standard report package and, at a minimum, the reports described below for their Members:
  1. Monthly activity summaries including a brief narrative of significant accomplishments, administrative issues, outstanding problems, etc., which occurred in the month, as well as developments in major new drugs, Brand Name Drugs going Generic or OTC, etc.
  2. Monthly reports, to be split among retail and mail order, 90 day retail and specialty, between Brand and Generic and Formulary compliance, for the following: Number of prescriptions, average wholesale ingredient cost, discounted ingredient cost charged, Member cost share, dispensing fees and amount paid at minimum.
  3. Claims lag reports showing total payments by "incurred" and "paid" months, separated by retail and mail order.
  4. All reports must be provided for active, COBRA, and retiree Members and also a combined report for all of these.
  5. Quarterly Rebate reports according to the requirements in Section 1.022F.
  6. Weekly requests for reimbursement of claims paid need to be separated between active and retiree Member groups. In addition, CSC retiree Members need to be reported separately by State employees, State Police, Judges and Military groups. This breakdown must be provided for all reports including lag and Rebate reports.



7. MPR Reporting.
  8. Drug Class Reporting.
  9. Burden of Illness Reporting.
  10. Top Drug Class Reporting.
- D. The Contractor must provide the following quarterly reports:
1. Year-to-date summaries of the monthly reports.
  2. Quarterly performance standard results.
- E. The Contractor must provide the following annual reports:
1. Management summary.
  2. Full financial and enrollment experience.
  3. Top 100 Brand Name and Generic Drugs.
  4. Separate detailed report on the usage of Specialty Drugs.
  5. Rebate reimbursement reports.
  6. Physician profiling/other clinical effectiveness reports.
- F. The Contractor must provide the following with regards to ad hoc reporting:
1. Access to the Contractor reporting tool for Plan Sponsor and its representative.
  2. An ad hoc reporting tool that Plan Sponsor can use to access utilization and other data without assistance from the Contractor.
  3. Perform ad hoc reporting upon request and specification of the Plan Sponsor.

#### **1.050 Acceptance**

##### **1.051 Criteria**

The following criteria will be used by the State to determine Acceptance of the Services or Deliverables provided under this SOW:

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

Bi-weekly requests for reimbursement of claims paid must be made to the Plan Sponsor. An accompanied detailed report of claims paid must also be provided at the time the reimbursement is requested. Payment will be made to the Contractor via wire.

Monthly administrative fees will be paid to the Contractor based upon an agreed upon enrollment. The contracted fixed administrative fee per covered employee, COBRA participant, or retiree will be paid to the Contractor once per month. The fixed fee will be agreed upon by both the Contractor and the Plan Sponsor.

#### **1.060 Contract Pricing**

##### **1.061 Contract Pricing**

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

##### **Pricing Terms:**

The Contractor must provide financial guarantees and allow reconciliation in two ways: including zero balance claims and excluding zero balance claims. (Zero balance claims are defined under the Definitions section of this Contract.)

The Contractor agrees that all guarantees are minimum "floor guarantees," and Plan Sponsor retains all upside cost savings where guarantees are exceeded.



The Contractor must provide full pass through of discounts, dispensing fees, and rebates with minimum guarantees. The Contractor must provide rebate disbursement to the State of Michigan monthly, after payments have been collected, verified, and reconciled.

The Contractor must pass-through all discounts, dispensing fees, and rebate amounts paid to Plan Sponsor with quarterly true-up to minimum pricing guarantees.

Pricing may not change during the term of the Contract at Contractor's discretion (right to change).

The Contractor must offer Plan Sponsor the benefit of improved pricing terms if at any point during the contract term it renegotiates any of its retail pharmacy contracts such that the terms are more favorable than the original retail network that was initially proposed to Plan Sponsor. Contractor must provide Plan Sponsor with the projected savings and member impact of such improvement and will implement within 30 days of Plan Sponsor approval.

The Plan Sponsor and its Members are not subjected to minimum pricing at mail. Minimum price will be an amount no greater than the lowest of Maximum Allowable Cost (MAC), Average Wholesale Price (AWP) discounted price or Copayment/Coinsurance. To the extent the calculated reimbursement for a drug is less than the copayment or the calculated discount, the Plan Sponsor Members will pay the lowest of those values.

Ninety days after each State fiscal year, the Contractor must provide reports to the Plan Sponsor as to the actual fiscal year end performance of each price point and to the extent there is a shortfall in any pricing area the Contractor agrees to reimburse the Plan Sponsor on a dollar by dollar basis. To the extent there is excess in one or more price points, the Plan Sponsor retains the benefits of those savings achieved by the Contractor.

The Contractor must charge the Plan Sponsor the lower of the pharmacies' U&C, MAC, AWP discounted price or Copayment/Coinsurance.

The Plan Sponsor and its members will not pay any amount or value that exceeds the minimum guarantees for both the Retail Pricing Program and the Mail Order Pricing Program. Using the guaranteed Pass-Through Pricing methodology, the Contractor agrees that each price point (i.e. guaranteed brand discounts, generic discounts, dispensing fees and every other consideration including Rebates) must be passed through to the Plan Sponsor at the minimum guaranteed rates and further the Contractor agrees that any shortfall in one guarantee cannot be offset with any excess in any other price point guarantee. This guarantee applies to all pricing points within each delivery channel (i.e. retail, Mail, and Specialty Pharmacy).

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

If there is an industry change in the methodology for calculating Contractor discounts (i.e., change from AWP to another pricing benchmark), the Contractor must provide Plan Sponsor with 90 days written notice. The Contractor must work in a transparent manner to equitably adjust Plan Sponsor's pricing to preserve the relative economics in place prior to the industry change (i.e., Plan Sponsor will not be disadvantaged due to this change). The Contractor must provide detailed reports to substantiate this change with Plan Sponsor and/or its third-party consultant. If SOM does not approve of the proposed change, then Plan Sponsor may terminate the relationship with 180 days written notice without penalty.

Contractor must provide data feeds on a routine basis for up to five organizations at no charge.

**MAC:**

The Contractor must establish MAC prices in order to: (i) enable the Contractor to generate cost-effective and marketing competitive prices, and (ii) decrease such prices as generic prices decrease in the market place.

Accordingly, the Contractor must establish such prices, and thereafter adjust such prices, to provide the Plan Sponsor with prices accurately reflecting Contractor's acquisition and/or reimbursement costs.





The Contractor must represent that it currently has only one proprietary MAC list used to reimburse all retail, Mail Order and Specialty Pharmacies and to invoice all clients (other than those few clients who may have created certain customized changes to the Contractor's MAC list).

Should the Contractor, in the future, establish multiple MAC lists as alternative proprietary MAC lists for Participating Pharmacies, the Contractor must provide to the Plan Sponsor the lowest MAC price for each Covered Product (on any of its MAC lists).

The Contractor must review adjustments to its proprietary MAC list at least monthly using Pass-Through Pricing as defined herein as a basis for its adjustments.

The Contractor must pass-through to the Plan Sponsor all financial benefits obtained from all pharmaceutical manufacturers, wholesalers, and any other sources, and all amounts paid to Participating Pharmacies, without any markup.

**Specialty Pricing Terms:**

The Contractor must provide minimum pricing guarantees for new specialty drugs which enter the market during the Contract term.

Pricing for specialty drugs, in the aggregate, must not be more expensive at mail than at retail (i.e., mail order specialty discounts, in the aggregate, will be the same or better than retail).

The Contractor must include specialty drugs, with limited or exclusive distribution, in minimum pricing guarantees.

**Rebates:**

The Contractor must provide rebate guarantees that do not assume any individual or aggregate days of supply.

The Contractor must provide rebate guarantee reconciliations that include Usual and Customary (U&C) claims.

The Contractor must provide rebate guarantee reconciliations that include claims paid 100% by the member.

The Contractor must include all Covered Products in the rebate guarantee reconciliations as defined, regardless of individual or aggregate member cost share percentage.

The Contractor must provide rebate guarantees that do not assume additional participation in any programs.

Plan Sponsor must receive their share of all rebates paid after the expiration date of the Contract according to the same terms agreed upon during the term of the in force Contract.

The Contractor must provide 100% of all manufacturer revenue as described in Section 1.061, and the Definitions section of the Contract, whereas the Contractor must remit to Plan Sponsor 100% of all such revenues or the minimum guaranteed values whichever is greater, for all brand claims.

Based on the Pass-Through language of the Contract, the Contractor must agree each minimum guaranteed Rebate value must stand on its own such that any shortfall in Rebates in one area must be trued up on a dollar by dollar basis without the benefit of making up such a shortfall by excesses in other Rebate areas, where an excess may have occurred.

**Adjudication and Reconciliation Logic:**

The Contractor must agree that the AWP for individual claims will not be averaged and will not in any way be calculated, altered, adjusted or assigned an alternate NDC number. This includes products with a new NDC number assigned by a repackager, manufacturer, or mail order facility that differs from the original manufacturer AWP price for the same product.





The Contractor must not use the prices for repackaged pharmaceuticals (products with a new NDC number by a repackager, a manufacturer, or at mail order which differs from the original manufacturer AWP price for the same product) for reimbursement calculations that result in a higher price per unit than the original product.

The Contractor must designate a single source for purposes of identifying, classifying, and pricing drugs as brands and generics for the duration of the Contract.

The Contractor must apply drug pricing and guarantee reconciliations based on the Average Wholesale Price (AWP) of the actual drug (ingredient, dosage form, quantity and dose) and package size dispensed (i.e. NDC-11) on the date of service.

All mail order pricing and reconciliations must be based on the actual package size used to dispense the medication.

The Contractor must not increase the mail order dispensing fee for the term of the Contract. Increases in postage rates cannot be charged to the State of Michigan (SOM).

The Contractor cannot offset shortfalls in one guarantee component with surpluses from another guarantee component. A component is defined as a guaranteed item (i.e. "retail brand discount" is one component).

The Contractor must provide mutually agreed upon detailed reconciliation reports for all guarantees and must reimburse SOM the full value of any shortfall for each guarantee at least annually.

All proposed mail order pricing (discounts, dispensing fees, rebates, etc.) must apply to all mail order prescriptions regardless of the day supply (i.e. retail pricing will not be applied to any mail claims).

All mail order prescriptions must be adjudicated such that the member always pays the lower of the ingredient cost of the prescription, MAC or the plan copayment/coinsurance amount.

Zero balance claims (a claim where the Plan Sponsor is not responsible for any payment, that is, the member has paid 100% of the claim) must not be included in discount and dispensing fee guarantees or reconciliations.

Generic discount guarantees must not exclude any generic products, as provided by our definition of a generic drug. Please note that "generic drugs" includes all products involved in patent litigation, Single-Source Generic Drugs, Multi-Source Generic Drugs, House Generics and Generic drugs that may only be available in a limited supply.

Pricing for retail specialty drugs must be passed through and included in the retail discount and dispensing fee guarantee reconciliation.

Retail specialty drugs must be included in retail rebate guarantee reconciliations; mail specialty should be included in mail rebate guarantee reconciliations.

#### **1.062 Price Term**

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

If at any time during the term of this Contract, the Contractor implements or provides for any other client of lesser or comparable size pricing terms more favorable than the aggregate pricing terms to the Plan Sponsor, then the Contractor must offer such pricing terms to the Plan Sponsor within 30 days of implementing or providing such terms to another party. Plan Sponsor has the right to negotiate for improvements in the specialty list and pricing on an annual basis to ensure market competitiveness.

On an annual basis, Plan Sponsor may review the financial terms of this agreement to comparable financial offerings available in the marketplace. Should market conditions result in a 1% or greater savings, Plan Sponsor or its representative will provide a report of the market check findings to Contractor. Upon receipt of such report, Contractor will have 10 days to offer a comparable or better



financial arrangement. The Contractor financial proposal must be in the form of a Contract amendment and must be effective January 1 of each Contract year, beginning January 1, 2014. If Contractor and Plan Sponsor are unable to agree to the terms of an Amendment, Plan Sponsor may terminate this Contract, without penalty, on 180 days written notice to Contractor. Plan Sponsor will calculate savings based upon the same metrics used to evaluate this proposal. Contractor confirms that Plan Sponsor will not be required to provide PBM with details of other PBM financial arrangements or proposals.

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

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

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

#### **1.063 Tax Excluded from Price**

(a) Sales Tax: The Michigan Constitution exempts from sales and use tax the sale of prescription drugs, Const 1963, art 9.8. Prices must not include Michigan sales taxes.

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

#### **1.064 Expenses**

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

#### **1.070 Additional Requirements**

#### **1.071 Additional Terms and Conditions specific to this Contract – Deleted / Not Applicable**



## **Article 2, Terms and Conditions**

### **2.000 Contract Structure and Term**

#### **2.001 Contract Term**

The Contract is for a period of three years beginning January 1, 2013 through December 31, 2015. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

#### **2.002 Options to Renew**

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

#### **2.003 Legal Effect**

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

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

#### **2.004 Attachments & Exhibits**

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

#### **2.005 Ordering**

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

#### **2.006 Order of Precedence**

Any inconsistency in the terms associated with this Contract will be resolved by giving precedence to the terms in the following descending order:

- (a) Mandatory sections (2.001, Contract Term, 2.003, Legal Effect, 2.044(c), Invoicing and Payment – In General, 2.130, Insurance, 2.140, Indemnification, 2.150, Termination/Cancellation, 2.211, Governing Law, 2.220, Limitation of Liability);
- (b) The most recent Statement of Work related to this Contract;
- (c) All sections from Article 2 - Terms and Conditions, not listed in subsection (a);
- (d) Any attachment or exhibit to the Contract documents;
- (e) Any Purchase Order, Direct Voucher, or Procurement Card Order issued under the Contract;
- and
- (f) Bidder Responses contained in any of the RFP documents.

#### **2.007 Headings**

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



## **2.008 Form, Function & Utility**

If the Contract is for use of more than one State agency and if the Deliverable/Service does not meet the form, function, and utility required by that State agency, that agency may, subject to State purchasing policies, procure the Deliverable/Service from another source.

## **2.009 Reformation and Severability**

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

## **2.010 Consents and Approvals**

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

## **2.011 No Waiver of Default**

If a party fails to insist upon strict adherence to any term of the Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of the Contract.

## **2.012 Survival**

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

## **2.020 Contract Administration**

### **2.021 Issuing Office**

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

Lance Kingsbury  
Department of Technology, Management and Budget - Procurement  
530 West Allegan Street  
Mason Bldg, 2nd Floor  
Lansing, MI 48933  
Email: kingsburyl@michigan.gov  
Phone: (517) 241-3768

### **2.022 Contract Compliance Inspector**

After DTMB-Procurement receives the properly executed Contract, it is anticipated that the Chief Procurement Officer of DTMB-Procurement, will direct the person named below, or any other person so designated, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of the Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by DTMB- Procurement.** The CCI for this Contract is:

Lauri Schmidt  
Civil Service Commission, Employee Benefits Division  
Capital Commons Bldg, 4<sup>th</sup> Floor  
400 South Pine  
PO Box 30002  
Lansing, MI 48909



Email: schmidt1@michigan.gov  
Phone: (517) 373-9211

### 2.023 Project Manager

The following individual will oversee the project:

Danielle Leutz  
Civil Service Commission, Employee Benefits Division  
Capital Commons Bldg, 4<sup>th</sup> Floor  
400 South Pine  
PO Box 30002  
Email: leutzd@michigan.gov  
Phone: (517) 373-8710

### 2.024 Change Requests

The State reserves the right to request, from time to time, any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the Contract. During the course of ordinary business, it may become necessary for the State to discontinue certain business practices or create Additional Services/Deliverables. At a minimum, to the extent applicable, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the services/deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

If the Contractor does not so notify the State, the Contractor has no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable.

Change Requests:

- (a) By giving Contractor written notice within a reasonable time, the State must be entitled to accept a Contractor proposal for Change, to reject it, or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice must be prepared and issued under the Contract, describing the Change and its effects on the Services and any affected components of the Contract (a "Contract Change Notice").
- (b) No proposed Change may be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the DTMB-Procurement.
- (c) If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a Change, the Contractor must notify the State that it believes the requested activities are a Change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. If the Contractor commences performing work outside the scope of the Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect the Contract.

### 2.025 Notices

Any notice given to a party under the Contract must be deemed effective, if addressed to the State contact as noted in Section 2.021 and the Contractor's contact as noted on the cover page of the contract, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

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

### 2.026 Binding Commitments

Representatives of Contractor must have the authority to make binding commitments on Contractor's behalf within the bounds set forth in the Contract. Contractor may change the representatives from time to time upon written notice.

**2.027 Relationship of the Parties**

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

**2.028 Covenant of Good Faith**

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

**2.029 Assignments**

(a) Neither party may assign the Contract, or assign or delegate any of its duties or obligations under the Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate so long as the affiliate is adequately capitalized and can provide adequate assurances that the affiliate can perform the requirements of the Contract. The State may withhold consent from proposed assignments, subcontracts, or novations when the transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.

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

(c) If the Contractor intends to assign the Contract or any of the Contractor's rights or duties under the Contract, the Contractor must notify the State in writing at least 90 days before the assignment. The Contractor also must provide the State with adequate information about the assignee within a reasonable amount of time before the assignment for the State to determine whether to approve the assignment.

**2.030 General Provisions****2.031 Media Releases**

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

**2.032 Contract Distribution**

DTMB-Procurement retains the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by DTMB-Procurement.

**2.033 Permits**

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

**2.034 Web Site Incorporation**

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



**2.035 Future Bidding Preclusion**

Contractor acknowledges that, to the extent the Contract involves the creation, research, investigation or generation of a future RFP, it may be precluded from bidding on the subsequent RFP. The State reserves the right to disqualify any bidder if the State determines that the bidder has used its position (whether as an incumbent Contractor, or as a Contractor hired to assist with the RFP development, or as a Vendor offering free assistance) to gain a competitive advantage on the RFP.

**2.036 Freedom of Information**

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

**2.037 Disaster Recovery**

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

**2.040 Financial Provisions****2.041 Fixed Prices for Services/Deliverables – Deleted / Not Applicable****2.042 Adjustments for Reductions in Scope of Services/Deliverables**

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

**2.043 Services/Deliverables Covered**

For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under the Contract, the State must not be obligated to pay any amounts in addition to the charges specified in the Contract.

**2.044 Invoicing and Payment – In General**

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

The specific payment schedule for any Contract(s) entered into, as the State and the Contractor(s) must be mutually agreed upon. The schedule must show payment amount and must reflect actual work done by the payment dates, less any penalty cost charges accrued by those dates. As a general policy, statements must be forwarded to the designated representative by the 15th day of the following month.

**2.045 Pro-ration**

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

**2.046 Antitrust Assignment**

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

**2.047 Final Payment**

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

**2.048 Electronic Payment Requirement**

Electronic transfer of funds is required for payments on State contracts. The Contractor must register with the State electronically at <http://www.cpexpress.state.mi.us>. As stated in 1984 PA 431, all contracts that the State enters into for the purchase of goods and services must provide that payment will be made by Electronic Fund Transfer (EFT).

**2.050 Taxes****2.051 Employment Taxes**

Contractors are expected to collect and pay all applicable federal, state, and local employment taxes.

**2.052 Sales and Use Taxes**

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

**2.060 Contract Management****2.061 Contractor Personnel Qualifications**

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

**2.062 Contractor Key Personnel**

(a) The Contractor must provide the CCI with the names of the Key Personnel.

(b) Key Personnel must be dedicated as defined in the Statement of Work to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.

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

(d) Contractor must not remove any Key Personnel from their assigned roles on the Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal ("Unauthorized Removal"). Unauthorized Removals does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for





cause termination of the Key Personnel's employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements and appropriate transition planning must be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.

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

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

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

#### **2.064 Contractor Personnel Location – Deleted / Not Applicable**

#### **2.065 Contractor Identification**

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

#### **2.066 Cooperation with Third Parties**

Contractor must cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel. As reasonably requested by the State in writing, the Contractor must provide to the State's agents and other contractors reasonable access to Contractor's Project personnel, systems and facilities to the extent the access relates to activities specifically associated with the Contract and will not interfere or jeopardize the safety or operation of the systems or facilities. The State acknowledges that Contractor's time schedule for the Contract is very specific and must not unnecessarily or unreasonably interfere with, delay, or otherwise impede Contractor's performance under the Contract with the requests for access.

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

#### **2.068 Contract Management Responsibilities**

The Contractor must assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State considers the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of Subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve Subcontractors and to require the Contractor to replace Subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the Subcontractor to all provisions of the Contract. Any change in Subcontractors must be approved by the State, in writing, prior to such change.

#### **2.070 Subcontracting by Contractor**

**2.071 Contractor Full Responsibility**

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

**2.072 State Consent to Delegation**

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

**2.073 Subcontractor Bound to Contract**

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

**2.074 Flow Down**

Except where specifically approved in writing by the State on a case-by-case basis, Contractor must flow down the obligations in **Sections 2.031, 2.060, 2.100, 2.110, 2.120, 2.130, 2.200** in all of its agreements with any Subcontractors.

**2.075 Competitive Selection**

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

**2.080 State Responsibilities****2.081 Equipment – Deleted / Not Applicable****2.082 Facilities – Deleted / Not Applicable****2.090 Security****2.091 Background Checks**

On a case-by-case basis, the State may investigate the Contractor's personnel before they may have access to State facilities and systems. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations will include Michigan State Police Background checks (ICHAT)



and may include the National Crime Information Center (NCIC) Finger Prints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested.

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

## **2.092 Security Breach Notification**

If the Contractor breaches this Section, the Contractor must (i) promptly cure any deficiencies and (ii) comply with any applicable federal and state laws and regulations pertaining to unauthorized disclosures. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor must report to the State, in writing, any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within 10 days of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances.

## **2.093 PCI Data Security Standard – Deleted / Not Applicable**

### **2.100 Confidentiality**

#### **2.101 Confidentiality**

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

#### **2.102 Protection and Destruction of Confidential Information**

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



Promptly upon termination or cancellation of the Contract for any reason, Contractor must certify to the State that Contractor has destroyed all State Confidential Information.

The State may permit exceptions to the obligation to destroy State Confidential Information when such destruction is not feasible due to court orders, ongoing investigations, ongoing pursuit of retail pharmacy refunds/recoveries, rebate collection, fulfillment of Bidder's legal obligations, etc., so long as the Contractor continues to apply the same protections to the Confidential Information required by the Contract and limits the use or disclosure of such Confidential Information to the purpose that makes destruction infeasible. The Contractor must submit a written request to DTMB when seeking such an exception, describing the records at issue and the reasons destruction is not appropriate. DTMB may impose conditions and time frames if it decides to grant an exception.

### **2.103 Exclusions**

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

### **2.104 No Implied Rights**

Nothing contained in this Section must be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

### **2.105 Respective Obligations**

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

## **2.110 Records and Inspections**

### **2.111 Inspection of Work Performed – Deleted / Not Applicable**

### **2.112 Examination of Records**

For seven years after the Contractor provides any work under the Contract (the "Audit Period"), the State may examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules. The State must notify the Contractor before examining the Contractor's books and records. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.

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

Audits will review multiple items, including but not limited to:

1. Review of Rebate contracts with pharmaceutical manufacturers
2. Contracts with pharmacies and subcontractors
3. Recoveries by the Contractor from provider audits
4. Contractor compliance with Contract pricing terms
5. Adherence to SLAs
6. Proper and accurate administration of the Plan designs



## 7. Any claims paid by the Contractor to ineligible persons

### General performance audits:

The Plan Sponsor and/or third-party auditor may inspect and audit Contractor business records that directly relate to billings made to the Plan Sponsor for claims once each year. Contractor may inspect and audit, or cause to be inspected and audited, the books and records of the Plan Sponsor directly relating to the Contract, including the existence and number of members, once per year. The Plan Sponsor and Contractor will fully cooperate with representatives of each other and with independent accountants hired by either party to conduct any such inspection or audit.

Such audits will be at the auditing party's sole expense and will only be made during normal business hours, following 30 days written notice, without undue interference to the audited party's business activity and in accordance with reasonable audit practices. An audit of Contractor records will be conducted at the Contractor office where such records are located and will be limited to transactions over the 12 month period preceding such audit. If a completed audit reveals a discrepancy in the results and previous calculations of the audited party, then the auditing party will deliver written notice setting forth in reasonable detail the basis of such discrepancy. The parties will use reasonable efforts to resolve the discrepancy within 30 days following delivery of the notice and such resolution will be final, binding and conclusive upon the parties. Upon a final and conclusive determination of a discrepancy revealed by an audit procedure under the Contract, the party that owes money will pay such sums to the other party within 30 days of the delivery of the conclusive audit findings.

### Pharmaceutical manufacturer rebate audits:

The Plan Sponsor and/or third-party auditor, at their sole expense, may audit records directly related to rebates once in each 12 month period for the purpose of validating the accuracy of the rebate amounts reported and distributed to the Plan Sponsor by Contractor. Contractor will be given 30 days written notice prior to the audit.

The Plan Sponsor recognizes that the data integrity validation process will require Contractor to provide information that is protected by signed confidentiality agreements with the pharmaceutical manufacturers and other Contractor clients. To the extent such information is not in the public domain, Contractor considers such information proprietary property and will be harmed if such confidential information is disclosed to the Plan Sponsor. Therefore, Contractor and the Plan Sponsor further agree that the data integrity validation scope of work will be restricted to determining whether or not monies paid to the Plan Sponsor are in accordance with the Contract. All work papers and other confidential information will not be disclosed by the auditor to the Plan Sponsor, provided that the auditor will have full access to such records as reasonably required to audit such rebate program.

As such, the Plan Sponsor and Contractor agree that an independent accounting firm agreeable to both parties will conduct such audit and that such firm will sign a confidentiality agreement with Contractor ensuring that all details and terms of all manufacturer rebate contracts with Contractor (except the total aggregate amount due to the Plan Sponsor) will be treated as confidential to Contractor and will not be revealed in any manner or form by or to any person or entity including the Plan Sponsor. Furthermore, such audit will be conducted at the Contractor office where such records are located, during normal business hours, without undue interference with business activities and in accordance with reasonable audit procedures. In addition, the audit rights described in this section will not include any right to copy, notate or otherwise capture such terms in any medium, whether written, recorded, or by computer.

### **2.113 Retention of Records**

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





the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

#### **2.114 Audit Resolution**

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

#### **2.115 Errors**

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

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

### **2.120 Warranties**

#### **2.121 Warranties and Representations**

The Contractor represents and warrants:

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

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

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

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

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

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

(g) Neither the Contractor nor any affiliates, nor any employee of either, has, must have, or must acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any



manner or degree with Contractor's performance of its duties and responsibilities to the State under the Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor must notify the State about the nature of the conflict or appearance of impropriety within two days of learning about it.

(h) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after the Contract start date, the Contractor must report those changes immediately to DTMB-Procurement.

**2.122 Warranty of Merchantability – Deleted / Not Applicable**

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

**2.124 Warranty of Title – Deleted / Not Applicable**

**2.125 Equipment Warranty – Deleted / Not Applicable**

**2.126 Equipment to be New – Deleted / Not Applicable**

**2.127 Prohibited Products – Deleted / Not Applicable**

**2.128 Consequences For Breach**

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

**2.130 Insurance**

**2.131 Liability Insurance**

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

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

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

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

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

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

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

- ☒ 1. Commercial General Liability with the following minimum coverage:

\$2,000,000 General Aggregate Limit other than Products/Completed Operations



\$2,000,000.00 Products/Completed Operations Aggregate Limit  
 \$1,000,000.00 Personal & Advertising Injury Limit  
 \$1,000,000.00 Each Occurrence Limit

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

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

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

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

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

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

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

\$100,000.00 each accident  
 \$100,000.00 each employee by disease  
 \$500,000.00 aggregate disease

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

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

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

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

## 2.132 Subcontractor Insurance Coverage





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

### **2.133 Certificates of Insurance and Other Requirements**

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

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

## **2.140 Indemnification**

### **2.141 General Indemnification**

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

### **2.142 Code Indemnification**

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

### **2.143 Employee Indemnification**

In any claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its Subcontractors, the indemnification obligation under the Contract must not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its Subcontractors under



worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.

#### **2.144 Patent/Copyright Infringement Indemnification**

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

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

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

#### **2.145 Continuation of Indemnification Obligations**

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

#### **2.146 Indemnification Procedures**

The procedures set forth below must apply to all indemnity obligations under the Contract.

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

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State is entitled to participate in the defense of the claim and to employ counsel at its own expense to assist in the handling of the claim and to monitor and advise the State about the status and progress of the defense; (ii) the Contractor must, at the request of the State, demonstrate to the reasonable satisfaction of the State, the Contractor's financial ability to carry out its defense and indemnity obligations under the Contract; (iii) the



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

(c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State may defend the claim in the manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor must promptly reimburse the State for all the reasonable costs and expenses.

## **2.150 Termination/Cancellation**

### **2.151 Notice and Right to Cure**

If the Contractor breaches the Contract, and the State, in its sole discretion, determines that the breach is curable, then the State must provide the Contractor with written notice of the breach and a time period (not less than 30 days) to cure the Breach. The notice of breach and opportunity to cure is inapplicable for successive or repeated breaches or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage, or destruction of any real or tangible personal property.

### **2.152 Termination for Cause**

(a) The State may terminate the Contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under the Contract (including a Chronic Failure to meet any particular SLA), or (ii) fails to cure a breach within the time period specified in the written notice of breach provided by the State.

(b) If the Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating the Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by the Contract from other sources. Re-procurement costs are not consequential, indirect or incidental damages, and cannot be excluded by any other terms otherwise included in the Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under the Contract.

(c) If the State chooses to partially terminate the Contract for cause, charges payable under the Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State must pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of the Contract that are terminated for cause must cease on the effective date of the termination.

(d) If the State terminates the Contract for cause under this Section, and it is determined, for any reason, that Contractor was not in breach of contract under the provisions of this section, that termination for cause must be deemed to have been a termination for convenience, effective as of the same date, and the rights and obligations of the parties must be limited to that otherwise provided in the Contract for a termination for convenience.

### **2.153 Termination for Convenience**



The State may terminate the Contract for its convenience, in whole or part, if the State determines that a termination is in the State's best interest. Reasons for the termination must be left to the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate the Contract for its convenience, in whole or in part, by giving Contractor written notice at least 30 days before the date of termination. If the State chooses to terminate the Contract in part, the charges payable under the Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of the Contract that are terminated for cause must cease on the effective date of the termination.

#### **2.154 Termination for Non-Appropriation**

(a) Contractor acknowledges that, if the Contract extends for several fiscal years, continuation of the Contract is subject to appropriation or availability of funds for the Contract. If funds to enable the State to effect continued payment under the Contract are not appropriated or otherwise made available, the State must terminate the Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State must give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or the time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

(b) If funding for the Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise unavailable, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in the manner and for the periods of time as the State may elect. The charges payable under the Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of the reduction.

(c) If the State terminates the Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor under this Section, the State must pay Contractor for all Work-in-Process performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. This Section will not preclude Contractor from reducing or stopping Services/Deliverables or raising against the State in a court of competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

#### **2.155 Termination for Criminal Conviction**

The State may terminate the Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense related to a State, public or private Contract or subcontract.

#### **2.156 Termination for Approvals Rescinded**

The State may terminate the Contract if any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services under Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. In that case, the State must pay the Contractor for only the work completed to that point under the Contract. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in the written notice.

#### **2.157 Rights and Obligations upon Termination**

(a) If the State terminates the Contract for any reason, the Contractor must (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from the Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which must be provided to the



State on an "As-Is" basis except to the extent the amounts paid by the State in respect of the items included compensation to Contractor for the provision of warranty services in respect of the materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

(b) If the State terminates the Contract before its expiration for its own convenience, the State must pay Contractor for all charges due for Services provided before the date of termination and, if applicable, as a separate item of payment under the Contract, for Work In Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor under the Contract, at the option of the State, becomes the State's property, and Contractor is entitled to receive equitable fair compensation for the Deliverables. Regardless of the basis for the termination, the State is not obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

(c) Upon a good faith termination, the State may assume, at its option, any subcontracts and agreements for Services and Deliverables provided under the Contract, and may further pursue completion of the Services/Deliverables under the Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

## **2.158 Reservation of Rights**

Any termination of the Contract or any Statement of Work issued under it by a party must be with full reservation of, and without prejudice to, any rights or remedies otherwise available to the party with respect to any claims arising before or as a result of the termination.

### **2.160 Deleted / Not Applicable**

### **2.170 Transition Responsibilities**

#### **2.171 Contractor Transition Responsibilities**

If the State terminates the Contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. If the Contract expires or terminates, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 365 days. These efforts must include, but are not limited to, those listed in **Sections 2.171, 2.172, 2.173, 2.174, and 2.175.**

#### **2.172 Contractor Personnel Transition**

The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by the Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's Subcontractors or vendors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's Subcontractors or vendors. Contractor must notify all of Contractor's subcontractors of procedures to be followed during transition.

#### **2.173 Contractor Information Transition**

The Contractor agrees to provide reasonable detailed specifications for all Services/Deliverables needed by the State, or specified third party, to properly provide the Services/Deliverables required under the Contract. The Contractor must provide the State with asset management data generated from the inception of the Contract through the date on which the Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor must deliver to the State any remaining





owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

#### **2.174 Contractor Software Transition**

The Contractor must reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under the Contract. This must include any documentation being used by the Contractor to perform the Services under the Contract. If the State transfers any software licenses to the Contractor, those licenses must, upon expiration of the Contract, transfer back to the State at their current revision level. Upon notification by the State, Contractor may be required to freeze all non-critical changes to Deliverables/Services.

#### **2.175 Transition Payments**

If the transition results from a termination for any reason, reimbursement must be governed by the termination provisions of the Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after contract expiration that result from transition operations) at the rates agreed upon by the State. The Contractor must prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

#### **2.176 State Transition Responsibilities**

In the event that the Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:

- (a) Reconciling all accounts between the State and the Contractor;
- (b) Completing any pending post-project reviews.

### **2.180 Stop Work**

#### **2.181 Stop Work Orders**

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order must be identified as a stop work order and must indicate that it is issued under this **Section 2.180**. Upon receipt of the stop work order, Contractor must immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State must either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.150**.

#### **2.182 Cancellation or Expiration of Stop Work Order**

The Contractor must resume work if the State cancels a Stop Work Order or if it expires. The parties will agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract must be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment must conform to the requirements of **Section 2.024**.

#### **2.183 Allowance of Contractor Costs**

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, the termination must be deemed to be a termination for convenience under **Section 2.150**, and the State will pay reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State is not liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.180**.



## **2.190 Dispute Resolution**

### **2.191 In General**

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work must be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor must submit a letter, together with all data supporting the claims, executed by Contractor's Contract Administrator or the Contract Administrator's designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the claim and the supporting data are current and complete to Contractor's best knowledge and belief.

### **2.192 Informal Dispute Resolution**

(a) All disputes between the parties must be resolved under the Contract Management procedures in the Contract. If the parties are unable to resolve any disputes after compliance with the processes, the parties must meet with the Chief Procurement Officer, DTMB, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:

(i) The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives must discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.

(ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract must be honored in order that each of the parties may be fully advised of the other's position.

(iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.

(iv) Following the completion of this process within 60 calendar days, the Director of Procurement, DTMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.

(b) This Section must not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under **Section 2.193**.

(c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work under the Contract.

### **2.193 Injunctive Relief**

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is the that the damages to the party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

### **2.194 Continued Performance**

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment must not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.150**, as the case may be.

## **2.200 Federal and State Contract Requirements**

### **2.201 Nondiscrimination**



In the performance of this Contract, Contractor must comply with the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101 *et seq.*, as amended, and all applicable federal, State and local fair employment practices and equal opportunity laws as amended. Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions, or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, age, sex, height, weight, marital status, or physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of the Contract or any purchase order resulting from the Contract must contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required under the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, as amended, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, as amended and any breach of this provision may be regarded as a material breach of the Contract.

## **2.202 Unfair Labor Practices**

Under 1980 PA 278, MCL 423.321, *et seq.*, the State must not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under Section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, must not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Under Section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, after award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

## **2.203 Workplace Safety and Discriminatory Harassment**

In performing Services for the State, the Contractor must comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor must comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see <http://www.mi.gov/mdcs/0,1607,7-147-6877---,00.html>.

## **2.204 Prevailing Wage – Deleted / Not Applicable**

### **2.210 Governing Law**

#### **2.211 Governing Law**

The Contract must in all respects be governed by, and construed according to, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by federal law.

#### **2.212 Compliance with Laws**

Contractor must comply with all applicable state, federal and local laws and ordinances in providing the Services/Deliverables.

#### **2.213 Jurisdiction**

Any dispute arising from the Contract must be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to the jurisdiction on the grounds of lack of personal jurisdiction of the court or the laying of venue of the court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.

### **2.220 Limitation of Liability**

#### **2.221 Limitation of Liability**

Neither the Contractor nor the State is liable to each other, regardless of the form of action, for consequential, incidental, indirect, or special damages. This limitation of liability does not apply to claims for infringement of United States patent, copyright, trademark or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to





claims covered by other specific provisions of the Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on the Contract.

## **2.230 Disclosure Responsibilities**

### **2.231 Disclosure of Litigation**

(a) Within 10 days after receiving notice of any pending or threatened action, claim, order, decree, litigation, investigation, arbitration or other alternative dispute resolution proceeding, or any other proceeding by or before any governmental authority, arbitrator, court or administrative agency (collectively, "Proceeding") that arises during the term of this Contract, the Contractor must disclose the following to the Contract Administrator:

- (i) A criminal Proceeding involving the Contractor (or any Subcontractor) or any of its officers or directors;
- (ii) A parole or probation Proceeding;
- (iii) A Proceeding involving the Contractor (or any Subcontractor) or any of its officers or directors under the Sarbanes-Oxley Act; and
- (iv) A civil Proceeding to which the Contractor (or, if the Contractor is aware, any Subcontractor) is a party, and which involves (A) a claim that might reasonably be expected to adversely affect the viability or financial stability of the Contractor or any Subcontractor; or (B) a claim or written allegation of fraud against the Contractor (or, if the Contractor is aware, any Subcontractor) by a governmental or public entity arising out of the Contractor's business dealings with governmental or public entities.
- (v) A Proceeding involving revocation or suspension of any license Contractor must have to perform under this Contract.

(b) If any Proceeding would cause a reasonable party to be concerned about: (i) the ability of the Contractor (or a Subcontractor) to continue to perform this Contract; or (ii) whether the Contractor (or a Subcontractor) is engaged in conduct that is similar in nature to the conduct alleged in the Proceeding and would constitute a breach of this Contract or a violation of federal or state law, regulations, or public policy, then the Contractor must provide the State all requested reasonable assurances that the Contractor and its Subcontractors will be able to continue to perform this Contract.

(c) The Contractor must notify the State of any actions or proceedings referenced in **Section 2.233**, Bankruptcy and Insolvency, within 14 days of initiation; provide the State with a copy of all documents used to initiate any such actions or proceedings; and keep the State informed of the progress of the action or proceeding.

### **2.232 Call Center Disclosure**

Contractor and/or all Subcontractors involved in the performance of the Contract providing call or contact center services to the State must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information is a material breach of the Contract.

### **2.233 Bankruptcy**

The State may, without prejudice to any other right or remedy, fully or partially terminate this Contract and, at its option, take possession of the work-in-progress and finish the work-in-progress by whatever method the State deems appropriate if:

- (a) the Contractor files for bankruptcy protection;
- (b) an involuntary bankruptcy petition is filed against the Contractor and not dismissed within 30 days;
- (c) the Contractor becomes insolvent or a receiver is appointed due to the Contractor's insolvency;
- (d) the Contractor makes a general assignment for the benefit of creditors; or
- (e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can provide the Deliverable(s) under this Contract.

The Contractor will place appropriate notices or labels on the work-in-progress to indicate ownership by the State. To the extent reasonably possible, work-in-progress must be stored separately from other stock and marked conspicuously with labels indicating State ownership.



## **2.240 Performance**

### **2.241 Time of Performance**

- (a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.
- (b) Without limiting the generality of **Section 2.241(a)**, Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.
- (c) If the Contractor believes that a delay in performance by the State has caused or will cause the Contractor to be unable to perform its obligations according to specified Contract time periods, the Contractor must notify the State in a timely manner and must use commercially reasonable efforts to perform its obligations according to the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.

### **2.242 Service Level Agreements (SLAs)**

- (a) SLAs will be completed with the following operational considerations:
- (i) SLAs will not be calculated for individual Incidents where any event of Excusable Failure has been determined; Incident means any interruption in Services.
  - (ii) SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification or coordination.
  - (iii) SLAs will not apply if the applicable Incident could have been prevented through planning proposed by Contractor and not implemented at the request of the State. To invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.
  - (iv) Time period measurements will be based on the time Incidents are received by the Contractor and the time that the State receives notification of resolution based on 24x7x365 time period, except that the time period measurement will be suspended based on the following:
    1. Time period(s) will not apply where Contractor does not have access to a physical State Location and where access to the State Location is necessary for problem identification and resolution.
    2. Time period(s) will not apply where Contractor needs to obtain timely and accurate information or appropriate feedback and is unable to obtain timely and accurate information or appropriate feedback from the State.
- (b) Chronic Failure for any Service(s) is defined as three unscheduled outage(s) or interruption(s) on any individual Service for the same reason or cause or if the same reason or cause was reasonably discoverable in the first instance over a rolling 30 day period. Chronic Failure will result in the State's option to terminate the effected individual Service(s) and procure them from a different vendor for the chronic location(s) with Contractor to pay the difference in charges for up to three additional months. The termination of the Service must not affect any tiered pricing levels.
- (c) Root Cause Analysis must be performed on any business critical outage(s) or outage(s) on Services when requested by the Contract Administrator. Contractor must provide its analysis within two weeks of outage(s) and provide a recommendation for resolution.
- (d) All decimals must be rounded to two decimal places, with five and greater rounding up and four and less rounding down, unless otherwise specified.

### **2.243 Liquidated Damages – Deleted / Not Applicable**

### **2.244 Excusable Failure**

Neither party will be liable for any default, damage, or delay in the performance of its obligations under the Contract to the extent the default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military, or otherwise), power failure, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment



shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of a party; provided the non-performing party and its Subcontractors are without fault in causing the default or delay, and the default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans.

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation(s) for as long as the circumstances prevail. But the party must use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the excusable failure occurs, and also when it abates or ends.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay the Contractor's performance of the Services/provision of Deliverables for more than 10 Business Days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected Services/Deliverables from an alternate source, and the State is not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance continues; (b) the State may terminate any portion of the Contract so affected and the charges payable will be equitably adjusted to reflect those Services/Deliverables terminated; or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to the Contractor, except to the extent that the State must pay for Services/Deliverables provided through the date of termination.

The Contractor will not have the right to any additional payments from the State as a result of any Excusable Failure occurrence or to payments for Services not rendered/Deliverables not provided as a result of the Excusable Failure condition. Defaults or delays in performance by Contractor which are caused by acts or omissions of its Subcontractors will not relieve Contractor of its obligations under the Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

#### **2.250 Approval of Deliverables – Deleted / Not Applicable**

#### **2.260 Ownership**

##### **2.261 Ownership of Work Product by State**

The State owns all Deliverables as they are works made for hire by the Contractor for the State. The State owns all United States and international copyrights, trademarks, patents, or other proprietary rights in the Deliverables.

##### **2.262 Vesting of Rights**

With the sole exception of any preexisting licensed works identified in the SOW, the Contractor assigns, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State's request, the Contractor must confirm the assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

##### **2.263 Rights in Data**

(a) The State is the owner of all data made available by the State to the Contractor or its agents, Subcontractors or representatives under the Contract. The Contractor must not use the State's data for



any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of the Contractor. No employees of the Contractor, other than those on a strictly need-to-know basis, have access to the State's data. Contractor must not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, the Contractor must only use personally identifiable information as strictly necessary to provide the Services and must disclose the information only to its employees who have a strict need-to-know the information. The Contractor must comply at all times with all laws and regulations applicable to the personally identifiable information.

(b) The State is the owner of all State-specific data under the Contract. The State may use the data provided by the Contractor for any purpose. The State must not possess or assert any lien or other right against the Contractor's data. Without limiting the generality of this Section, the State may use personally identifiable information only as strictly necessary to utilize the Services and must disclose the information only to its employees who have a strict need to know the information, except as provided by law. The State must comply at all times with all laws and regulations applicable to the personally identifiable information. Other material developed and provided to the State remains the State's sole and exclusive property.

#### **2.264 Ownership of Materials**

The State and the Contractor will continue to own their respective proprietary technologies developed before entering into the Contract. Any hardware bought through the Contractor by the State, and paid for by the State, will be owned by the State. Any software licensed through the Contractor and sold to the State, will be licensed directly to the State.

### **2.270 State Standards**

#### **2.271 Existing Technology Standards**

The Contractor must adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at <http://www.michigan.gov/dit>.

#### **2.272 Acceptable Use Policy**

To the extent that Contractor has access to the State computer system, Contractor must comply with the State's Acceptable Use Policy, see <http://www.michigan.gov/dit/service>. All Contractor employees must be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor's access to the State system if a violation occurs.

#### **2.273 Systems Changes – Deleted / Not Applicable**

### **2.280 Extended Purchasing – Deleted / Not Applicable**

### **2.290 Environmental Provision**

#### **2.291 Environmental Provision**

Hazardous Materials:

For the purposes of this Section, "Hazardous Materials" is a generic term used to describe asbestos, ACBMs, PCBs, petroleum products, construction materials including paint thinners, solvents, gasoline, oil, and any other material the manufacture, use, treatment, storage, transportation, or disposal of which is regulated by the federal, State, or local laws governing the protection of the public health, natural resources, or the environment. This includes, but is not limited to, materials such as batteries and circuit packs, and other materials that are regulated as (1) "Hazardous Materials" under the Hazardous Materials Transportation Act, (2) "chemical hazards" under the Occupational Safety and Health Administration standards, (3) "chemical substances or mixtures" under the Toxic Substances Control Act, (4) "pesticides" under the Federal Insecticide Fungicide and Rodenticide Act, and (5) "hazardous wastes" as defined or listed under the Resource Conservation and Recovery Act.



(a) The Contractor must use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material according to all federal, State, and local laws. The State must provide a safe and suitable environment for performance of Contractor's Work. Before the commencement of Work, the State must advise the Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of the Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor must immediately stop all affected Work, notify the State in writing about the conditions encountered, and take appropriate health and safety precautions.

(b) Upon receipt of a written notice, the State will investigate the conditions. If (a) the material is a Hazardous Material that may present a substantial danger, and (b) the Hazardous Material was not brought to the site by the Contractor, or does not result in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Materials, the State must order a suspension of Work in writing. The State must proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State must terminate the affected Work for the State's convenience.

(c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor must resume Work as directed in writing by the State. Any determination by the Michigan Department of Community Health or the Michigan Department of Environmental Quality that the Hazardous Material has either been removed or rendered harmless is binding upon the State and Contractor for the purposes of resuming the Work. If any incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.242** for a time as mutually agreed by the parties.

(d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor must bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material according to Applicable Laws to the condition approved by applicable regulatory agency(ies).

Michigan has a Consumer Products Rule pertaining to labeling of certain products containing volatile organic compounds. For specific details visit [http://www.michigan.gov/deq/0,1607,7-135-3310\\_4108-173523--,00.html](http://www.michigan.gov/deq/0,1607,7-135-3310_4108-173523--,00.html)

#### Refrigeration and Air Conditioning:

The Contractor must comply with the applicable requirements of Sections 608 and 609 of the Clean Air Act (42 U.S.C. 7671g and 7671h) as each or both apply to the Contract.

#### Environmental Performance:

Waste Reduction Program: Contractor must establish a program to promote cost-effective waste reduction in all operations and facilities covered by the Contract. The Contractor's programs must comply with applicable Federal, State, and local requirements, specifically including Section 6002 of the Resource Conservation and Recovery Act (42 U.S.C. 6962, et seq.).

### **2.300 Other Provisions**

#### **2.311 Forced Labor, Convict Labor, Forced or Indentured Child Labor, or Indentured Servitude Made Materials**

Equipment, materials, or supplies, that will be furnished to the State under the Contract must not be produced in whole or in part by forced labor, convict labor, forced or indentured child labor, or indentured servitude.

"Forced or indentured child labor" means all work or service: exacted from any person under the age of 18 under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily; or performed by any person under the age of 18 under a contract the enforcement of which can be accomplished by process or penalties.



### **2.312 Michigan Health Insurance Claims Assessment**

Plan Sponsor agrees that it is a **“group health plan sponsor”** as defined by Health Insurance Claims Assessment Act (“the Act”, 2011 Mich. Pub. Acts 142, Mich. Comp. Laws § 550.1732(a)(v). As a “group health plan sponsor”, Plan Sponsor agrees that any “paid claims” (as that term is defined in the Act) will be subject to one percent (1%) tax which will be payable quarterly in the month following the end of each calendar quarter. Plan Sponsor and Contractor agree that Contractor will identify and calculate those Plan Sponsor’s “paid claims” that are subject to the tax and issue payment to the Michigan Department of Treasury (“Department”) in the time and manner specified by the Act. Thereafter, Contractor must invoice Plan Sponsor for such tax amounts and Plan Sponsor will remit payment for such taxes to Contractor in accordance with the terms of the Service Agreement. Plan Sponsor agrees that it is responsible for reimbursing Contractor for the full amounts due under the Act and paid by Contractor to the Department. Plan Sponsor will remain solely responsible for its obligation to comply with the Act in all other respects. In the event there is a conflict in the amount of tax payable under the Act, the determination of the State will prevail. This provision will expire, effective January 1, 2014, if the Act is repealed on that date.





### **Attachment A, Pricing**

The Plan Sponsor will pay the Contractor for services performed in connection with this Contract as defined below.

The Contractor confirms that its pricing to the Plan Sponsor is not part of a negotiated arrangement whereby any consultants, brokers, unions, or other collective purchasing entities receive any remuneration for the Plan Sponsor to benefit from the negotiated financial arrangements.

Notwithstanding Section 2.044 of the Contract, and consistent with Section 1.051 of the Contract, upon receipt of each invoice from Contractor for Claims and fees, Plan Sponsor will wire the full amount of the invoice within three business days to the bank account designed by Contractor and established for that purpose.

#### **Retail Pharmacy Program**

The Plan Sponsor will pay the Contractor for Covered Products dispensed under the retail pharmacy network based on minimum guarantees according to the following schedule using the Pass-Through Pricing model as defined in this Contract. The Plan Sponsor will pay Contractor for drugs dispensed and submitted by Participating Pharmacies in an amount equal to the minimum guaranteed value of AWP minus (see below)% for Brand Name Drugs and a minimum guarantee of AWP minus (see below)% on Generic Drugs dispensed through the retail pharmacy national network of pharmacies offered by the Contractor and guaranteed under the Pass-Through Pricing terms of this Contract. The Plan Sponsor must be charged the lowest of the Participating Pharmacies' U&C price, MAC Price or AWP discounts plus a Dispensing Fee and Tax (where applicable) minus the applicable copayment, deductible or coinsurance.

**Retail Broad Network**

	Brand Drugs	Generic Drugs
Year 1	AWP-16.00%	AWP-78.65%
Year 2	AWP-16.25%	AWP-78.90%
Year 3	AWP-16.50%	AWP-79.15%

**Retail Narrow and Retail Narrow 90-day Network**

	Brand Drugs	Generic Drugs
Year 1	AWP-17.00%	AWP-80.00%
Year 2	AWP-17.25%	AWP-80.25%
Year 3	AWP-17.50%	AWP-80.50%

**Retail 90-day Network**

	Brand Drugs	Generic Drugs
Year 1	AWP-16.00%	AWP-78.65%
Year 2	AWP-16.25%	AWP-78.90%
Year 3	AWP-16.50%	AWP-79.15%

#### **Dispensing Fees**

The guaranteed maximum Pass-Through dispensing fee for retail claims is \$1.25 per paid retail brand and \$ 1.25 per paid generic claim. The guaranteed maximum Pass-Through dispensing fee for retail narrow network claims is \$1.20 per paid retail brand and \$1.20 per paid generic claim.

#### **Copayments or Member Liability**

Copayments/Member Liability is determined by the Plan Sponsor and administered by the Contractor.

#### **Direct Reimbursement Claims**

Direct Reimbursement Claims must be processed using the same discount and lowest pricing methodology as described in this section and consistent with all other terms and conditions of this Contract between the Plan Sponsor and the Contractor.

#### **Mail Order Pharmacy Program**



The Plan Sponsor will reimburse the Contractor for mail order pharmacy services based on minimum Pass-Through guarantees described below:

**Attachment A, Pricing (continued)**

**Brand Drugs** will be paid to the Contractor at a minimum guaranteed rate of:

	Brand Drugs
Year 1	AWP-22.40%
Year 2	AWP-22.60%
Year 3	AWP-22.80%

**Generic Drugs** will be paid to the Contractor based on a minimum guaranteed rate of:

	Generic Drugs
Year 1	AWP-89.10%
Year 2	AWP-89.30%
Year 3	AWP-89.55%

**Dispensing Fees** must not exceed a maximum guarantee of \$7.80 for each paid mail order brand and \$7.80 for each paid mail order generic drug dispensed.

**Rebates**

Retail Claims Minimum Guarantees	Per Brand Claim Minimum (1-83 days supply)
2013	Retail Broad: \$14.80 Retail Narrow: \$14.80
2014	Retail Broad: \$15.60 Retail Narrow: \$15.60
2015	Retail Broad: \$16.23 Retail Narrow: \$16.23
Mail Claims Minimum Guarantees	Per Brand Claim Minimum (>83 days supply)
2013	Retail Broad: \$29.60 Retail Narrow: \$29.60
2014	Retail Broad: \$31.20 Retail Narrow: \$31.20
2015	Retail Broad: \$32.46 Retail Narrow: \$32.46

**Administrative Fees**

The Plan Sponsor will pay the Contractor a fee not to exceed \$3.21 Per Contract Holder Per Month (PCHPM) which is an all-inclusive fee that includes, but is not limited to:

- All existing and any updates to existing clinical programs.
- Claim processing fees.
- Replication of the current PBM's plan administration.
- All existing and any updates to existing DUR programs (RDUR, CDUR, and PDUR).
- All existing and any updates to existing step therapy programs.
- All existing and any updates to existing prior authorization programs.
- All existing and any updates to existing drug quantity management programs.
- ID Card production.
- Network management services including credentialing and auditing.
- Mail Service and Specialty Pharmacy Management Programs.
- All other services outlined in this Contract.





### Attachment A, Pricing (continued)

#### **Specialty Pharmacy**

The Contractor must provide a separate and distinct specialty pharmacy program, as described in Section 1.022, and requirements as noted in Article 1-Contract Pricing (see Attachment B).

**Dispensing Fees** Dispensing fees for the specialty medications from the designated specialty facility must not exceed a maximum guarantee of \$0.00 for each paid brand and \$0.00 for each paid generic drug dispensed.

#### **Specialty Rebates:**

Specialty Claims Minimum Guarantees	Per Brand Claim Minimum
2013	Retail Broad: \$14.80 Retail Narrow: \$14.80
2014	Retail Broad: \$15.60 Retail Narrow: \$15.60
2015	Retail Broad: \$16.23 Retail Narrow: \$16.23

#### **EGWP Program**

The Contractor must provide a separate and distinct EGWP pharmacy program.

#### **EGWP Administrative Fees**

- All inclusive administration fee for EGWP: \$9.93 PMPM

The administration of a narrow network is not applicable to EGWP unless State of Michigan wishes to alter its benefit design to include benefit structures for preferred and non-preferred pharmacies. Per §50.9 of Chapter 5, Medicare Prescription Drug Benefit Manual, a pharmacy can only be designated as preferred if it offers enrollees a lower level of cost-sharing than a non-preferred pharmacy.

#### **Retail Broad and Retail 90-day Network**

	Brand Drugs	Generic Drugs	Dispensing Fee
Year 1	AWP-16.00%	AWP-78.25%	\$1.50
Year 2	AWP-16.25%	AWP-78.75%	\$1.50
Year 3	AWP-16.50%	AWP-79.25%	\$1.50

#### **Retail Narrow and Retail Narrow 90-day Network**

	Brand Drugs	Generic Drugs	Dispensing Fee
Year 1	AWP-17.00%	AWP-79.75%	\$1.40
Year 2	AWP-17.15%	AWP-80.25%	\$1.35
Year 3	AWP-17.30%	AWP-80.75%	\$1.30

#### **Mail Order**

	Brand Drugs	Generic Drugs	Dispensing Fee
Year 1	AWP-22.20%	AWP-90.00%	\$7.80
Year 2	AWP-22.40%	AWP-90.25%	\$7.80
Year 3	AWP-22.60%	AWP-90.55%	\$7.80

#### **LTC**

	Brand Drugs	Generic Drugs	Dispensing Fee
Years 1-3	AWP-9.30%	AWP-65.00%	\$5.75

#### **Home Infusion**

	Brand Drugs	Generic Drugs	Dispensing Fee
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Years 1-3	AWP-8.80%	AWP-60.00%	\$5.25
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### **Attachment A, Pricing (continued)**

#### **Rebates**

Retail Claims Minimum Guarantees	Per Brand Claim Minimum
2013	<u>\$20.95</u>
2014	<u>\$19.30</u>
2015	<u>\$19.19</u>
Mail Claims Minimum Guarantees	Per Brand Claim Minimum
2013	<u>\$52.38</u>
2014	<u>\$48.25</u>
2015	<u>\$49.78</u>

**The following terms and conditions apply to the pricing terms set forth in the Contract (including Attachment C).**

#### **Implementation Credit**

Contractor must reimburse Plan Sponsor for the fair market value of direct implementation costs, after receipt of acceptable documentation of expenses incurred prior to and within 90 days of the Contract effective date in an amount up to \$5.00 per Member. Contractor must reimburse the Plan Sponsor within five business days from receipt of invoice. This implementation credit can be used for implementation-related costs such as: consulting fees, file conversions, claims history loads, prior authorization loads, physician loads, facility loads, report customization, letter customization, implementation of subrogation services, development of prior authorization letter customization, customization or development of prior authorization guidelines, custom edits, on-site training, non-standard ID cards. All specifications for the work require prior approval by the Plan Sponsor.

#### **Retail Pharmacy Program and Mail Order Pharmacy Program Guarantee Measurements**

- Brand Effective Rate Guarantee Measurement = 1 — (Aggregate Multi-Source & Single-Source Brand Ingredient Cost at point-of-sale divided by Aggregate Multi-Source & Single-Source Brand AWP at point-of-sale).
- Brand Dispensing Fee Measurement = Aggregate Multi-Source & Single-Source Brand Dispensing Fees at the point-of-sale divided by Aggregate Multi-Source & Single-Source Brand Claims.
- Generic Effective Rate Guarantee Measurement = 1 — (Aggregate Generic Ingredient Cost at point-of-sale divided by Aggregate Generic AWP at point-of-sale).
- Generic Dispensing Fee Measurement = Aggregate Generic Dispensing Fees at the point-of-sale divided by Aggregate Generic Claims.
- Contractor must perform a quarterly true-up of all discounts and dispensing fees. Following the close of each calendar quarter, Contractor must measure and report the network rates based on the actual dollar cost performance versus the contracted dollar cost of the brand discount and generic effective rate in aggregate, and, separately the fill fees in the aggregate for each distribution channel of retail and mail. At the end of the year, if the actual dollar cost is more than the calculated contracted dollar cost just described, Contractor must reimburse the Plan Sponsor dollar-for-dollar the difference amount 90 days after the end of the Contract year. This reconciliation is based on individual price points and no offsets are allowed.
- Zero Balance Claims where the Plan Sponsor is not responsible for any payment are included in the calculation of minimum rate guarantees at the pharmacy contracted rates.
- Network rates apply to non- Plan Sponsor owned pharmacies and assume 30-day retail network.
- Contractor must adjudicate claims at the Network rates or the rate determined by the Plan Sponsor.
- Claims processed at U&C are excluded in network performance measurement and reconciliations.



### **Attachment A, Pricing (continued)**

- For Plan Sponsor's Commercial Plans, Network rates are prospectively coded in Contractor's system; the guaranteed rates represent the AWP discount payable which may be greater or less than the actual rate paid to the pharmacy.
- Claims that fall under Hatch-Waxman Act are excluded in network performance measurement and reconciliations during exclusivity period.
- Measurement of network performance must be done quarterly with annual reconciliation based on the actual dollar cost performance versus the contracted dollar cost of the brand discounts and generic effective rate in aggregate and separately the fill fees in the aggregate for each distribution channel of retail and mail.
- Network rates assume implementation of Contractor's recommended Mail Order and Specialty vendors.
- The Plan Sponsor may opt to choose the vendor of their preferred Contractor; however proposed discounts may not apply.
- Network rates exclude compounds and direct member reimbursement claims.

#### **Rebate Guarantees**

- Contractor must provide Rebate disbursements to the Plan Sponsor monthly, after payments have been collected, verified and reconciled.
- Rebate guarantees are based on Plan Sponsor formulary and clinical programs as submitted during the RFP.
- The parties will negotiate a new Rebate guarantee for the Commercial plan when the overall GDR reaches 77.50% and for the EGWP when the GDR reaches 79.50%.

#### **General Considerations**

- If a new benefit is introduced which is considered a discount card program under which a Member pays a 100% copayment, such claims are excluded from all rebate and network minimum rate guarantees.

#### **Optional Clinical and Administrative Services**

The following services for the commercial plan and/or EGWP, as applicable, are not included in the Administrative Fees listed on Attachment A. If selected, the Plan Sponsor will pay the Contractor for the following services performed in connection with this Contract as defined below:

- All prior authorization edits used by Plan Sponsor as of December 31, 2012 are included in the administrative fee.
- Clinical prior authorizations: The Administrative Fees listed on Attachment A include prior authorizations for up to 2% of Plan Sponsor's claims volume.
- Appeals administration: \$100.00 per administrative appeal and \$225.00 for first-level clinical appeal. Contractor must pass through the cost of review for second-level clinical appeals by an independent review organization (IRO) if required. The average cost per case is \$200.00 to \$300.00 with a charge of \$5.99 per minute.
- Physician Access: \$5,000.00 set up fee + \$1,500.00/month maintenance fee
- MTM: \$0.45 PMPM
- Fraud, Waste and Abuse: \$0.15 PMPM
- MedResults® Interventions: \$0.12PMPM (or \$0.04PMPM per therapeutic category). Minimum of \$8,000.00/year per program charge. \$225.00/hour scope change fee for any modifications to the program post implementation.
- Quality Performance Measurement Program (QPMP): \$2,500.00 implementation fee+\$15,000.00/year (all measures) OR \$3,000.00 implementation fee+(\$3,000.00/one measure, \$7,000.00/five measures or \$10,000.00/10 measures).
- Subrogation: \$5,000.00 setup fee for each line of business + \$3.00 per subrogated claim.



### Attachment A, Pricing (continued)

- E-prescribing (for Commercial) upon selection and implementation of the service: Setup fee (included) + \$0.178 per patient event transaction fee\*. One prescription benefit and/or prescription history request includes:
  - Prescription Benefit Service: Real-time processing of the ASC X12N 270/271 Health Care Eligibility Benefit Inquiry and Response transaction.
  - Prescription History Service: Real-time processing of the NCPDP SCRIPT Medication History Request and Response transaction.

\* Prescription benefit and prescription history queries are separate queries and subject to separate transaction fees unless the prescription benefit query is followed by a prescription history query within 24 hours, in which they will be counted as one query and subject to one transaction fee.

- Medication Adherence:

Medication Adherence Services	Fee								
<b>Refill Reminder Program</b>  Member outreach program focused on medication non-adherence incorporating the identification of members whose refill patterns suggest less than optimal medication utilization with communication to the member reminding him/her to refill medications.  Letter-based or automated telephonic (IVR) interventions available to improve adherence in the following therapeutic classes: <ul style="list-style-type: none"> <li>Oral Diabetes Agents</li> <li>Hypertension</li> <li>Hypercholesterolemia</li> </ul> Additional features of the IVR program include collection of member response data identifying reasons for non-adherence for further Plan Sponsor intervention (i.e. "I'm having side effects" or "I don't believe I need to take it").  Modifications to any of the standard components will be quoted upon request.	Letter Program: \$3,000.00 set-up fee Plus \$0.30 PMPM, minimum \$30,000.00 annually  IVR: \$7,500.00 set-up Plus  <table> <tr> <td><u>Eligibility:</u></td><td><u>PMPM</u></td></tr> <tr> <td>0-99,999</td><td>\$0.49</td></tr> <tr> <td>100,000-499,999</td><td>\$0.37</td></tr> <tr> <td>500,000+</td><td>\$0.24</td></tr> </table> Additional classes available at \$0.04 PMPM each, minimums above apply.	<u>Eligibility:</u>	<u>PMPM</u>	0-99,999	\$0.49	100,000-499,999	\$0.37	500,000+	\$0.24
<u>Eligibility:</u>	<u>PMPM</u>								
0-99,999	\$0.49								
100,000-499,999	\$0.37								
500,000+	\$0.24								



### Attachment B, Specialty Pricing List

Product Name	NDC	Discount off AWP
Acyclovir Oral	00093894001	52.2%
Acyclovir Oral	00093894005	52.2%
Acyclovir Oral	00093894301	52.2%
Acyclovir Oral	00093894305	52.2%
Acyclovir Oral	00093894701	52.2%
Acyclovir Oral	00093894705	52.2%
Acyclovir Oral Susp	50383081016	52.2%
Adcirca	66302046760	14.2%
Afinitor	00078056751	13.2%
Afinitor	00078059451	13.2%
Alkeran	52609000105	15.5%
Amicar	66479002282	36.7%
Aminocaproic Acid Syr	61748004416	29.8%
Aminocaproic Acid Tab	61748004501	29.8%
Ampyra	10144042760	13.9%
Anastrozole	68382020906	54.5%
Anzemet Tabs	00088120305	15.5%
Aranesp	55513000204	14.7%
Aranesp	55513002104	14.7%
Aranesp	55513002304	14.7%
Aranesp	55513002504	14.7%
Aranesp	55513002801	14.7%
Aranesp	55513005704	14.7%
Arava	00088216130	15.2%
Arimidex	00310020130	15.5%
Arixtra	00007323002	33.5%
Arixtra	00007323011	33.5%
Arixtra	00007323211	33.5%
Arixtra	00007323402	33.5%
Arixtra	00007323411	33.5%
Arixtra	00007323602	33.5%
Arixtra	00007323611	33.5%
Aromasin	00009766304	15.5%
Arthrotec	00025141160	15.2%
Arthrotec	00025141190	15.2%
Arthrotec	00025142160	15.2%
Asacol	00149075215	15.2%
Asacol HD	00430078327	15.2%



Product Name	NDC	Discount off AWP
Atripla	15584010101	15.2%
Atropine Ophthalmic	17478021420	15.9%
Atropine Ophthalmic	24208075006	15.9%
Atropine Ophthalmic	24208075060	15.9%
Atropine Ophthalmic	61314030301	15.9%
Atropine Ophthalmic	61314030302	15.9%
Avonex PFS	59627000205	15.5%
Avonex SDV	59627000103	15.5%
Azasan	65649023141	14.2%
Azasan	65649024141	14.2%
Azathioprine Tabs	00054408425	47.7%
Azulfidine EN	00013010201	15.2%
Baraclude	00003161112	14.2%
Baraclude	00003161212	14.2%
Betaseron	50419052335	15.5%
Boniva	00004018682	14.2%
Bravelle	55566850506	14.2%
Buprenex	12496075701	14.2%
Cabergoline	16252053608	34.7%
Cabergoline	49884067314	34.7%
Calcitriol Inj	00054312041	20.2%
Calcitriol Oral	00054000713	20.2%
Calcitriol Oral	00054000725	20.2%
Calcitriol Oral	00093065701	20.2%
Calcitriol Oral	00093065801	20.2%
Canasa	58914050156	15.2%
Caverject	00009370105	14.2%
Caverject	00009768604	14.2%
CeeNU	00015303020	15.5%
CeeNU	00015303120	15.5%
CeeNU	00015303220	15.5%
Cellcept	00004025901	15.2%
Cellcept	00004025943	15.2%
Cellcept	00004026001	15.2%
Cellcept	00004026043	15.2%
Cetrotide	44087122501	14.2%
Chorionic Gonadltropin	63323002510	33.7%
Cimzia	50474070062	14.2%
Cimzia	50474071079	14.2%
Cimzia	50474071081	14.2%
Clomiphene tabs	00093004103	43.8%
Clomiphene tabs	00093004165	43.8%



Product Name	NDC	Discount off AWP
Clomiphene tabs	49884070154	43.8%
Clomiphene tabs	49884070155	43.8%
Colistimethate	63323039306	31.2%
Coly-Mycin S	42023010801	33.1%
Combivir	49702020218	15.2%
Complera	61958110101	15.2%
Copaxone	68546031730	15.5%
Crinone Gel	52544028412	14.2%
Cyclophosphamide Tabs	00054412925	14.2%
Cyclophosphamide Tabs	00054413025	14.2%
Cyclospor MIC	00172731046	14.2%
Cyclospor MIC	00172731246	14.2%
Cyclospor MIC	00185093230	14.2%
Cyclospor MIC	00185093330	14.2%
Cyclospor MIC	00591222215	14.2%
Cyclospor MIC	00591222315	14.2%
Cyclospor MIC	00591222455	14.2%
Danazol	00527136801	14.2%
Dapsone	49938010130	14.2%
Dapsone	49938010230	14.2%
DDAVP	00075002600	15.5%
Delatestryl	67979050140	14.2%
Delestrogen	42023011001	14.7%
Delestrogen	42023011101	14.7%
Delestrogen	42023011201	14.7%
Depo Estradiol	00009027101	14.2%
Depo Provera	00009062601	14.2%
Depo Provera	00009074630	14.2%
Depo Provera	00009737607	14.2%
Depo Testosterone	00009034702	34.1%
Depo Testosterone	00009041701	34.1%
Depo Testosterone	00009041702	34.1%
Desmopressin Spray	24208034205	28.2%
Desmopressin Tabs	00093731601	18.2%
Desmopressin Tabs	00093731701	18.2%
Desmopressin Tabs	00591222501	18.2%
Desmopressin Tabs	00591246501	18.2%
Dexamethasone	00054317757	18.1%
Dexamethasone	61314029405	18.1%
Didanosine	65862031230	15.2%
Dihydroergotamine Mesylate	00574085005	14.2%
Dihydroergotamine Mesylate	00574085010	14.2%



Product Name	NDC	Discount off AWP
Dihydroergotamine Mesylate	66490004101	14.2%
Edex	00091111016	12.9%
Edex	00091112016	12.9%
Edex	00091112020	12.9%
Edex	00091114016	12.9%
Edex	00091114020	12.9%
Eligard	00024022205	14.2%
Emend	00006046102	14.2%
Emend	00006046106	14.2%
Emend	00006046206	14.2%
Emend	00006046405	14.2%
Emend	00006046410	14.2%
Emend	00006386203	14.2%
Enbrel	58406042534	15.5%
Enbrel	58406043504	15.5%
Enbrel	58406044504	15.5%
Enbrel	58406045504	15.5%
Endometrin	55566650003	14.2%
Enoxaparin	00781313363	33.7%
Enoxaparin	00781322464	33.7%
Enoxaparin	00781335666	33.7%
Enoxaparin	00781342868	33.7%
Enoxaparin	00781350069	33.7%
Enoxaparin	00781361268	33.7%
Enoxaparin	00781365569	33.7%
Epivir	49702020318	15.2%
Epivir	49702020548	15.2%
Epivir HBV	00173066200	15.2%
Epogen	55513014410	14.7%
Epzicom	00173074200	15.2%
Epzicom	49702020613	15.2%
Estradiol Tab	00378145201	17.7%
Estradiol Tab	00378145401	17.7%
Estradiol Tab	00378145405	17.7%
Estradiol Tab	00378145801	17.7%
Estradiol Tab	00378145805	17.7%
Estradiol Tab	00555088602	17.7%
Estradiol Tab	00555088604	17.7%
Estradiol Tab	00555088702	17.7%
Estradiol Tab	00591052801	17.7%
Estradiol TAB	00555089902	17.7%
Estradiol TDS	00378336199	17.7%





Product Name	NDC	Discount off AWP
Estradiol TDS	00378336099	17.7%
Estradiol TRN	00378334999	17.7%
Estradiol TRN	00378335099	17.7%
Estradiol TRN	00378335199	17.7%
Estradiol TRN	00378335299	17.7%
Estradiol USP	00591048701	17.7%
Estradiol USP	00591048705	17.7%
Estradiol USP	00591048801	17.7%
Estradiol USP	00591048805	17.7%
Etoposide Caps	00378326694	15.5%
Extavia	00078056912	14.2%
Fanapt	00078059520	14.2%
Fanapt	00078059620	14.2%
Fanapt	00078059720	14.2%
Fanapt	00078059820	14.2%
Fanapt	00078060120	14.2%
Faslodex	00310072010	15.5%
FazaClo	18860010501	14.2%
Femara	00078024915	15.5%
Fluorouracil Crm	66530024940	14.2%
Fluorouracil Crm	68682000431	14.2%
Fluorouracil Top Soln	51672406301	14.2%
Fluphenazine	00378600901	49.2%
Fluphenazine	00378609701	49.2%
Fluphenazine	00781143901	49.2%
Flutamide	00172496058	38.2%
Follistim aq	00052031301	14.2%
Follistim aq	00052031601	14.2%
Follistim aq	00052032601	14.2%
Fondaparinux	55111068102	33.2%
Fondaparinux	60505607804	33.2%
Fondaparinux	60505608004	33.2%
Forteo	00002840001	14.2%
Fragmin	62856010110	15.8%
Fragmin	62856012510	15.8%
Fragmin	62856015010	15.8%
Fragmin	62856018010	15.8%
Fragmin	62856050010	15.8%
Fragmin	62856075010	15.8%
Fuzeon	00004038140	15.7%
Ganirelix	00052030151	14.2%
Gengraf	00074646332	21.8%



Product Name	NDC	Discount off AWP
Gengraf	00074647932	21.8%
Genotropin	00013262681	14.7%
Genotropin	00013264681	14.7%
Genotropin	00013264902	14.7%
Genotropin	00013265002	14.7%
Genotropin	00013265702	14.7%
Genotropin	00013265802	14.7%
Gilenya	00078060751	15.0%
Gleevec	00078040134	15.5%
Gleevec	00078043815	15.5%
Gonal-f	44087903001	14.2%
Gonal-F RFF	44087111201	14.2%
Gonal-F RFF	44087111301	14.2%
Gonal-F RFF	44087111401	14.2%
Hectorol	58468012001	14.2%
Hectorol	58468012101	14.2%
Hectorol	58468012401	14.2%
Heparin SOD	63323004710	15.5%
Heparin SOD	63323026201	15.5%
Heparin SOD	63323054207	15.5%
Heparin SOD	64253022235	15.5%
Hepsera	61958050101	15.2%
Humatrope CMB	00002733516	15.9%
Humatrope CRT	00002814701	15.9%
Humatrope CRT	00002814801	15.9%
Humira	00074379902	15.5%
Humira	00074433902	15.5%
Humira	00074433906	15.5%
Humira	00074433907	15.5%
Hydroxyurea Caps	00555088202	51.2%
Hydroxyurea Caps	49884072401	51.2%
Imuran	65483059010	15.5%
Incivek	51167010001	13.6%
Increlex	15054104005	14.7%
Infergen	66435020115	15.5%
Intelence	59676057001	15.2%
Intelence	59676057101	15.2%
Intron A	00085057102	15.5%
Intron A HSAF	00085113301	15.5%
Invega	50458055001	14.2%
Invega	50458055101	14.2%
Invega	50458055201	14.2%



Product Name	NDC	Discount off AWP
Invega Susten	50458056201	14.2%
Invega Susten	50458056301	14.2%
Invirase	00004024451	15.2%
Isentress	00006022761	14.2%
Kaletra	00074395646	15.2%
Kaletra	00074679922	15.2%
Ketorolac	00093031401	34.2%
Ketorolac	00378113401	34.2%
Kineret	66658023428	15.2%
Leflunomide Tabs	00093017356	53.6%
Leflunomide Tabs	00093017456	53.6%
Leflunomide Tabs	00781505631	53.6%
Leflunomide Tabs	00781505731	53.6%
Leflunomide Tabs	66993016030	53.6%
Leflunomide Tabs	66993016130	53.6%
Leucovorin CA Tabs	00054449613	19.2%
Leucovorin CA Tabs	00555048401	19.2%
Leucovorin CA Tabs	00555048402	19.2%
Leucovorin CA Tabs	51079058205	19.2%
Leucovorin Tabs	00054449705	19.2%
Leucovorin Tabs	00555048527	19.2%
Leukine	58468018102	15.1%
Leuprolide	00185740085	42.4%
Leuprolide	00703401418	42.4%
Leuprolide AC	41616093640	42.4%
Lovenox	00075062040	15.5%
Lovenox	00075062160	15.5%
Lovenox	00075062280	15.5%
Lovenox	00075062300	15.5%
Lovenox	00075062430	15.5%
Lovenox	00075062603	15.5%
Lovenox	00075291201	15.5%
Lovenox	00075291501	15.5%
Lupron Depot	00074210803	14.2%
Lupron Depot	00074334603	14.2%
Lupron Depot	00074364103	14.2%
Lupron Depot	00074364203	14.2%
Lupron Depot	00074366303	14.2%
Lupron Depot-Ped	00074228203	14.2%
Lysteda	66479065001	14.2%
Lysteda	66479065030	14.2%
Medroxyprogesterone	00555077902	21.2%



Product Name	NDC	Discount off AWP
Medroxyprogesterone	00555087202	21.2%
Medroxyprogesterone	00703680101	21.2%
Medroxyprogesterone	59762374001	21.2%
Medroxyprogesterone	59762374005	21.2%
Medroxyprogesterone	59762374101	21.2%
Medroxyprogesterone	59762374202	21.2%
Medroxyprogesterone	59762374208	21.2%
Medroxyprogesterone	59762453701	21.2%
Medroxyprogesterone	59762453702	21.2%
Medroxyprogesterone	59762453801	21.2%
Megace	49884094969	15.5%
Megestrol Acetate Sus	00054354258	40.6%
Megestrol Acetate Sus	49884090738	40.6%
Megestrol Acetate Sus	49884090761	40.6%
Megestrol Acetate Sus	60432012616	40.6%
Megestrol Acetate Tab	00054460325	40.6%
Megestrol Acetate Tab	00054460425	40.6%
Megestrol Acetate Tab	00555060702	40.6%
Megestrol Acetate Tab	49884028901	40.6%
Megestrol Acetate Tab	49884029001	40.6%
Megestrol Acetate Tab	49884029005	40.6%
Menopur	55566750102	14.2%
Mepron	00173066518	14.2%
Mercaptopurine Tabs	00054458111	45.2%
Mercaptopurine Tabs	00054458127	45.2%
Mercaptopurine Tabs	00093551006	45.2%
Mercaptopurine Tabs	00378354752	45.2%
Mercaptopurine Tabs	49884092202	45.2%
Mesalamine	00093688871	26.2%
Mesalamine	45802009828	26.2%
Mesalamine	45802009851	26.2%
Mesalamine	45802092341	26.2%
Mesnex	67108356509	14.2%
Methotrexate IV	10139006202	25.2%
Methotrexate IV	55390003110	25.2%
Methotrexate IV	61703035038	25.2%
Methotrexate IV	63323012310	25.2%
Methotrexate tabs	00054455025	51.5%
Methotrexate tabs	00378001401	51.5%
Methotrexate tabs	00555057202	51.5%
Methotrexate tabs	67253032010	51.5%
Miacalcin	00078031154	14.2%



Product Name	NDC	Discount off AWP
Muse	62541011006	12.9%
Muse	62541012006	12.9%
Muse	62541013006	12.9%
Muse	62541014006	12.9%
Mycophenolate Caps	16729001901	48.2%
Mycophenolate Caps	16729001916	48.2%
Mycophenolate Caps	16729009401	48.2%
Myfortic	00078038566	15.2%
Myfortic	00078038666	15.2%
Nalbuphine	00409146301	27.2%
Nalbuphine	00409146501	27.2%
Neoral	00078024615	20.6%
Neoral	00078024815	20.6%
Neulasta	55513019001	15.5%
Neupogen	55513020910	15.5%
Neupogen	55513053010	15.5%
Neupogen	55513054610	15.5%
Neupogen	55513092410	15.5%
Nexavar	50419048858	15.5%
Norditropin Nordiflex	00169770311	22.5%
Norditropin Nordiflex	00169770521	22.5%
Norvir	00074333330	15.2%
Norvir	00074663330	15.2%
Novarel	55566150101	14.2%
Nutropin	50242001821	14.7%
Nutropin AQ	50242004314	14.7%
Nutropin AQ	50242007301	14.7%
Nutropin AQ	50242002220	14.7%
Nutropin AQ NuSpin	50242007401	14.7%
Nutropin AQ NuSpin	50242007601	14.7%
Octreotide	55390016010	41.7%
Octreotide	55390016301	41.7%
Octreotide	55390016401	41.7%
Octreotide	62756034844	41.7%
Octreotide	62756035040	41.7%
Octreotide	63323037701	41.7%
Ondansetron IV	51672409103	54.2%
Ondansetron Tabs	00378773293	54.2%
Ondansetron Tabs	00378773493	54.2%
Ondansetron Tabs	00781167931	54.2%
Ondansetron Tabs	00781523964	54.2%
Ondansetron Tabs	00781523980	54.2%



Product Name	NDC	Discount off AWP
Ondansetron Tabs	45963053830	54.2%
Ondansetron Tabs	45963053930	54.2%
Ondansetron Tabs	51079052420	54.2%
Ondansetron Tabs	55111015313	54.2%
Ondansetron Tabs	55111015430	54.2%
Ondansetron Tabs	62756013001	54.2%
Orencia	00003218831	15.5%
Ovidrel	44087115001	14.2%
Peg Intron	00085127901	16.7%
Peg Intron Redi-Pen	00085129701	16.7%
Peg Intron Redi-Pen	00085129702	16.7%
Peg Intron Redi-Pen	00085130401	16.7%
Peg Intron Redi-Pen	00085131601	16.7%
Peg Intron Redi-Pen	00085137002	16.7%
Pegasys	00004035009	17.4%
Pegasys	00004035730	17.4%
Phentolamine Mesylate	55390011301	14.6%
Plaquenil	00024156210	14.2%
Pregnyl	00052031510	14.2%
Prezista	59676056101	14.2%
Prezista	59676056201	14.2%
Procrit	59676030301	15.5%
Procrit	59676030401	15.5%
Procrit	59676031001	15.5%
Procrit	59676032004	15.5%
Procrit	59676034001	15.5%
Progesterone Inj	00517075001	35.7%
Progesterone Inj	63323026110	35.7%
Progesterone Oil	00591312879	31.7%
Prograf	00469060773	14.2%
Prograf	00469061773	14.2%
Prograf	00469065773	14.2%
Pulmozyme	50242010040	14.2%
Ranitidine Inj	00472038316	43.8%
Ranitidine Tabs	49884054504	43.8%
Ranitidine Tabs	53746025310	43.8%
Ranitidine Tabs	53746025402	43.8%
Ranitidine Tabs	64679090702	43.8%
Rapamune	00008104005	14.2%
Rapamune	00008104105	14.2%
Rapamune	00008104205	14.2%
Rebif	44087002203	15.5%



Product Name	NDC	Discount off AWP
Rebif	44087004403	15.5%
Rebif titration pack	44087882201	15.5%
Remicade	57894003001	15.2%
Repronex	55566718502	14.2%
Revatio	00069419068	14.2%
Revlimid	59572040500	15.5%
Revlimid	59572041000	15.5%
Revlimid	59572042500	15.5%
Reyataz	00003362212	15.2%
Reyataz	00003363112	15.2%
RibaPak	66435010699	22.0%
RibaPak	66435010799	22.0%
Ribasphere Caps	66435010184	41.2%
Ribasphere Tabs	66435010216	41.2%
Ribavirin Tabs	68382004603	51.2%
Rilutek	00075770060	14.2%
Risperdal	50458030001	14.2%
Risperdal	50458030006	14.2%
Risperdal	50458030104	14.2%
Risperdal	50458033006	14.2%
Risperdal Con	50458030611	14.2%
Risperdal Con	50458030711	14.2%
Risperdal Con	50458030811	14.2%
Rowasa	68220006603	15.2%
Saizen	44087108001	11.2%
Sancuso	42747072601	14.7%
Sandimmune	00078024015	22.2%
Sandimmune	00078024115	22.2%
Sandostatin	00078018325	14.2%
Sandostatin	00078018425	14.2%
Sandostatin lar	00078034161	14.2%
Sensipar	55513007330	14.2%
Sensipar	55513007430	14.2%
Sensipar	55513007530	14.2%
Simponi	57894007001	14.2%
Simponi	57894007002	14.2%
Solu-Cortef	00009001103	14.2%
Sprycel	00003085222	15.5%
Stimate	00053687100	14.2%
Sulfasalazine	00591079605	42.4%
Sulfasalazine	00603580128	42.4%
Sulfasalazine	59762010401	42.4%



Product Name	NDC	Discount off AWP
Sulfasalazine	59762010402	42.4%
Sulfasalazine	59762500001	42.4%
Sulfasalazine	59762500002	42.4%
Supartz	08363776101	15.8%
Sustiva	00056051030	15.2%
Sutent	00069055038	15.5%
Sutent	00069077038	15.5%
Sutent	00069098038	15.5%
Tacrolimus	00781210201	15.2%
Tacrolimus	00781210301	15.2%
Tacrolimus	00781210401	15.2%
Tamoxifen Citrate Tabs	00093078201	54.2%
Tamoxifen Citrate Tabs	00093078205	54.2%
Tamoxifen Citrate Tabs	00093078256	54.2%
Tamoxifen Citrate Tabs	00093078406	54.2%
Tamoxifen Citrate Tabs	00093078486	54.2%
Tarceva	50242006201	15.5%
Tarceva	50242006301	15.5%
Tarceva	50242006401	15.5%
Tasigna	00078059287	13.2%
Temodar	00085136602	15.5%
Temodar	00085142501	15.5%
Temodar	00085142502	15.5%
Temodar	00085143002	15.5%
Temodar	00085151901	15.5%
Temodar	00085151902	15.5%
Temodar	00085300401	15.5%
Temodar	00085300402	15.5%
Testosterone Cypionate	00574082001	20.2%
Testosterone Cypionate	00781307370	20.2%
Testosterone Cypionate	00781307470	20.2%
Testosterone Enanthate	00591322126	20.2%
Thalomid	59572020514	15.5%
Thalomid	59572021015	15.5%
Thalomid	59572022016	15.5%
Thioguanine Tabs	00173088025	15.5%
Tikosyn	00069580060	14.2%
Tikosyn	00069582060	14.2%
Tobi	00078049471	14.2%
Tretinoin Caps	00555080802	25.8%
Trexall	51285036801	15.5%
Trimethobenz	00591557101	16.2%





Product Name	NDC	Discount off AWP
Trimethobenz	53489037601	16.2%
Trizivir	00173069100	15.2%
Truvada	61958070101	15.2%
Tykerb	00173075200	15.5%
Valcyte	00004003822	15.2%
Vfend Oral Suspension	00049316044	15.2%
Vfend Oral Tablet	00049318030	15.2%
Victoza	00169406012	14.2%
Victoza	00169406013	14.2%
Victrelis	00085031402	15.2%
Viramune	00597004660	15.2%
Viramune	00597012330	15.2%
Viread	61958040101	15.2%
Votrient	00173080409	13.4%
Xeloda	00004110020	17.0%
Xeloda	00004110150	17.0%
Zelboraf	50242009001	14.2%
Zemplar	00074431430	14.2%
Zemplar	00074431730	14.2%
Ziagen	00173066400	15.2%
Ziagen	49702022118	15.2%
Zidovudine	31722050960	18.6%
Zidovudine	65862002460	18.6%
Zidovudine	65862004824	18.6%
Zidovudine	65862010701	18.6%
Zofran ODT tabs	00173056900	15.2%
Zofran Tabs	00173044600	15.2%
Zoladex	00310095130	20.6%
Zortress	00078041520	14.2%
Zyprexa	00002411230	14.2%
Zytiga	57894015012	15.5%
Zyvox	00009513502	14.2%



### **Attachment C, EGWP**

This Attachment is to enable the State of Michigan to offer a Medicare Part D Employer Group Waiver Plan 800 Series Prescription Drug Program ("EGWP 800 Series Plan") and Commercial Wrap coverage to Part D Eligible SOM-Members.

#### **RECITALS:**

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

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

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

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

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

In consideration of the mutual promises set forth below, the Parties hereto agree as follows:

### **ARTICLE 1 - DEFINITIONS**

The following definitions are added to the Definitions in the Contract. The capitalized terms used in this Attachment C will have the meanings stated herein. Otherwise terms used in this Attachment C will have the meanings stated in the PDP Final Rules.

- 1.1 Act. The term "Act" will mean the Medicare Prescription Drug, Improvement and Modernization Act of 2003, as amended from time to time.
- 1.2 Annual LICs Subsidy. The term "Annual LICs Subsidy" will mean the amount received from or paid to CMS by Contractor for the Low Income Subsidy (LIS) Members based on an annual settlement with CMS.
- 1.3 Annual Reinsurance Subsidy. The term "Annual Reinsurance Subsidy" will mean the amount received from or paid to CMS by Contractor based on an annual settlement with CMS (only applicable to calendar year plans).
- 1.4 CMS. The term "CMS" will mean Centers for Medicare and Medicaid Services.
- 1.5 CMS Contract. The term "CMS Contract" will mean the written agreement that Contractor has entered into with CMS in accordance with PDP Final Rules, pursuant to which Contractor is approved as a Part D Plan Sponsor to offer a Medicare Part D EGWP.
- 1.6 Commercial Wrap means the self-insured, commercial (non Part-D) wrap around coverage for Part D Eligible Members that supplements the EGWP 800 Series Plan.
- 1.7 Coverage Gap Discount. The term "Coverage Gap Discount" will mean any reimbursement provided by pharmaceutical manufacturers to Part D Plan Sponsors for claims adjudicated in the



Part D coverage gap.

- 1.8 Coverage Cost. The term “Coverage Cost” will mean the amount due for coverage from Members enrolled in the Medicare GenerationsRx Plan as set forth in Exhibit A.
- 1.9 Covered Benefits. The term “Covered Benefits” will mean those outpatient Medicare Part D prescription drugs and/or supplies provided as a covered benefit to Members.
- 1.10 Direct Subsidy. The term “Direct Subsidy” will mean monthly payments received by Contractor from CMS to subsidize the cost of providing prescription drug coverage for Medicare GenerationsRx.
- 1.11 EGWP 800 Series Plan means the Plan Sponsor’s program which provides prescription drug coverage to Part D Eligible Members. EGWP 800 Series Plan is a subsection of the Plan and is treated differently only where expressly referenced below.
- 1.12 Enrollment Information. The term “Enrollment Information” will mean the eligibility and enrollment information to be provided by Plan Sponsor to Contractor as set forth in Section 2.1 of this Amendment.
- 1.13 Formulary. The term “Formulary” will conform to CMS regulatory requirements including protected drug classes and contains a list of prescription drugs that are covered by the Medicare GenerationsRx Plan. The Formulary may contain preferred and non-preferred tiers.
- 1.14 Implementation Date. The term “Implementation Date” will mean the later of (i) the agreed upon desired effective date for the initial enrollment of Members or (ii) the date upon which Contractor completes the initial input of the Membership Data File pursuant to Section 3.2.
- 1.15 Late Enrollment Penalty. The term “Late Enrollment Penalty” or “LEP” will mean the amount added to the Part D plan coverage cost of an individual who did not obtain creditable prescription coverage when he or she was first eligible for Part D or who had a break in creditable prescription drug coverage of at least 63 consecutive days after he or she was eligible for Part D. The LEP is included in the plan coverage cost due from the Member each month.
- 1.16 Law. The term “Law” will mean any federal, state, local or other constitution, charter, act, statute, law, ordinance, code, rule, regulation, order, specified standards or objective criteria contained in any applicable permit or approval, or other legislative or administrative action of the United States of America, or any state or any agency, department, authority, political subdivision or other instrumentality thereof or a decree or judgment or order of a court.
- 1.17 LICS Subsidy. The term “LICS Subsidy” will mean monthly low-income cost share subsidy payments received by Contractor from CMS, reflecting estimated claim cost sharing elements that CMS is funding for low-income subsidy eligible Members.
- 1.18 LIPS Subsidy. The term “LIPS Subsidy” will mean monthly low-income coverage cost subsidy payments received by Contractor from CMS, reflecting estimated coverage cost contributions that CMS is funding for low-income subsidy eligible Members.
- 1.19 Medicare GenerationsRx. For purposes of this Attachment C only, the term “Medicare GenerationsRx” will mean the Medicare Part D employer group waiver plan sponsored by Contractor and approved by CMS, which includes, among others, the Formulary, the Participating Pharmacy network, certain clinical programs, and other services provided for herein.
- 1.20 Member. The term “Member” will mean Part D eligible retirees of Plan Sponsor (and Part D eligible spouses and dependents of such retirees) enrolled in the Medicare GenerationsRx Plan. Plan Sponsor acknowledges and agrees that Members will be limited to those retirees of Plan Sponsor who (i) are Medicare Part D eligible beneficiaries; (ii) are receiving or are eligible to receive coverage under an “employer-sponsored group prescription drug plan” within the meaning of 42 CFR Section 423.454; and (iii) permanently reside in the defined service area of



the Medicare GenerationsRx Plan; and their eligible spouses and dependents.

- 1.21 Membership Data File. The term “Membership Data File” will mean the eligibility and enrollment information confirmed by CMS and communicated to Plan Sponsor by Contractor in accordance with Section 3.2 of this Amendment.
- 1.22 Miscellaneous Adjustments. The term “Miscellaneous Adjustments” will mean such positive or negative adjustments, including, but not limited to: Member co-payment adjustments, plan-to-plan reconciliations, and overpayments.
- 1.23 Part D Eligible Member means a Member who is eligible, as determined by CMS, for Medicare Part D benefits.
- 1.24 Participating Pharmacies. The term “Participating Pharmacies” will mean those licensed pharmacies that have contracted to provide Covered Benefits to Members.
- 1.25 PDP Final Rules. The term “PDP Final Rules” will mean the Medicare Prescription Drug Benefit Plan Final Rules contained in 42 CFR Part 423.

## ARTICLE 2 - DUTIES TO BE PERFORMED BY PLAN SPONSOR

- 2.1 Enrollment Information. At least 60 days prior to the initial Implementation Date and thereafter as soon as possible following the date a Plan Sponsor retiree becomes eligible as a Member (and in all cases, updated with additions, deletions, and changes, at least monthly), Plan Sponsor will provide in an electronic format acceptable to Contractor, a list of Members along with all MedImpact required enrollment information (“Enrollment Information”). Failure of Plan Sponsor to provide the Enrollment Information in an acceptable electronic format at least 45 days prior to the scheduled Implementation Date may result in postponement of the scheduled Implementation Date. The Enrollment Information will contain all information required by Law and Contractor to enroll each Member in the Medicare GenerationsRx Plan, maintain eligibility, and perform other services under this Amendment, which will include, at a minimum, the following information (and such other information as may be reasonably requested by Contractor from time to time):
  - Plan Sponsor’s tax identification number;
  - Member’s full name (last, first, and middle initial);
  - Member’s date of birth;
  - Member’s mailing address;
  - Member’s permanent residence address;
  - Member’s telephone number;
  - Member’s gender;
  - The desired prospective date the Member’s enrollment under the Medicare GenerationsRx Plan becomes effective;
  - The prospective date the Member’s participation under the Medicare GenerationsRx Plan is to be terminated;
  - The names and address for the primary care physician for the Member (if available);
  - Member’s Medicare beneficiary identification numbers (HICN);
  - Member’s Retiree Drug Subsidy status; and
  - If available, RxBin, RxProcessor control number, and coverage type for other health insurance of Member;
- 2.2 Membership Data File. Upon receipt of the Membership Data File from Contractor in accordance with Section 3.2 of this Attachment C, Plan Sponsor will promptly identify and provide to Contractor missing, incomplete, and/or inaccurate Enrollment Information.
- 2.3 Disenrollment Requests. Plan Sponsor will accept voluntary disenrollment requests from Members and will direct all Members to submit voluntary disenrollment requests directly to Plan Sponsor. When Plan Sponsor receives a voluntary disenrollment request from a Member, Plan



Sponsor will immediately forward such request to Contractor, along with other updated enrollment information.

- 2.4 Disenrollment Information. Plan Sponsor will provide such information required by Contractor to submit a complete disenrollment request to CMS and for Contractor to send required notifications to Members related to such disenrollment in a timely manner.
- 2.5 Retroactive Enrollment/Disenrollment. Plan Sponsor agrees to provide information required by Contractor for the timely submission of enrollment and disenrollment requests in order to reduce the occurrence of retroactive enrollment and disenrollment. For example, retroactive enrollment and disenrollment would include those instances where Plan Sponsor has received recorded documentation of an election intention from an eligible Member up to three months prior to the prospective effective date and the communication of this request from Plan Sponsor to Contractor was delayed beyond the requested effective date, which may include elections for enrollment, disenrollment, and plan changes.
- 2.6 Coverage Costs. Plan Sponsor will collect all Coverage Costs from Members in accordance with all CMS requirements and applicable Laws.
- 2.7 Member Communications.
  - 2.7.1 Upon agreement of both parties, and receipt of pre-enrollment marketing materials for the Medicare GenerationsRx Plan from Contractor, Plan Sponsor will approve for distribution and/or provide such marketing materials to Plan Sponsor retirees who are eligible to be Members in accordance with the requirements provided by Contractor to Plan Sponsor, as may be amended from time to time. As used in this Attachment C, "marketing materials" mean any and all written correspondence or documentation that reference Contractor or the Medicare GenerationsRx Plan and/or that are intended to solicit, negotiate, or effectuate Medicare Part D coverage related hereto, and as otherwise defined by CMS, which may include, but are not necessarily limited to: brochures, letters, PowerPoint presentations, postcards, flyers, facsimiles, applications, and/or other literature. All such marketing materials will be reviewed by Plan Sponsor, and where applicable may be customized in accordance with CMS guidelines. Contractor must distribute to potential Members in a timely manner and in accordance with CMS requirements.
  - 2.7.2 Plan Sponsor acknowledges and agrees certain communications to Members are required pursuant to CMS requirements, which may include: (i) enrollment and disenrollment procedures, including opt-out procedures and rights; (ii) Member procedural rights; (iii) potential for Contract termination; (iv) benefits; (v) types of pharmacies in the pharmacy network; (vi) out-of-network pharmacy access; (vii) Formulary; (viii) cost-sharing, including rate increase notices; (ix) service area information, (x) evidence of coverage, (xi) explanation of benefits, (xii) transition letters, and (xiii) notifications in response to coverage determinations, appeals, and/or grievances. Plan Sponsor must approve all member communications prior to dissemination. Unless otherwise agreed to in writing by the parties, Plan Sponsor acknowledges and agrees that Contractor must send such communications as set forth herein in accordance with Section 3.4 of this Attachment C. Plan Sponsor further acknowledges and agrees that Contractor may obtain authorizations from Members as required for Contractor and its Subcontractors to perform the services provided for in this Attachment C or in any amendment or addendum hereto, as well as for Contractor and its Subcontractors to contact Members, their physicians, and Participating Pharmacies in order to perform any of the activities contemplated by this Attachment C and/or the Medicare GenerationsRx Plan. Plan Sponsor agrees that it will not oppose or interfere with the distribution of any documents and/or materials by Contractor to Members in accordance with CMS requirements. Plan Sponsor further agrees to provide, within the time periods required by Contractor, all information required by Contractor for Contractor to make such communications and to distribute such documents and/or materials in a timely manner.



- 2.8 Compliance with Law. Plan Sponsor agrees to comply with all applicable CMS requirements and Laws and to assist and cooperate with Contractor for Contractor's compliance with applicable CMS requirements and Laws. Plan Sponsor acknowledges and agrees that data and information provided in connection with this Attachment C is used for purposes of obtaining federal funds. Plan Sponsor will certify, based on best knowledge, information, and belief, the accuracy, completeness, and truthfulness of the data and information provided by Plan Sponsor to Contractor.
- 2.9 Agreement. Plan Sponsor will review all reports, statements, files, and invoices provided or submitted by Contractor to Plan Sponsor or its designees, and must notify Contractor in writing of any errors or objections within 35 business days of receipt of the Plan Sponsor or its designees of such report, statement, file, or invoice. Specifically, and without limitation, this must apply to all service requests, implementation questionnaires, statements of work, etc. Unless Plan Sponsor notifies Contractor in writing of any error or objections within the 35 business day period all the information contained therein, will be deemed accurate, complete, and acceptable to Plan Sponsor.
- 2.10 Implementation Questionnaire. Contractor may complete an implementation questionnaire form with Plan Sponsor, obtaining from Plan Sponsor information related to Plan Sponsor's benefit structure and other information related to Plan Sponsor. Plan Sponsor will reasonably cooperate with Contractor in completing the implementation questionnaire. Upon request from Contractor, Plan Sponsor will review the implementation questionnaire form and confirm the accuracy of the information contained therein by signing the form. Contractor and its Subcontractors will have the right to rely on all information contained in the implementation questionnaire form.

### ARTICLE 3 - DUTIES TO BE PERFORMED BY CONTRACTOR

- 3.1 Benefit Plan Administration. Contractor will be responsible for Medicare GenerationsRx Plan administration including enrollment/disenrollment processing; billing; customer service; claims processing and payment; concurrent drug utilization review; fraud, waste and abuse monitoring; e-prescribing; pharmacy network management; rebate administration; and clinical management including medication therapy management. In the instance of clinical management, drug coverage and plan design, Plan Sponsor will approve and provide feedback should customization in these areas be allowed by the CMS-Contracted PDP Sponsor and requested by Plan Sponsor.
- 3.2 Enrollment Information Confirmation/Processing. Upon receipt of complete Enrollment Information from Plan Sponsor, Contractor must use a group enrollment process to submit the Enrollment Information to CMS in accordance with CMS requirements for confirmation from CMS as to eligibility status, effective date of enrollment, and eligibility for low income subsidy ("LIS") for Members. Following CMS confirmation, Contractor must provide Plan Sponsor with a list of the Members, their effective dates of enrollment, and LIS status where applicable ("Membership Data File"). Contractor must not submit an enrollment request to CMS and cannot ensure a particular effective date until all Enrollment Information has been provided to, and determined to be sufficient by, Contractor and approved by CMS.
- 3.3 Disenrollment Requests. Upon receipt of a Member of a voluntary disenrollment request, Contractor must determine if Member is eligible for disenrollment at the time requested pursuant to Medicare GenerationsRx Plan rules regarding enrollment and disenrollment periods.
- 3.4 CMS Required Reporting. Contractor will be responsible for preparing and submitting all CMS required reporting.
- 3.5 Member Communications.
- 3.5.1 Pre-Enrollment Marketing Materials. Contractor must make available to Plan Sponsor pre-enrollment marketing materials for the Medicare GenerationsRx Plan, including, but not limited to, Medicare GenerationsRx Plan description and Member marketing materials developed by Contractor in accordance with CMS requirements.
- 3.5.2 CMS Required Communications/Documents. Contractor must issue to Members





communications and other documents required by CMS, which may include: (i) enrollment and disenrollment procedures; (ii) Member procedural rights; (iii) potential for Contract termination; (iv) benefits; (v) types of pharmacies in the pharmacy network; (vi) out-of-network pharmacy access; (vii) Formulary; (viii) cost-sharing, including rate increase notices; (ix) service area; and (x) evidence of coverage. Contractor and Plan Sponsor must approve all communications prior to distribution to members.

- 3.5.3 Standard Materials. Contractor may utilize its standard marketing and other Member materials and documents as per CMS guidance. Standard and customized materials and/or documents must be approved by Plan Sponsor and Contractor in writing prior to any distribution to Members.

## ARTICLE 4 - CLAIMS AND PAYMENTS

- 4.1 Claims Statements. Contractor must provide Plan Sponsor with a statement for the amount due for Claims ("Statement") on a weekly cycle; provided, however, that Contractor may change its Statement cycle upon 30 days prior written notice to Plan Sponsor. Upon receipt of each Statement from Contractor for Claims, Plan Sponsor will wire the full amount of the Statement within three business days to the bank account designated by Contractor and established for that purpose. If Plan Sponsor questions the amount of the Statement, Plan Sponsor may notify Contractor of its questions regarding said amount but will still be obligated to wire the full amount of the Statement within three business days of receipt of the Statement. If Contractor receives such a notice of disputed amounts, it must make a commercially reasonable effort to respond to such questions within five business days.

In the event Contractor renders Claims payments to Participating Pharmacies and/or Eligible Members prior to receipt of Claims payment from Plan Sponsor, such payments will not constitute a waiver of any of Contractor's remedies with respect to non-payment and will not establish a course of dealing between Contractor and Plan Sponsor.

- 4.2 Fee Invoices. At the conclusion of each Statement cycle, Contractor will invoice Plan Sponsor for all fees and charges set forth in Attachment A due to Contractor ("Invoice"). Plan Sponsor will pay such invoices by wire transfer of funds as directed by Contractor within three business days of receipt. Monthly fees will be charged the month following the month in which the service is provided.

- 4.3 CMS Paid Funds Passed-Through to Plan Sponsor. Contractor must pay to Plan Sponsor the sums below applicable to Members in Medicare GenerationsRx within 10 business days of receipt from CMS and will provide the CMS Monthly Membership Report (MMR) and Plan Payment Report (PPR) file to Plan Sponsor for purposes of reconciliation. Plan Sponsor acknowledges and agrees that although CMS publishes a schedule of anticipated payment dates, the schedule is subject to change and payment timing is at the discretion of CMS; payment delays on the part of CMS will result in payment delays to the Plan Sponsor and Contractor will have no liability to Plan Sponsor for any such delays. The following are the types of funds Contractor may receive from CMS that will be paid to Plan Sponsor pursuant to this Section 4.4:

- 4.3.1 Direct Subsidy. Plan Sponsor agrees and acknowledges that the Direct Subsidy is calculated based on the CMS assigned risk score and the subsidy could be increased or reduced based on that assignment in CMS's sole discretion. Plan Sponsor further acknowledges that Contractor cannot influence or change the risk score.
- 4.3.2 LICS Subsidy. Plan Sponsor agrees that it will comply with CMS requirements and Laws applicable to LICS Subsidy payments.
- 4.3.3 LIPS Subsidy.

4.3.3.1 Plan Sponsor agrees that it will comply with CMS requirements and Laws applicable to LIPS Subsidy payments, including, but not limited to, the following:



- 4.3.3.1.1 Contractor must identify in its Statements sent to Plan Sponsor those Members that it is notified by CMS that are LIS-eligible beneficiaries, and the amount of the LIPS Subsidy applicable to such LIS-eligible Members. Plan Sponsor agrees to deduct from Coverage Costs invoiced to LIS-eligible beneficiary Members any LIPS Subsidies for LIS-eligible beneficiary Members, which Contractor shall show in a monthly statement to Plan Sponsor as and when received from CMS so that Plan Sponsor can ensure that the value of the subsidy is passed through to Members.
- 4.3.3.1.2 Plan Sponsor will periodically reconcile Coverage Cost Statements and payments to take into account any CMS corrections with respect to LIS status. In all cases, Plan Sponsor will refund any LIPS Subsidy amounts owing to a Member to the Member within 45 days from the date that Contractor receives from CMS the LIPS Subsidy amount payment for such Member.
- 4.3.3.1.3 Plan Sponsor acknowledges and agrees that if the total amount of the Coverage Cost (which includes the portion paid by the Member and the portion paid by Plan Sponsor) is less than the monthly LIPS Subsidy amount, any portion of the LIPS Subsidy amount above the total monthly Coverage Cost must be returned to CMS. Similarly, if there is no Coverage Cost charged to the Member or paid by Plan Sponsor, the entire LIPS Subsidy amount must be returned to CMS and cannot be retained by Plan Sponsor or Member. Plan Sponsor will work diligently and in good faith with Contractor to return any LIPS Subsidy amounts that are required to be returned to CMS.
- 4.3.3.1.4 If LIPS Subsidy amount for which a Member is eligible is less than the portion of the monthly Coverage Cost paid by the Member, the Plan Sponsor will communicate to the Member the financial consequences of the LIS-eligible Member enrolling in the Medicare GenerationsRx Plan as compared to enrolling in another PDP with a monthly Coverage Cost equal to or below the LIPS Subsidy amount.
- 4.3.4 Coverage Gap Discount - Plan Sponsor acknowledges that Contractor is the Plan Sponsor of record with CMS and as such payments from the vendor that processes coverage gap discount payments on CMS' behalf will be paid to Contractor on a quarterly basis. Contractor must pass through these payments to Plan Sponsor within 10 business days of receipt and must provide reconciliation to the Plan Sponsor for such payments.
- 4.3.5 Annual Reinsurance Subsidy. Plan Sponsor acknowledges that Contractor and CMS will conduct an annual reinsurance settlement based on Plan Sponsor's claims experience. Contractor must pay any amounts due to the Plan Sponsor as a result of this settlement within 10 business days of receipt from CMS.
- 4.4 Late Enrollment Penalties. Contractor must provide a monthly file of beneficiaries who owe a Late Enrollment Penalty to the Plan Sponsor. Plan Sponsor will be responsible for paying LEPs. Plan Sponsor will remit the total LEP amount due to Contractor no later than the 15<sup>th</sup> day of each month.
- 4.5 CMS Reconciliations Resulting in Money Owed To or From Plan Sponsor. Plan Sponsor acknowledges that throughout the plan year, there may be additional money that is owed to CMS from Plan Sponsor or from CMS to Plan Sponsor (e.g., the Annual LICs Subsidy; Miscellaneous Adjustments). As the Plan Sponsor of record, Contractor will receive any funds due from CMS on behalf of Plan Sponsor and must pay those funds to Plan Sponsor within 10 business days of receipt. Conversely, if Plan Sponsor owes money to CMS, Plan Sponsor will remit such funds to





Contractor for payment to CMS within 10 business days of notice by Contractor that such funds are owed by Plan Sponsor.

## ARTICLE 5 – RECORDS

- 5.1 Retention. Contractor must maintain all books, records, documents, and evidence of Coverage Costs and related accounting procedures and practices in connection with this Attachment C in accordance with Law, and must keep all other records that must be retained by Law in the format(s) required by Law or at the party's discretion as allowed by Law. Without limiting the generality of the foregoing, Contractor agrees to maintain for 10 years: books, records, and documents related to its obligations under this Attachment C, including but not limited to obligations regarding low income subsidy under Section 4.3 of this Attachment C.
- 5.2 Government Audit Rights. Plan Sponsor will make its books and other records available in accordance with 42 CFR 423.504(d) and 42 CFR 423.505(d) and (e). In this regard, HHS, the Comptroller General, CMS, and their designees will have the right to audit, evaluate, and inspect any books, contracts, records, computer or other electronic systems, including medical records and documentation involving transactions related to the Medicare GenerationsRx Plan and/or this Amendment (including Coverage Costs, low income subsidies, and privacy and security of protected health information and other personally identifiable information, enrollment and disenrollment) and any additional relevant information that CMS may require, and these rights continue for a period of 10 years from the final date of the contract period or from the date of completion of any audit, whichever is later. HHS, the Comptroller General, CMS, and their designees will have direct access (e.g., on site access) to Plan Sponsor, and Plan Sponsor will make such books, records, computer or other electronic systems, directly available to HHS, the Comptroller General, CMS, or their designee for such inspection, evaluation, and audit.

## ARTICLE 6 – CONFIDENTIALITY

- 6.1 CMS Release of Information. Notwithstanding anything to the contrary herein, the parties agree that CMS may release contact information to states, state pharmaceutical assistance programs (SPAPs), providers, Part D sponsors, and others who need the contact information for legitimate purposes to the extent required by CMS.