

File No. 130513

Committee Item No. 5

Board Item No. 26

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee

Date: 07/17/2013

Board of Supervisors Meeting

Date: July 23, 2013

Cmte Board

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Completed by: Victor Young

Date: July 12, 2013

Completed by: Victor Young

Date: 7/18/13

AMENDED IN COMMITTEE

7/17/13

FILE NO. 130513

RESOLUTION NO.

1 [Contract - MedImpact Healthcare Systems, Inc. - \$21,593,120]

2
3 **Resolution retroactively approving a contract between the Department of Public Health**
4 **and MedImpact Healthcare Systems, Inc. to provide Pharmacy Benefits Management**
5 **services, including computerized approval of prescriptions at a network of community**
6 **pharmacies for Community Behavioral Health Services clients who do not have**
7 **prescription drug insurance, in the amount of \$21,593,120 for the period of July 1, 2013,**
8 **through June 30, 2018.**

9
10 WHEREAS, The Department of Public Health desires to provide automated approval of
11 prescriptions from Community Behavioral Health Services providers for clients without
12 prescription drug insurance at community pharmacies; and

13 WHEREAS, The Department of Public Health has conducted a Request for Proposals
14 for such services; and

15 WHEREAS, This contract is proposed to be in the amount of \$21,593,120, thus
16 exceeding ten million dollars (\$10,000,000); and

17 WHEREAS, Section 9.118 of the San Francisco Charter requires that such contracts
18 be approved by the Board of Supervisors; and

19 WHEREAS, A copy of this agreement is on file with the Clerk of the Board of
20 Supervisors in File No. 130513, which is hereby declared to be a part of this resolution as if
21 set forth fully herein; now, therefore, be it

22 RESOLVED, That the Board of Supervisors hereby authorizes the Director of Public
23 Health and the Director of the Office of Contract Administration/Purchaser, on behalf of the
24 City and County of San Francisco, to contract with the MedImpact Healthcare Systems, Inc.
25 for the period July 1, 2013, through June 30, 2018, to provide Pharmacy Benefits

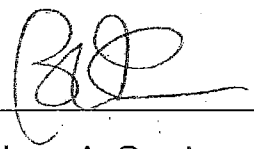
1 Management services, including computerized approval of prescriptions at a network of
2 community pharmacies for from Community Behavioral Health Services clients who do not
3 have prescription drug insurance, in the amount of \$21,593,120; and, be it

4 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director
5 of Health and the Director of the Office of Contract Administration/Purchaser to make
6 amendments to this contract, as needed that do not materially increase the obligations or
7 liabilities of the City; and, be it

8 FURTHER RESOLVED, That within thirty (30) days of the contracts being fully
9 executed by all parties, the Director of Health and/or the Director of the Office of Contract
10 Administration/Purchaser shall provide the final contracts to the Clerk of the Board for
11 inclusion into the official file (File No. 130513).

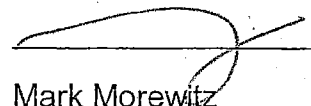
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RECOMMENDED:



Barbara A. Garcia
Director of Health

APPROVED:



Mark Morewitz
Health Commission Secretary

Item 5 File 13-0513	Department: Department of Public Health
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EXECUTIVE SUMMARY**Legislative Objective**

- The proposed resolution would approve a new contract between the Department of Public Health (DPH) and MedImpact Healthcare Systems, Inc. (MedImpact) to provide Pharmacy Benefits Management Services for Community Behavioral Health Services clients who do not have prescription drug insurance for \$28,291,346, for the five-year term from July 1, 2013 through June 30, 2018.

Key Points

- Based on a Request for Proposal (RFP), MedImpact provided similar Pharmacy Benefits Management Services for DPH's Community Behavioral Health Services clients under a \$27,122,200 contract from October 1, 2008 through June 30, 2013.
- Based on another RFP process in 2012, MedImpact would continue to maintain contracts with a network of pharmacies, electronically screen prescriptions for eligibility and process payments for prescriptions written by DPH Community Behavioral Health Services and City authorized psychiatrists for covered medications and related fiscal intermediary services.

Fiscal Impacts

- Under the proposed MedImpact contract, the DPH discount rate will increase from 16% to 20% for generic medications and MedImpact will now guarantee that DPH receives at least a 76% discount for all generic drugs. In addition, the dispensing fee that MedImpact receives per medication will decrease from \$1.79 per prescription under the prior contract to \$1.25 per prescription, a reduction of \$.54 or 30%.
- Actual expenditures under the prior MedImpact contract which extended from October 1, 2008 through June 30, 2013 were \$16,817,961, with the lowest expenditures occurring in FY 2012-13. As a result, total actual expenditures were \$10,304,239 less than the not-to-exceed authorized amount of \$27,122,200 in the original MedImpact contract.
- Given that actual expenditures have averaged \$3,369,354 over the last four fiscal years, and still allowing for a 12% contingency to reflect potential increases in costs for medications in the proposed contract, the Budget and Legislative Analyst recommends reducing the proposed contract not-to-exceed amount by \$9,422,964, from \$28,291,346 to \$18,868,382.

Recommendations

- Amend the proposed resolution to provide for retroactive approval to July 1, 2013.
- Amend the proposed resolution to state: "Further Resolved, that the Board of Super the Board of Supervisors hereby authorizes the Director of Health and the Director of the Office of Contract Administration/Purchaser to make amendments to these contracts, as needed that do not materially increase the obligations or liabilities of the City (revised language underlined)".
- Amend the proposed resolution to reduce the not-to-exceed contract amount by \$6,698,226 from a total not-to-exceed amount of \$28,291,346, to a total-not-exceed amount of \$21,593,120.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT/BACKGROUND**Mandate Statement**

In accordance with Charter Section 9.118, any contract (a) for more than \$10,000,000, (b) or that extends for longer than ten years, or (c) with an amendment of more than \$500,000, is subject to Board of Supervisors approval.

Background

On October 28, 2008, based on a Request for Proposal (RFP) process, the Board of Supervisors approved a resolution (File 08-1217; Resolution 460-08) authorizing the Department of Public Health (DPH) to enter into a contract with MedImpact Healthcare Systems Inc. (MedImpact) for an amount not-to-exceed \$27,122,200 for the four-year and nine month term from October 1, 2008 through June 30, 2013 to provide pharmacy benefits management services.

In accordance with this contract, when a DPH Community Behavioral Health Services¹ psychiatrist prescribes a medication for an uninsured patient, the psychiatrist electronically forwards that prescription to the patient's pharmacy and the patient picks up the prescription at that pharmacy. Under the existing contract, MedImpact is required to electronically screen each prescription for eligible DPH Community Behavioral Health Services patients and to process the payments for those prescriptions for covered medications through a broad network of pharmacies in the City. Currently, there are approximately 2,000 patients under this program. MedImpact has contracts with a network of over 120 pharmacies in San Francisco, including Walgreens, Safeway and various independent pharmacies, allowing DPH patients to access pharmacies with bilingual language capabilities, and 24-hours a day, seven days a week. Based on the existing contract, DPH patients are typically not charged a co-payment for their prescriptions, such that MedImpact charges DPH for each prescription filled, based on contractually agreed upon rates.

On, September 6, 2012, DPH issued another RFP for pharmacy benefits management services for DPH's Community Behavioral Health Services patients. DPH received responses from two firms, (a) MedImpact and (b) Perform Rx, and based on DPH's evaluation process, selected MedImpact to continue to maintain contracts with a network of pharmacies, electronically screen prescriptions for eligibility and process payments for prescriptions written by DPH Community Behavioral Health Services and City authorized psychiatrists for covered medications and other related fiscal intermediary services.

DETAILS OF PROPOSED LEGISLATION

Based on a competitive RFP process, the proposed resolution would approve a new contract between the Department of Public Health (DPH) and MedImpact Healthcare Systems, Inc. (MedImpact) to provide Pharmacy Benefits Management Services for Community Behavioral Health Services patients who do not have prescription drug insurance for \$28,291,346, for the five-year term from July 1, 2013 through June 30, 2018.

¹ DPH's Community Behavioral Health Services provide mental health services for all San Franciscans who require behavioral health services and do not have private insurance.

As noted above, the prior contract with MedImpact expired on June 30, 2013. According to Dr. Gloria Lee Wilder, DPH’s Director of Pharmacy, MedImpact has continued to provide pharmacy benefits management services since July 1, 2013, based on a new one-year contract that includes the proposed contract provisions, which provide for reduced rates. Therefore, the proposed resolution should be amended to provide for retroactive approval of the proposed contract.

In addition, the proposed resolution states that “the Board of Supervisors hereby authorizes the Director of Health and the Director of the Office of Contract Administration/Purchaser to make amendments to these contracts, as needed”. The Budget and Legislative Analyst recommends amending the proposed resolution to add the phrase, “that do not materially increase the obligations or liabilities of the City”.

Under both the prior and proposed contracts, MedImpact charges DPH specified discounted rates based on the Average Wholesale Price (AWP) less a specified discount, or the Maximum Allowable Costs (MAC) on the specific medication, depending on whether the prescription is a brand name or generic, plus a flat dispensing fee, as summarized in Table 1 below.

Table 1: Comparison of Prior and Proposed Contract Rates

Type of Medication	Prior Contract	Proposed Contract
Brand Name	AWP less 16% plus \$1.79 dispensing fee	AWP less 16% plus \$1.25 dispensing fee
Generic	AWP less 16% or MAC plus \$1.79 dispensing fee	AWP less 20% or MAC plus \$1.25 dispensing fee
Generic Effective Rate*	None	76%

*The Generic Effective Rate is defined as the average percent discount off the Average Wholesale Price (AWP) for all generic drugs used by CBHS in a calendar year. MedImpact guarantees at least a 76% discount under the proposed contract, or MedImpact will pay the difference.

As shown in Table 1 above, under the proposed contract, the discount rate will increase from 16% to 20% for generic medications and MedImpact will now guarantee that DPH receives at least a 76% discount for all generic drugs. In addition, as shown in Table 1 above, the dispensing fee that MedImpact receives per medication will decrease from \$1.79 per prescription to \$1.25 per prescription, a reduction of \$.54 or 30%.

In FY 2012-13, MedImpact was responsible for administering a total of 54,323 prescriptions that were picked up and charged back to DPH. According to Dr. Wilder, MedImpact serves an average of 1,879 clients each month with an average of 4,527 prescriptions each month.

FISCAL IMPACTS

The proposed contract would provide for a total not-to-exceed \$28,291,346, over the five-year term that began July 1, 2013 and will end June 30, 2018. As shown in Table 2 below, the proposed contract budget reflects an average of \$5,052,026 per year, plus a 12% contingency of \$3,031,216.

Table 2: Proposed Contract Budget

Fiscal Years	Proposed Contract Budget
FY 2013-14	\$5,052,026
FY 2014-15	\$5,052,026
FY 2015-16	\$5,052,026
FY 2015-16	\$5,052,026
FY 2017-18	\$5,052,026
Subtotal	\$25,260,130
Contingency (12%)	\$3,031,216
Total	\$28,291,346

As noted above, the prior four year and nine month MedImpact contract which extended from October 1, 2008 through June 30, 2013, was for a not-to-exceed \$27,122,200, including a 12% contingency. As of June 30, 2013, actual MedImpact contract expenditures under the prior contract were \$16,817,961. As shown in Table 3 below, as a result, actual expenditures were \$10,304,239 less than the not-to-exceed authorized amount in the original MedImpact contract.

Table 3: MedImpact Contract Expenditures Compared to Not-to-Exceed Amount

Term	Original Contract Not to Exceed Amount	Actual Expenditures	Difference
10/1/08 to 6/30/09	\$3,948,146	\$3,340,547	\$607,599
7/1/09 to 6/30/10	5,067,026	3,745,968	1,321,058
7/1/10 to 6/30/11	5,067,026	3,779,554	1,287,472
7/1/11 to 6/30/12	5,067,026	3,530,638	1,536,388
7/1/12 to 6/30/13	5,067,026	2,421,254*	2,645,772
Subtotal	\$24,216,250	\$16,817,961	\$7,398,289
Contingency (12%)	2,905,950	n/a	n/a
Total	\$27,122,200	\$16,817,961	\$10,304,239

*Includes projected invoices to be received for FY 2012-13.

In addition, as shown in Table 3 above, the actual costs decreased significantly in FY 2012-13. According to Dr. Wilder, costs decreased in FY 2012-13 because the brand patents expired on a number of psychotropic medications, allowing DPH to change from higher cost brands to generic medications.

While Dr. Wilder acknowledges the significant reduction in costs in FY 2012-13 and the proposed cost reductions included in the proposed MedImpact contract, she advises that there are various potential new psychotropic medications, as well as substance abuse medications and related smoking cessation drugs that may become available in the next several years that could be prescribed, which would result in significant cost increases to DPH under the proposed MedImpact contract. Based on Dr. Wilder's estimates of medication cost increases and potential new drugs that may become available, Dr. Wilder estimates a total annual average cost of \$4,318,624 under the proposed MedImpact contract.

As shown in Table 4 below, based on estimated annual projected expenditures of \$4,318,624, the Budget and Legislative Analyst recommends reducing the proposed contract not-to-exceed amount by \$6,698,226, from \$28,291,346 to \$21,593,120.

Table 4: Budget and Legislative Analyst's Recommended Reduction

Estimated Annual Projected Expenditures	\$4,318,624
Estimated Annual Expenditures x 5 Years of Proposed Contract	21,593,120
Proposed Contract Not-to-Exceed Amount	28,291,346
Proposed Reduction in Not-to-Exceed Amount	\$6,698,226

RECOMMENDATIONS

1. Amend the proposed resolution to provide for retroactive approval of the subject contract to July 1, 2013.

2. Amend the proposed resolution to state: "Further Resolved, that the Board of Supervisors hereby authorizes the Director of Health and the Director of the Office of Contract Administration/Purchaser to make amendments to these contracts, as needed that do not materially increase the obligations or liabilities of the City (revised language underlined)".
3. Amend the proposed resolution to reduce the not-to-exceed contract amount by \$6,698,226 from a total not-to-exceed amount of \$28,291,346, to a total-not-exceed amount of \$21,593,120.
4. Approve the proposed resolution, as amended.

City and County of San Francisco
Office of Contract Administration
Purchasing Division
City Hall, Room 430
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4685

Agreement between the City and County of San Francisco and
MedImpact Healthcare Systems, Inc.

This Agreement is made this 1st day of July 2013, in the City and County of San Francisco, State of California, by and between: MedImpact Healthcare Systems, Inc., 10680 Treena Street, 5th Floor, San Diego, CA 92131, hereinafter referred to as "Contractor," and the City and County of San Francisco, a municipal corporation, hereinafter referred to as "City," acting by and through its Director of the Office of Contract Administration or the Director's designated agent, hereinafter referred to as "Purchasing."

Recitals

WHEREAS, the Department of Public Health, Community Behavioral Health Services, ("Department") wishes to provide Pharmacy Benefit Management Services.

WHEREAS, a Request for Proposal ("RFP") was issued on September 6, 2012, and City selected Contractor as the highest qualified scorer pursuant to the RFP; and

WHEREAS, Contractor represents and warrants that it is qualified to perform the services required by City as set forth under this Contract; and,

WHEREAS, approval for this Agreement was obtained when the Civil Service Commission approved Contract number 2000-03/04 on 1/7/2013;

Now, THEREFORE, the parties agree as follows:

1. Certification of Funds; Budget and Fiscal Provisions; Termination in the Event of Non-Appropriation. This Agreement is subject to the budget and fiscal provisions of the City's Charter. Charges will accrue only after prior written authorization certified by the Controller, and the amount of City's obligation hereunder shall not at any time exceed the amount certified for the purpose and period stated in such advance authorization. This Agreement will terminate without penalty, liability or expense of any kind to City at the end of any fiscal year if funds are not appropriated for the next succeeding fiscal year. If funds are appropriated for a portion of the fiscal year, this Agreement will terminate, without penalty, liability or expense of any kind at the end of the term for which funds are appropriated. City has no obligation to make appropriations for this Agreement in lieu of appropriations for new or other agreements. City budget decisions are subject to the discretion of the Mayor and the Board of Supervisors. Contractor's assumption of risk of possible non-appropriation is part of the consideration for this Agreement.

THIS SECTION CONTROLS AGAINST ANY AND ALL OTHER PROVISIONS OF THIS AGREEMENT.

2. Term of the Agreement. Subject to Section 1, the term of this Agreement shall be from July 1, 2013 through June 30, 2018.

3. **Effective Date of Agreement.** This Agreement shall become effective when the Controller has certified to the availability of funds and Contractor has been notified in writing.
4. **Services Contractor Agrees to Perform.** The Contractor agrees to perform the services provided for in Appendix A, "Description of Services," attached hereto and incorporated by reference as though fully set forth herein.
5. **Compensation.** Compensation shall be made in monthly payments on or before the 15th day of each month for work, as set forth in Section 4 of this Agreement, that the **Director of the Department of Public Health**, in his or her sole discretion, concludes has been performed as of the 30th day of the immediately preceding month. In no event shall the amount of this Agreement exceed **Twenty Eight Million Two Hundred Ninety One Thousand Three Hundred Forty Six Dollars (\$28,291,346)**. The breakdown of costs associated with this Agreement appears in Appendix B, "Calculation of Charges," attached hereto and incorporated by reference as though fully set forth herein. No charges shall be incurred under this Agreement nor shall any payments become due to Contractor until reports, services, or both, required under this Agreement are received from Contractor and approved by **Department of Public Health** as being in accordance with this Agreement. City may withhold payment to Contractor in any instance in which Contractor has failed or refused to satisfy any material obligation provided for under this Agreement. In no event shall City be liable for interest or late charges for any late payments.
6. **Guaranteed Maximum Costs.** The City's obligation hereunder shall not at any time exceed the amount certified by the Controller for the purpose and period stated in such certification. Except as may be provided by laws governing emergency procedures, officers and employees of the City are not authorized to request, and the City is not required to reimburse the Contractor for, Commodities or Services beyond the agreed upon contract scope unless the changed scope is authorized by amendment and approved as required by law. Officers and employees of the City are not authorized to offer or promise, nor is the City required to honor, any offered or promised additional funding in excess of the maximum amount of funding for which the contract is certified without certification of the additional amount by the Controller. The Controller is not authorized to make payments on any contract for which funds have not been certified as available in the budget or by supplemental appropriation.
7. **Payment; Invoice Format.** Invoices furnished by Contractor under this Agreement must be in a form acceptable to the Controller, and must include a unique invoice number and must conform to Appendix F. All amounts paid by City to Contractor shall be subject to audit by City. Payment shall be made by City to Contractor at the address specified in the section entitled "Notices to the Parties."
8. **Submitting False Claims; Monetary Penalties.** Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at <http://www.municode.com/Library/clientCodePage.aspx?clientID=4201>. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.
9. **Disallowance.** If Contractor claims or receives payment from City for a service, reimbursement for which is later disallowed by the State of California or United States Government, Contractor shall

promptly refund the disallowed amount to City upon City's request. At its option, City may offset the amount disallowed from any payment due or to become due to Contractor under this Agreement or any other Agreement. By executing this Agreement, Contractor certifies that Contractor is not suspended, debarred or otherwise excluded from participation in federal assistance programs. Contractor acknowledges that this certification of eligibility to receive federal funds is a material terms of the Agreement.

10. Taxes. Payment of any taxes, including possessory interest taxes and California sales and use taxes, levied upon or as a result of this Agreement, or the services delivered pursuant hereto, shall be the obligation of Contractor. Contractor recognizes and understands that this Agreement may create a "possessory interest" for property tax purposes. Generally, such a possessory interest is not created unless the Agreement entitles the Contractor to possession, occupancy, or use of City property for private gain. If such a possessory interest is created, then the following shall apply:

1) Contractor, on behalf of itself and any permitted successors and assigns, recognizes and understands that Contractor, and any permitted successors and assigns, may be subject to real property tax assessments on the possessory interest;

2) Contractor, on behalf of itself and any permitted successors and assigns, recognizes and understands that the creation, extension, renewal, or assignment of this Agreement may result in a "change in ownership" for purposes of real property taxes, and therefore may result in a revaluation of any possessory interest created by this Agreement. Contractor accordingly agrees on behalf of itself and its permitted successors and assigns to report on behalf of the City to the County Assessor the information required by Revenue and Taxation Code section 480.5, as amended from time to time, and any successor provision.

3) Contractor, on behalf of itself and any permitted successors and assigns, recognizes and understands that other events also may cause a change of ownership of the possessory interest and result in the revaluation of the possessory interest. (see, e.g., Rev. & Tax. Code section 64, as amended from time to time). Contractor accordingly agrees on behalf of itself and its permitted successors and assigns to report any change in ownership to the County Assessor, the State Board of Equalization or other public agency as required by law.

4) Contractor further agrees to provide such other information as may be requested by the City to enable the City to comply with any reporting requirements for possessory interests that are imposed by applicable law.

11. Payment Does Not Imply Acceptance of Work. The granting of any payment by City, or the receipt thereof by Contractor, shall in no way lessen the liability of Contractor to replace unsatisfactory work, equipment, or materials, although the unsatisfactory character of such work, equipment or materials may not have been apparent or detected at the time such payment was made. Materials, equipment, components, or workmanship that do not conform to the requirements of this Agreement may be rejected by City and in such case must be replaced by Contractor without delay.

12. Qualified Personnel. Work under this Agreement shall be performed only by competent personnel under the supervision of and in the employment of Contractor. Contractor will comply with City's reasonable requests regarding assignment of personnel, but all personnel, including those assigned at City's request, must be supervised by Contractor. Contractor shall commit adequate resources to complete the project within the project schedule specified in this Agreement.

13. Responsibility for Equipment. City shall not be responsible for any damage to persons or property as a result of the use, misuse or failure of any equipment used by Contractor, or by any of its employees, even though such equipment be furnished, rented or loaned to Contractor by City.

14. Independent Contractor; Payment of Taxes and Other Expenses

a. **Independent Contractor.** Contractor or any agent or employee of Contractor shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work requested by City under this Agreement. Contractor or any agent or employee of Contractor shall not have employee status with City, nor be entitled to participate in any plans, arrangements, or distributions by City pertaining to or in connection with any retirement, health or other benefits that City may offer its employees. Contractor or any agent or employee of Contractor is liable for the acts and omissions of itself, its employees and its agents. Contractor shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to Contractor's performing services and work, or any agent or employee of Contractor providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between City and Contractor or any agent or employee of Contractor. Any terms in this Agreement referring to direction from City shall be construed as providing for direction as to policy and the result of Contractor's work only, and not as to the means by which such a result is obtained. City does not retain the right to control the means or the method by which Contractor performs work under this Agreement.

b. **Payment of Taxes and Other Expenses.** Should City, in its discretion, or a relevant taxing authority such as the Internal Revenue Service or the State Employment Development Division, or both, determine that Contractor is an employee for purposes of collection of any employment taxes, the amounts payable under this Agreement shall be reduced by amounts equal to both the employee and employer portions of the tax due (and offsetting any credits for amounts already paid by Contractor which can be applied against this liability). City shall then forward those amounts to the relevant taxing authority. Should a relevant taxing authority determine a liability for past services performed by Contractor for City, upon notification of such fact by City, Contractor shall promptly remit such amount due or arrange with City to have the amount due withheld from future payments to Contractor under this Agreement (again, offsetting any amounts already paid by Contractor which can be applied as a credit against such liability). A determination of employment status pursuant to the preceding two paragraphs shall be solely for the purposes of the particular tax in question, and for all other purposes of this Agreement, Contractor shall not be considered an employee of City. Notwithstanding the foregoing, should any court, arbitrator, or administrative authority determine that Contractor is an employee for any other purpose, then Contractor agrees to a reduction in City's financial liability so that City's total expenses under this Agreement are not greater than they would have been had the court, arbitrator, or administrative authority determined that Contractor was not an employee.

15. Insurance

a. Without in any way limiting Contractor's liability pursuant to the "Indemnification" section of this Agreement, Contractor must maintain in force, during the full term of the Agreement, insurance in the following amounts and coverages:

1) Workers' Compensation, in statutory amounts, with Employers' Liability Limits not less than \$1,000,000 each accident, injury, or illness; and

2) Commercial General Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products and Completed Operations; and

3) Commercial Automobile Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Owned, Non-Owned and Hired auto coverage, as applicable.

4) Blanket Fidelity Bond (Commercial Blanket Bond) Limits in the amount of the Initial Payment provided for in the Agreement.

5) Professional liability insurance, applicable to Contractor's profession, with limits not less than \$1,000,000 each claim with respect to negligent acts, errors or omissions in connection with professional services to be provided under this Agreement.

b. Commercial General Liability and Commercial Automobile Liability Insurance policies must be endorsed to provide:

1) Name as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees.

2) That such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Agreement, and that insurance applies separately to each insured against whom claim is made or suit is brought.

c. Regarding Workers' Compensation, Contractor hereby agrees to waive subrogation which any insurer of Contractor may acquire from Contractor by virtue of the payment of any loss. Contractor agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the Contractor, its employees, agents and subcontractors.

d. All policies shall provide thirty days' advance written notice to the City of reduction or nonrenewal of coverages or cancellation of coverages for any reason. Notices shall be sent to the City address in the "Notices to the Parties" section:

e. Should any of the required insurance be provided under a claims-made form, Contractor shall maintain such coverage continuously throughout the term of this Agreement and, without lapse, for a period of three years beyond the expiration of this Agreement, to the effect that, should occurrences during the contract term give rise to claims made after expiration of the Agreement, such claims shall be covered by such claims-made policies.

f. Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general annual aggregate limit shall be double the occurrence or claims limits specified above.

g. Should any required insurance lapse during the term of this Agreement, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this Agreement, effective as of the lapse date. If insurance is not reinstated, the City may, at its sole option, terminate this Agreement effective on the date of such lapse of insurance.

h. Before commencing any operations under this Agreement, Contractor shall furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to City, in form evidencing all coverages set forth above. Failure to maintain insurance shall constitute a material breach of this Agreement.

i. Approval of the insurance by City shall not relieve or decrease the liability of Contractor hereunder.

16. Indemnification Contractor shall indemnify and save harmless City and its officers, agents and employees from, and, if requested, shall defend them against any and all loss, cost, damage, injury, liability, and claims thereof for injury to or death of a person, including employees of Contractor or loss of or damage to property, arising directly or indirectly from Contractor's performance of this Agreement, including, but not limited to, Contractor's use of facilities or equipment provided by City or others, regardless of the negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on City, except to the extent that such indemnity is void or otherwise unenforceable under applicable law in effect on or validly retroactive to the date of this Agreement, and except where such loss, damage, injury, liability or claim is the result of the active negligence or willful misconduct of City and is not contributed to by any act of, or by any omission to perform some duty imposed by law or agreement on Contractor, its subcontractors or either's agent or employee. The foregoing indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and City's costs of investigating any claims against the City. In addition to Contractor's obligation to indemnify City, Contractor specifically acknowledges and agrees that it has an immediate and independent obligation to defend City from any claim which actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false or fraudulent, which obligation arises at the time such claim is tendered to Contractor by City and continues at all times thereafter. Contractor shall indemnify and hold City harmless from all loss and liability, including attorneys' fees, court costs and all other litigation expenses for any infringement of the patent rights, copyright, trade secret or any other proprietary right or trademark, and all other intellectual property claims of any person or persons in consequence of the use by City, or any of its officers or agents, of articles or services to be supplied in the performance of this Agreement.

17. Incidental and Consequential Damages. Contractor shall be responsible for incidental and consequential damages resulting in whole or in part from Contractor's acts or omissions. Nothing in this Agreement shall constitute a waiver or limitation of any rights that City may have under applicable law.

18. Liability of City. CITY'S PAYMENT OBLIGATIONS UNDER THIS AGREEMENT SHALL BE LIMITED TO THE PAYMENT OF THE COMPENSATION PROVIDED FOR IN SECTION 5 OF THIS AGREEMENT. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL CITY BE LIABLE, REGARDLESS OF WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES PERFORMED IN CONNECTION WITH THIS AGREEMENT.

19. Liquidated Damages *DELETED BY MUTUAL AGREEMENT OF THE PARTIES.*

20. Default; Remedies. Each of the following shall constitute an event of default ("Event of Default") under this Agreement:

(1) Contractor fails or refuses to perform or observe any term, covenant or condition contained in any of the following Sections of this Agreement:

- | | |
|---|---------------------------------------|
| 8. Submitting False Claims; Monetary Penalties. | 37. Drug-free workplace policy, |
| 10. Taxes | 53. Compliance with laws |
| 15. Insurance | 55. Supervision of minors |
| 24. Proprietary or confidential information of City | 57. Protection of private information |
| 30. Assignment | 58. Graffiti removal |
- And, item 1 of Appendix D attached to this

Agreement

2) Contractor fails or refuses to perform or observe any other term, covenant or condition contained in this Agreement, and such default continues for a period of ten days after written notice thereof from City to Contractor.

3) Contractor (a) is generally not paying its debts as they become due, (b) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers of Contractor or of any substantial part of Contractor's property or (e) takes action for the purpose of any of the foregoing.

4) A court or government authority enters an order (a) appointing a custodian, receiver, trustee or other officer with similar powers with respect to Contractor or with respect to any substantial part of Contractor's property, (b) constituting an order for relief or approving a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction or (c) ordering the dissolution, winding-up or liquidation of Contractor.

b. On and after any Event of Default, City shall have the right to exercise its legal and equitable remedies, including, without limitation, the right to terminate this Agreement or to seek specific performance of all or any part of this Agreement. In addition, City shall have the right (but no obligation) to cure (or cause to be cured) on behalf of Contractor any Event of Default; Contractor shall pay to City on demand all costs and expenses incurred by City in effecting such cure, with interest thereon from the date of incurrence at the maximum rate then permitted by law. City shall have the right to offset from any amounts due to Contractor under this Agreement or any other agreement between City and Contractor all damages, losses, costs or expenses incurred by City as a result of such Event of Default and any liquidated damages due from Contractor pursuant to the terms of this Agreement or any other agreement.

c. All remedies provided for in this Agreement may be exercised individually or in combination with any other remedy available hereunder or under applicable laws, rules and regulations. The exercise of any remedy shall not preclude or in any way be deemed to waive any other remedy.

21. Termination for Convenience

a. City shall have the option, in its sole discretion, to terminate this Agreement, at any time during the term hereof, for convenience and without cause. City shall exercise this option by giving Contractor written notice of termination. The notice shall specify the date on which termination shall become effective.

b. Upon receipt of the notice, Contractor shall commence and perform, with diligence, all actions necessary on the part of Contractor to effect the termination of this Agreement on the date specified by City and to minimize the liability of Contractor and City to third parties as a result of termination. All such actions shall be subject to the prior approval of City. Such actions shall include, without limitation:

1) Halting the performance of all services and other work under this Agreement on the date(s) and in the manner specified by City.

2) Not placing any further orders or subcontracts for materials, services, equipment or other items.

- 3) Terminating all existing orders and subcontracts.
- 4) At City's direction, assigning to City any or all of Contractor's right, title, and interest under the orders and subcontracts terminated. Upon such assignment, City shall have the right, in its sole discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts.
- 5) Subject to City's approval, settling all outstanding liabilities and all claims arising out of the termination of orders and subcontracts.
- 6) Completing performance of any services or work that City designates to be completed prior to the date of termination specified by City.
- 7) Taking such action as may be necessary, or as the City may direct, for the protection and preservation of any property related to this Agreement which is in the possession of Contractor and in which City has or may acquire an interest.

c. Within 30 days after the specified termination date, Contractor shall submit to City an invoice, which shall set forth each of the following as a separate line item:

- 1) The reasonable cost to Contractor, without profit, for all services and other work City directed Contractor to perform prior to the specified termination date, for which services or work City has not already tendered payment. Reasonable costs may include a reasonable allowance for actual overhead, not to exceed a total of 10% of Contractor's direct costs for services or other work. Any overhead allowance shall be separately itemized. Contractor may also recover the reasonable cost of preparing the invoice.
- 2) A reasonable allowance for profit on the cost of the services and other work described in the immediately preceding subsection (1), provided that Contractor can establish, to the satisfaction of City, that Contractor would have made a profit had all services and other work under this Agreement been completed, and provided further, that the profit allowed shall in no event exceed 5% of such cost.
- 3) The reasonable cost to Contractor of handling material or equipment returned to the vendor, delivered to the City or otherwise disposed of as directed by the City.
- 4) A deduction for the cost of materials to be retained by Contractor, amounts realized from the sale of materials and not otherwise recovered by or credited to City, and any other appropriate credits to City against the cost of the services or other work.

d. In no event shall City be liable for costs incurred by Contractor or any of its subcontractors after the termination date specified by City, except for those costs specifically enumerated and described in the immediately preceding subsection (c). Such non-recoverable costs include, but are not limited to, anticipated profits on this Agreement, post-termination employee salaries, post-termination administrative expenses, post-termination overhead or unabsorbed overhead, attorneys' fees or other costs relating to the prosecution of a claim or lawsuit, prejudgment interest, or any other expense which is not reasonable or authorized under such subsection (c).

e. In arriving at the amount due to Contractor under this Section, City may deduct: (1) all payments previously made by City for work or other services covered by Contractor's final invoice; (2) any claim which City may have against Contractor in connection with this Agreement; (3) any invoiced costs or expenses excluded pursuant to the immediately preceding subsection (d); and (4) in instances in which, in the opinion of the City, the cost of any service or other work performed under this Agreement is excessively high due to costs incurred to remedy or replace defective or rejected services or

other work, the difference between the invoiced amount and City's estimate of the reasonable cost of performing the invoiced services or other work in compliance with the requirements of this Agreement.

f. City's payment obligation under this Section shall survive termination of this Agreement.

22. Rights and Duties upon Termination or Expiration. This Section and the following Sections of this Agreement shall survive termination or expiration of this Agreement:

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|---|---|
| 8. Submitting false claims | 26. Ownership of Results |
| 9. Disallowance | 27. Works for Hire |
| 10. Taxes | 28. Audit and Inspection of Records |
| 11. Payment does not imply acceptance of work | 48. Modification of Agreement. |
| 13. Responsibility for equipment | 49. Administrative Remedy for Agreement Interpretation. |
| 14. Independent Contractor; Payment of Taxes and Other Expenses | 50. Agreement Made in California; Venue |
| 15. Insurance | 51. Construction |
| 16. Indemnification | 52. Entire Agreement |
| 17. Incidental and Consequential Damages | 56. Severability |
| 18. Liability of City | 57. Protection of private information |
| 24. Proprietary or confidential information of City | And, item 1 of Appendix D attached to this Agreement. |

Subject to the immediately preceding sentence, upon termination of this Agreement prior to expiration of the term specified in Section 2, this Agreement shall terminate and be of no further force or effect. Contractor shall transfer title to City, and deliver in the manner, at the times, and to the extent, if any, directed by City, any work in progress, completed work, supplies, equipment, and other materials produced as a part of, or acquired in connection with the performance of this Agreement, and any completed or partially completed work which, if this Agreement had been completed, would have been required to be furnished to City. This subsection shall survive termination of this Agreement.

23. Conflict of Interest.

Through its execution of this Agreement, Contractor acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Agreement.

24. Proprietary or Confidential Information of City

a. Contractor understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, Contractor may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. Contractor agrees that all information disclosed by City to Contractor shall be held in confidence and used only in performance of the Agreement. Contractor shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

b. Contractor shall maintain the usual and customary records for persons receiving Services under this Agreement. Contractor agrees that all private or confidential information concerning persons receiving Services under this Agreement, whether disclosed by the City or by the individuals themselves,

shall be held in the strictest confidence, shall be used only in performance of this Agreement, and shall be disclosed to third parties only as authorized by law. Contractor understands and agrees that this duty of care shall extend to confidential information contained or conveyed in any form, including but not limited to documents, files, patient or client records, facsimiles, recordings, telephone calls, telephone answering machines, voice mail or other telephone voice recording systems, computer files, e-mail or other computer network communications, and computer backup files, including disks and hard copies. The City reserves the right to terminate this Agreement for default if Contractor violates the terms of this section.

c. Contractor shall maintain its books and records in accordance with the generally accepted standards for such books and records for five years after the end of the fiscal year in which Services are furnished under this Agreement. Such access shall include making the books, documents and records available for inspection, examination or copying by the City, the California Department of Health Services or the U.S. Department of Health and Human Services and the Attorney General of the United States at all reasonable times at the Contractor's place of business or at such other mutually agreeable location in California. This provision shall also apply to any subcontract under this Agreement and to any contract between a subcontractor and related organizations of the subcontractor, and to their books, documents and records. The City acknowledges its duties and responsibilities regarding such records under such statutes and regulations.

d. The City owns all records of persons receiving Services and all fiscal records funded by this Agreement if Contractor goes out of business. Contractor shall immediately transfer possession of all these records if Contractor goes out of business. If this Agreement is terminated by either party, or expires, records shall be submitted to the City upon request.

e. All of the reports, information, and other materials prepared or assembled by Contractor under this Agreement shall be submitted to the Department of Public Health Contract Administrator and shall not be divulged by Contractor to any other person or entity without the prior written permission of the Contract Administrator listed in Appendix A.

25. Notices to the Parties. Unless otherwise indicated elsewhere in this Agreement, all written communications sent by the parties may be by U.S. mail, e-mail or by fax, and shall be addressed as follows:

To CITY:	Office of Contract Management and Compliance Department of Public Health 1380 Howard Street, Room 442 San Francisco, California 94103	FAX: (415) 252-3088 e-mail: Junko.Craft@sfdph.org
And:	Gloria Wilder 1380 Howard Street, 1st Floor San Francisco, Ca 94103	FAX: (415) 255-3703 e-mail: Gloria.Wilder@sfdph.org
To CONTRACTOR:	Denise Burns, Vice President, Account Management MedImpact Healthcare Systems, Inc. 10680 Treena Street, Fifth Floor San Diego, CA 92131	FAX: (858) 790-5733 e-mail: Lisa.Cueto@MedImpact.com

Any notice of default must be sent by registered mail.

26. Ownership of Results. Any interest of Contractor or its Subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by Contractor or its subcontractors in connection with services to be performed

under this Agreement, shall become the property of and will be transmitted to City. However, Contractor may retain and use copies for reference and as documentation of its experience and capabilities.

27. Works for Hire. If, in connection with services performed under this Agreement, Contractor or its subcontractors create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by Contractor or its subcontractors under this Agreement are not works for hire under U.S. law, Contractor hereby assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, Contractor may retain and use copies of such works for reference and as documentation of its experience and capabilities.

28. Audit and Inspection of Records

a. Contractor agrees to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Agreement. Contractor will permit City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Agreement, whether funded in whole or in part under this Agreement. Contractor shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Agreement or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Agreement shall have the same rights conferred upon City by this Section.

b. Contractor shall annually have its books of accounts audited by a Certified Public Accountant and a copy of said audit report and the associated management letter(s) shall be transmitted to the Director of Public Health or his /her designee within one hundred eighty (180) calendar days following Contractor's fiscal year end date. If Contractor expends \$500,000 or more in Federal funding per year, from any and all Federal awards, said audit shall be conducted in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Said requirements can be found at the following website address: <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. If Contractor expends less than \$500,000 a year in Federal awards, Contractor is exempt from the single audit requirements for that year, but records must be available for review or audit by appropriate officials of the Federal Agency, pass-through entity and General Accounting Office. Contractor agrees to reimburse the City any cost adjustments necessitated by this audit report. Any audit report which addresses all or part of the period covered by this Agreement shall treat the service components identified in the detailed descriptions attached to Appendix A and referred to in the Program Budgets of Appendix B as discrete program entities of the Contractor.

c. The Director of Public Health or his / her designee may approve of a waiver of the aforementioned audit requirement if the contractual Services are of a consulting or personal services nature, these Services are paid for through fee for service terms which limit the City's risk with such contracts, and it is determined that the work associated with the audit would produce undue burdens or costs and would provide minimal benefits. A written request for a waiver must be submitted to the DIRECTOR ninety (90) calendar days before the end of the Agreement term or Contractor's fiscal year, whichever comes first.

d. Any financial adjustments necessitated by this audit report shall be made by Contractor to the City. If Contractor is under contract to the City, the adjustment may be made in the next subsequent billing by Contractor to the City, or may be made by another written schedule determined solely by the City. In the event Contractor is not under contract to the City, written arrangements shall be made for audit adjustments.

29. Subcontracting. Contractor is prohibited from subcontracting this Agreement or any part of it unless such subcontracting is first approved by City in writing. Neither party shall, on the basis of this Agreement, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any party and shall be null and void.

30. Assignment. The services to be performed by Contractor are personal in character and neither this Agreement nor any duties or obligations hereunder may be assigned or delegated by the Contractor unless first approved by City by written instrument executed and approved in the same manner as this Agreement.

31. Non-Waiver of Rights. The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

32. Earned Income Credit (EIC) Forms. Administrative Code section 12O requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. Contractor shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Agreement becomes effective (unless Contractor has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by Contractor; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Agreement. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by Contractor of the terms of this Agreement. If, within thirty days after Contractor receives written notice of such a breach, Contractor fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, Contractor fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Agreement or under applicable law. Any Subcontract entered into by Contractor shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this section. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

33. Local Business Enterprise Utilization; Liquidated Damages

a. The LBE Ordinance. Contractor, shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the "LBE Ordinance"), provided such amendments do not materially increase Contractor's obligations or liabilities, or materially diminish Contractor's rights, under this Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Agreement as though fully set forth in this section. Contractor's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of Contractor's obligations under this Agreement and shall entitle City, subject to any applicable notice and cure provisions set forth in this Agreement, to exercise any of the remedies provided for under this Agreement, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Agreement expressly provides that any remedy is exclusive. In addition, Contractor shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

b. Compliance and Enforcement

If Contractor willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Agreement pertaining to LBE participation, Contractor shall be liable for liquidated damages in an

amount equal to Contractor's net profit on this Agreement, or 10% of the total amount of this Agreement, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "Director of HRC") may also impose other sanctions against Contractor authorized in the LBE Ordinance, including declaring the Contractor to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Contractor's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code §14B.17.

By entering into this Agreement, Contractor acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to City upon demand. Contractor further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to Contractor on any contract with City.

Contractor agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Agreement, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

34. Nondiscrimination; Penalties

a. Contractor Shall Not Discriminate. In the performance of this Agreement, Contractor agrees not to discriminate against any employee, City and County employee working with such contractor or subcontractor, applicant for employment with such contractor or subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

b. Subcontracts. Contractor shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) and shall require all subcontractors to comply with such provisions. Contractor's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

c. Nondiscrimination in Benefits. Contractor does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

d. Condition to Contract. As a condition to this Agreement, Contractor shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

e. **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Contractor shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Contractor understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Contractor and/or deducted from any payments due Contractor.

35. **MacBride Principles—Northern Ireland.** Pursuant to San Francisco Administrative Code §12F.5, the City and County of San Francisco urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Contractor acknowledges and agrees that he or she has read and understood this section.

36. **Tropical Hardwood and Virgin Redwood Ban.** Pursuant to §804(b) of the San Francisco Environment Code, the City and County of San Francisco urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

37. **Drug-Free Workplace Policy.** Contractor acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. Contractor agrees that any violation of this prohibition by Contractor, its employees, agents or assigns will be deemed a material breach of this Agreement.

38. **Resource Conservation.** Chapter 5 of the San Francisco Environment Code (“Resource Conservation”) is incorporated herein by reference. Failure by Contractor to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

39. **Compliance with Americans with Disabilities Act.** Contractor acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. Contractor shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Contractor agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Contractor, its employees, agents or assigns will constitute a material breach of this Agreement.

40. **Sunshine Ordinance.** In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors’ bids, responses to solicitations and all other records of communications between City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization’s net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

41. **Public Access to Meetings and Records.** If the Contractor receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, Contractor shall comply with and be bound by all

the applicable provisions of that Chapter. By executing this Agreement, the Contractor agrees to open its meetings and records to the public in the manner set forth in §§12L.4 and 12L.5 of the Administrative Code. Contractor further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in §12L.6 of the Administrative Code. The Contractor acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Agreement. The Contractor further acknowledges that such material breach of the Agreement shall be grounds for the City to terminate and/or not renew the Agreement, partially or in its entirety.

42. Limitations on Contributions. Through execution of this Agreement, Contractor acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Contractor acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Contractor further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Contractor's board of directors; Contractor's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Contractor; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Contractor. Additionally, Contractor acknowledges that Contractor must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Contractor further agrees to provide to City the names of each person, entity or committee described above.

43. Requiring Minimum Compensation for Covered Employees

a. Contractor agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of Contractor's obligations under the MCO is set forth in this Section. Contractor is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

b. The MCO requires Contractor to pay Contractor's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and Contractor is obligated to keep informed of the then-current requirements. Any subcontract entered into by Contractor shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is Contractor's obligation to ensure that any subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any subcontractor under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Contractor.

c. Contractor shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within

90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

d. Contractor shall maintain employee and payroll records as required by the MCO. If Contractor fails to do so, it shall be presumed that the Contractor paid no more than the minimum wage required under State law.

e. The City is authorized to inspect Contractor's job sites and conduct interviews with employees and conduct audits of Contractor

f. Contractor's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Contractor fails to comply with these requirements. Contractor agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for Contractor's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

g. Contractor understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, Contractor fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Contractor fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

h. Contractor represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

i. If Contractor is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but Contractor later enters into an agreement or agreements that cause contractor to exceed that amount in a fiscal year, Contractor shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Contractor and this department to exceed \$25,000 in the fiscal year.

44. Requiring Health Benefits for Covered Employees. Contractor agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

a. For each Covered Employee, Contractor shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Contractor chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission..

b. Notwithstanding the above, if the Contractor is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

c. Contractor's failure to comply with the HCAO shall constitute a material breach of this agreement. City shall notify Contractor if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Agreement for violating the HCAO, Contractor fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Contractor fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

d. Any Subcontract entered into by Contractor shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Contractor shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Contractor shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Contractor based on the Subcontractor's failure to comply, provided that City has first provided Contractor with notice and an opportunity to obtain a cure of the violation.

e. Contractor shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Contractor's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

f. Contractor represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

g. Contractor shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

h. Contractor shall keep itself informed of the current requirements of the HCAO.

i. Contractor shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

j. Contractor shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

k. Contractor shall allow City to inspect Contractor's job sites and have access to Contractor's employees in order to monitor and determine compliance with HCAO.

l. City may conduct random audits of Contractor to ascertain its compliance with HCAO. Contractor agrees to cooperate with City when it conducts such audits.

m. If Contractor is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but Contractor later enters into an agreement or agreements

that cause Contractor's aggregate amount of all agreements with City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Contractor and the City to be equal to or greater than \$75,000 in the fiscal year.

45. First Source Hiring Program

a. **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapter 83 of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Contractor shall comply fully with, and be bound by, all of the provisions that apply to this Agreement under such Chapter, including but not limited to the remedies provided therein. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 83.

b. **First Source Hiring Agreement.** As an essential term of, and consideration for, any contract or property contract with the City, not exempted by the FSHA, the Contractor shall enter into a first source hiring agreement ("agreement") with the City, on or before the effective date of the contract or property contract. Contractors shall also enter into an agreement with the City for any other work that it performs in the City. Such agreement shall:

1) Set appropriate hiring and retention goals for entry level positions. The employer shall agree to achieve these hiring and retention goals, or, if unable to achieve these goals, to establish good faith efforts as to its attempts to do so, as set forth in the agreement. The agreement shall take into consideration the employer's participation in existing job training, referral and/or brokerage programs. Within the discretion of the FSHA, subject to appropriate modifications, participation in such programs maybe certified as meeting the requirements of this Chapter. Failure either to achieve the specified goal, or to establish good faith efforts will constitute noncompliance and will subject the employer to the provisions of Section 83.10 of this Chapter.

2) Set first source interviewing, recruitment and hiring requirements, which will provide the San Francisco Workforce Development System with the first opportunity to provide qualified economically disadvantaged individuals for consideration for employment for entry level positions. Employers shall consider all applications of qualified economically disadvantaged individuals referred by the System for employment; provided however, if the employer utilizes nondiscriminatory screening criteria, the employer shall have the sole discretion to interview and/or hire individuals referred or certified by the San Francisco Workforce Development System as being qualified economically disadvantaged individuals. The duration of the first source interviewing requirement shall be determined by the FSHA and shall be set forth in each agreement, but shall not exceed 10 days. During that period, the employer may publicize the entry level positions in accordance with the agreement. A need for urgent or temporary hires must be evaluated, and appropriate provisions for such a situation must be made in the agreement.

3) Set appropriate requirements for providing notification of available entry level positions to the San Francisco Workforce Development System so that the System may train and refer an adequate pool of qualified economically disadvantaged individuals to participating employers. Notification should include such information as employment needs by occupational title, skills, and/or experience required, the hours required, wage scale and duration of employment, identification of entry level and training positions, identification of English language proficiency requirements, or absence thereof, and the projected schedule and procedures for hiring for each occupation. Employers should provide both long-term job need projections and notice before initiating the interviewing and hiring process. These notification requirements will take into consideration any need to protect the employer's proprietary information.

4) Set appropriate record keeping and monitoring requirements. The First Source Hiring Administration shall develop easy-to-use forms and record keeping requirements for documenting compliance with the agreement. To the greatest extent possible, these requirements shall utilize the employer's existing record keeping systems, be nonduplicative, and facilitate a coordinated flow of information and referrals.

5) Establish guidelines for employer good faith efforts to comply with the first source hiring requirements of this Chapter. The FSHA will work with City departments to develop employer good faith effort requirements appropriate to the types of contracts and property contracts handled by each department. Employers shall appoint a liaison for dealing with the development and implementation of the employer's agreement. In the event that the FSHA finds that the employer under a City contract or property contract has taken actions primarily for the purpose of circumventing the requirements of this Chapter, that employer shall be subject to the sanctions set forth in Section 83.10 of this Chapter.

6) Set the term of the requirements.

7) Set appropriate enforcement and sanctioning standards consistent with this Chapter.

8) Set forth the City's obligations to develop training programs, job applicant referrals, technical assistance, and information systems that assist the employer in complying with this Chapter.

9) Require the developer to include notice of the requirements of this Chapter in leases, subleases, and other occupancy contracts.

c. **Hiring Decisions.** Contractor shall make the final determination of whether an Economically Disadvantaged Individual referred by the System is "qualified" for the position.

d. **Exceptions.** Upon application by Employer, the First Source Hiring Administration may grant an exception to any or all of the requirements of Chapter 83 in any situation where it concludes that compliance with this Chapter would cause economic hardship.

e. **Liquidated Damages.** Contractor agrees:

1) To be liable to the City for liquidated damages as provided in this section;

2) To be subject to the procedures governing enforcement of breaches of contracts based on violations of contract provisions required by this Chapter as set forth in this section;

3) That the contractor's commitment to comply with this Chapter is a material element of the City's consideration for this contract; that the failure of the contractor to comply with the contract provisions required by this Chapter will cause harm to the City and the public which is significant and substantial but extremely difficult to quantify; that the harm to the City includes not only the financial cost of funding public assistance programs but also the insidious but impossible to quantify harm that this community and its families suffer as a result of unemployment; and that the assessment of liquidated damages of up to \$5,000 for every notice of a new hire for an entry level position improperly withheld by the contractor from the first source hiring process, as determined by the FSHA during its first investigation of a contractor, does not exceed a fair estimate of the financial and other damages that the City suffers as a result of the contractor's failure to comply with its first source referral contractual obligations.

4) That the continued failure by a contractor to comply with its first source referral contractual obligations will cause further significant and substantial harm to the City and the public, and that a second assessment of liquidated damages of up to \$10,000 for each entry level position improperly

withheld from the FSHA, from the time of the conclusion of the first investigation forward, does not exceed the financial and other damages that the City suffers as a result of the contractor's continued failure to comply with its first source referral contractual obligations;

5) That in addition to the cost of investigating alleged violations under this Section, the computation of liquidated damages for purposes of this section is based on the following data:

(a) The average length of stay on public assistance in San Francisco's County Adult Assistance Program is approximately 41 months at an average monthly grant of \$348 per month, totaling approximately \$14,379; and

(b) In 2004, the retention rate of adults placed in employment programs funded under the Workforce Investment Act for at least the first six months of employment was 84.4%. Since qualified individuals under the First Source program face far fewer barriers to employment than their counterparts in programs funded by the Workforce Investment Act, it is reasonable to conclude that the average length of employment for an individual whom the First Source Program refers to an employer and who is hired in an entry level position is at least one year;

Therefore, liquidated damages that total \$5,000 for first violations and \$10,000 for subsequent violations as determined by FSHA constitute a fair, reasonable, and conservative attempt to quantify the harm caused to the City by the failure of a contractor to comply with its first source referral contractual obligations.

6) That the failure of contractors to comply with this Chapter, except property contractors, may be subject to the debarment and monetary penalties set forth in Sections 6.80 et seq. of the San Francisco Administrative Code, as well as any other remedies available under the contract or at law; and

Violation of the requirements of Chapter 83 is subject to an assessment of liquidated damages in the amount of \$5,000 for every new hire for an Entry Level Position improperly withheld from the first source hiring process. The assessment of liquidated damages and the evaluation of any defenses or mitigating factors shall be made by the FSHA.

f. **Subcontracts.** Any subcontract entered into by Contractor shall require the subcontractor to comply with the requirements of Chapter 83 and shall contain contractual obligations substantially the same as those set forth in this Section.

46. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, Contractor may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Agreement. Contractor agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event Contractor violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit Contractor from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider Contractor's use of profit as a violation of this section.

47. Preservative-treated Wood Containing Arsenic. Contractor may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate

preservative, or ammoniacal copper arsenate preservative. Contractor may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude Contractor from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

48. Modification of Agreement. This Agreement may not be modified, nor may compliance with any of its terms be waived, except by written instrument executed and approved in the same manner as this Agreement.

49. Administrative Remedy for Agreement Interpretation – DELETED BY MUTUAL AGREEMENT OF THE PARTIES

50. Agreement Made in California; Venue. The formation, interpretation and performance of this Agreement shall be governed by the laws of the State of California. Venue for all litigation relative to the formation, interpretation and performance of this Agreement shall be in San Francisco.

51. Construction. All paragraph captions are for reference only and shall not be considered in construing this Agreement.

52. Entire Agreement. This contract sets forth the entire Agreement between the parties, and supersedes all other oral or written provisions. This contract may be modified only as provided in Section 48, "Modification of Agreement."

53. Compliance with Laws. Contractor shall keep itself fully informed of the City's Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Agreement, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

54. Services Provided by Attorneys. Any services to be provided by a law firm or attorney must be reviewed and approved in writing in advance by the City Attorney. No invoices for services provided by law firms or attorneys, including, without limitation, as subcontractors of Contractor, will be paid unless the provider received advance written approval from the City Attorney.

55. Supervision of Minors. DELETED BY MUTUAL AGREEMENT OF THE PARTIES

56. Severability. Should the application of any provision of this Agreement to any particular facts or circumstances be found by a court of competent jurisdiction to be invalid or unenforceable, then (a) the validity of other provisions of this Agreement shall not be affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent possible so as to effect the intent of the parties and shall be reformed without further action by the parties to the extent necessary to make such provision valid and enforceable.

57. Protection of Private Information. Contractor has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Contractor agrees that any failure of Contractor to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Contractor pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Contractor.

58. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti. Contractor shall remove all graffiti from any real property owned or leased by Contractor in the City and County of San Francisco within forty eight (48) hours of the earlier of Contractor's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require a Contractor to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure of Contractor to comply with this section of this Agreement shall constitute an Event of Default of this Agreement.

59. Food Service Waste Reduction Requirements. Effective June 1, 2007 Contractor agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Agreement as though fully set forth. This provision is a material term of this Agreement. By entering into this Agreement, Contractor agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Contractor agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Contractor's failure to comply with this provision.

60. Slavery Era Disclosure *DELETED BY MUTUAL AGREEMENT OF THE PARTIES*

61. Cooperative Drafting. This Agreement has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Agreement.

62. **Dispute Resolution Procedure.** *DELETED BY MUTUAL AGREEMENT OF THE PARTIES*

63. **Additional Terms.** Additional Terms are attached hereto as Appendix D and are incorporated into this Agreement by reference as though fully set forth herein.

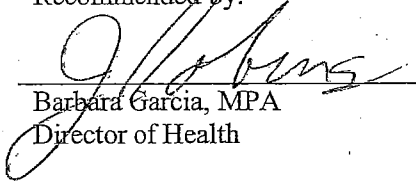
IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day first mentioned above.

CITY

CONTRACTOR

Recommended By:

MedImpact Healthcare Systems, Inc.


 / 4-30-13
Barbara Garcia, MPA / Date
Director of Health


Approved as to Form:

Dennis J. Herrera
City Attorney

By signing this Agreement, I certify that I comply with the requirements of the Minimum Compensation Ordinance, which entitle Covered Employees to certain minimum hourly wages and compensated and uncompensated time off.

I have read and understood paragraph 35, the City's statement urging companies doing business in Northern Ireland to move towards resolving employment inequities, encouraging compliance with the MacBride Principles, and urging San Francisco companies to do business with corporations that abide by the MacBride Principles.

By:  / 4/26/13
Kathy Murphy, Deputy City Attorney / Date

 / 4/29/13
David Wheeler / Date
EVP and CFO
10680 Trenea Street, Fifth Floor
San Diego, CA 92131

Approved:

Jaci Fong / Date
Director of the Office of
Contract Administration and
Purchaser

City vendor number: 50614

Appendices

- A: Services to be provided by Contractor
- B: Calculation of Charges
- C: N/A (Insurance Waiver) Reserved
- D: Additional Terms
- E: HIPAA Business Associate Agreement
- F: Invoice - This page is left blank by agreement of the parties
- G: SFDPH Private Policy Compliance Standards
- H: Emergency Response

Appendix A

COMMUNITY BEHAVIORAL HEALTH SERVICES

The following requirements are incorporated into Appendix A, as provided in this Agreement under Section 4. SERVICES.

A. Contract Administrator:

In performing the SERVICES hereunder, CONTRACTOR shall report to Gloria Wilder, Contract Administrator for the CITY, or her designee.

B. Reports:

(1) CONTRACTOR shall submit written reports as requested by the CITY. The format for the content of such reports shall be determined by the CITY. The timely submission of all reports is a necessary and material term and condition of this Agreement. All reports, including any copies, shall be submitted on recycled paper and printed on double-sided pages to the maximum extent possible.

(2) CONTRACTOR agrees to submit to the Director of Public Health or his designated agent (hereinafter referred to as "DIRECTOR") the following reports: Annual County Plan Data; Utilization Review Data and Quarterly Reports of De-certifications; Peer Review Plan, Quarterly Reports, and relevant Peer Review data; Medication Monitoring Plan and relevant Medication Monitoring data; Charting Requirements, Client Satisfaction Data, Program Outcome Data, and Data necessary for producing bills and/or claims in conformance with the State of California Uniform Method for Determining Ability to Pay (UMDAP; the state's sliding fee scale) procedures.

C. Evaluation:

CONTRACTOR shall participate as requested with the CITY, State and/or Federal government in evaluative studies designed to show the effectiveness of CONTRACTOR'S SERVICES. CONTRACTOR agrees to meet the requirements of and participate in the evaluation program and management information systems of the CITY. The CITY agrees that any final written reports generated through the evaluation program shall be made available to CONTRACTOR within thirty (30) working days. CONTRACTOR may submit a written response within thirty working days of receipt of any evaluation report and such response will become part of the official report.

D. Possession of Licenses/Permits:

CONTRACTOR warrants the possession of all licenses and/or permits required by the laws and regulations of the United States, the State of California, and the CITY to provide the SERVICES. Failure to maintain these licenses and permits shall constitute a material breach of this Agreement.

Space owned, leased or operated by providers, including satellites, and used for SERVICES or staff shall meet local fire codes. Documentation of fire safety inspections and corrections of any deficiencies shall be made available to reviewers upon request.

E. Adequate Resources:

CONTRACTOR agrees that it has secured or shall secure at its own expense all persons, employees and equipment required to perform the SERVICES required under this Agreement, and that all such SERVICES shall be performed by CONTRACTOR, or under CONTRACTOR'S supervision, by persons authorized by law to perform such SERVICES.

F. Admission Policy:

Admission policies for the SERVICES shall be in writing and available to the public. Such policies must include a provision that clients are accepted for care without discrimination on the basis of race, color, creed, religion, sex, age, national origin, ancestry, sexual orientation, gender identification, disability, or AIDS/HIV status, except to the extent that the SERVICES are to be rendered to a specific population as described in Appendix A. CONTRACTOR shall adhere to Title XIX of the Social Security Act and shall conform to all applicable Federal and State statutes and regulations. CONTRACTOR shall ensure that all clients will receive the same level of care regardless of client status or source of reimbursement when SERVICES are to be rendered.

G. San Francisco Residents Only:

Only San Francisco residents shall be treated under the terms of this Agreement. Exceptions must have the written approval of the Contract Administrator.

H. Grievance Procedure:

CONTRACTOR agrees to establish and maintain a written Client Grievance Procedure which shall include the following elements as well as others that may be appropriate to the SERVICES: (1) the name or title of the person or persons authorized to make a determination regarding the grievance; (2) the opportunity for the aggrieved party to discuss the grievance with those who will be making the determination; and (3) the right of a client dissatisfied with the decision to ask for a review and recommendation from the community advisory board or planning council that has purview over the aggrieved service. CONTRACTOR shall provide a copy of this procedure, and any amendments thereto, to each client and to the Director of Public Health or his/her designated agent (hereinafter referred to as "DIRECTOR"). Those clients who do not receive direct SERVICES will be provided a copy of this procedure upon request.

I. Infection Control, Health and Safety:

(1) CONTRACTOR must have a Bloodborne Pathogen (BBP) Exposure Control plan as defined in the California Code of Regulations, Title 8, §5193, Bloodborne Pathogens (<http://www.dir.ca.gov/title8/5193.html>), and demonstrate compliance with all requirements including, but not limited to, exposure determination, training, immunization, use of personal protective equipment and safe needle devices, maintenance of a sharps injury log, post-exposure medical evaluations, and record keeping.

(2) CONTRACTOR must demonstrate personnel policies/procedures for protection of staff and clients from other communicable diseases prevalent in the population served. Such policies and procedures shall include, but not be limited to, work practices, personal protective equipment, staff/client Tuberculosis (TB) surveillance, training, etc.

(3) CONTRACTOR must demonstrate personnel policies/procedures for Tuberculosis (TB) exposure control consistent with the Centers for Disease Control and Prevention (CDC) recommendations for health care facilities and based on the Francis J. Curry National Tuberculosis Center: Template for Clinic Settings, as appropriate.

(4) CONTRACTOR is responsible for site conditions, equipment, health and safety of their employees, and all other persons who work or visit the job site.

(5) CONTRACTOR shall assume liability for any and all work-related injuries/illnesses including infectious exposures such as BBP and TB and demonstrate appropriate policies and procedures for reporting such events and providing appropriate post-exposure medical management as required by State workers' compensation laws and regulations.

(6) CONTRACTOR shall comply with all applicable Cal-OSHA standards including maintenance of the OSHA 300 Log of Work-Related Injuries and Illnesses.

(7) CONTRACTOR assumes responsibility for procuring all medical equipment and supplies for use by their staff, including safe needle devices, and provides and documents all appropriate training.

(8) CONTRACTOR shall demonstrate compliance with all state and local regulations with regard to handling and disposing of medical waste.

J. Acknowledgment of Funding:

CONTRACTOR agrees to acknowledge the San Francisco Department of Public Health in any printed material or public announcement describing the San Francisco Department of Public Health-funded SERVICES. Such documents or announcements shall contain a credit substantially as follows: "This program/service/activity/research project was funded through the Department of Public Health, CITY and County of San Francisco."

K. Client Fees and Third Party Revenue:

(1) Fees required by federal, state or CITY laws or regulations to be billed to the client, client's family, or insurance company, shall be determined in accordance with the client's ability to pay and in conformance with all applicable laws. Such fees shall approximate actual cost. No additional fees may be charged to the client or the client's family for the SERVICES. Inability to pay shall not be the basis for denial of any SERVICES provided under this Agreement.

(2) CONTRACTOR agrees that revenues or fees received by CONTRACTOR related to SERVICES performed and materials developed or distributed with funding under this Agreement shall be used to increase the gross program funding such that a greater number of persons may receive SERVICES. Accordingly, these revenues and fees shall not be deducted by CONTRACTOR from its billing to the CITY.

(3) CONTRACTOR agrees that funds received by CONTRACTOR from a source other than the CITY to defray any portion of the reimbursable costs allowable under this Agreement shall be reported to the CITY and deducted by CONTRACTOR from its billings to the CITY to ensure that no portion of the CITY'S reimbursement to CONTRACTOR is duplicated.

L. Billing and Information System

CONTRACTOR agrees to participate in the CITY'S Community Mental Health Services (CMHS) and Community Substance Abuse Services (CSAS) Billing and Information System (BIS) and to follow data reporting procedures set forth by the CMHS/CSAS BIS and Quality Improvement Units.

M. Patients Rights:

All applicable Patients Rights laws and procedures shall be implemented.

N. Under-Utilization Reports:

For any quarter that CONTRACTOR maintains less than ninety percent (90%) of the total agreed upon units of service for any mode of service hereunder, CONTRACTOR shall immediately notify the Contract Administrator in writing and shall specify the number of underutilized units of service.

O. Working Trial Balance with Year-End Cost Report

If CONTRACTOR is a Non-Hospital Provider as defined in the State of California Department of Mental Health Cost Reporting Data Collection Manual, it agrees to submit a working trial balance with the year-end cost report.

P. Harm Reduction

The program has a written internal Harm Reduction Policy that includes the guiding principles per Resolution # 10-00 810611 of the San Francisco Department of Public Health Commission.

2. **Description of Services**

Detailed description of services are listed below and are attached hereto

Appendix A-1 Scope of Services

APPENDIX A-1
SCOPE OF SERVICES

SUMMARY INTRODUCTION

The CONTRACTOR shall maintain a network of pharmacies, electronically screen prescriptions for eligibility, and process payments for prescriptions written by Department of Public Health Community Behavioral Health Services (CBHS) and CITY authorized psychiatrists for covered medications and other related fiscal intermediary services. The CONTRACTOR agrees to meet and deliver the following performance objectives and standards. The population served will be CITY authorized clients who require medication as defined in this Appendix A-1.

I. PHARMACY NETWORK

- A. Establish and maintain a pharmacy network for CITY by contracting with pharmacies. The pharmacy network will meet the following criteria:
1. Contain all pharmacies in CITY' current pharmacy network that meet the requirements described in this contract, with exceptions granted only by the Contract Manager, and increase the network to pharmacies meeting and agreeing to the criteria in order to provide as much geographical accessibility as possible for CITY clients.
 2. Contain a minimum of fifty (50) chain and independent pharmacies.
 3. Include CBHS Pharmacy operated by the San Francisco County Department of Public Health in pharmacy network. CBHS Pharmacy and the prescriptions filled at this pharmacy shall be treated in the same manner as the other pharmacies and CITY prescriptions filled in the network, except as otherwise expressly provided in this Agreement. The prescriptions from this pharmacy will, for example, be screened for eligibility before being dispensed in the same manner as prescriptions filled by non-Department of Public Health pharmacies. All claims data from CBHS Pharmacy, including medication costs, will, for example, be incorporated in all reports and data downloads to CITY. CONTRACTOR will not be responsible for reimbursing claims submitted from CBHS Pharmacy.
 4. Contain a minimum of at least two pharmacies in each of the County's zip codes with the exception of 94143.
 5. Contain at least ten (10) pharmacies, geographically dispersed throughout San Francisco County, providing seven (7) day a week service ,at least three (3) pharmacies geographically dispersed providing 24-hour service, five (5) providing specialty packaging and three (3) providing delivery service. Delivery services to the home or specific CITY sites shall be provided at no additional cost.
 6. Meet the needs of the culturally diverse patient population with staff linguistic capability, by including at least one pharmacy in San Francisco County with linguistic capabilities for each of the San Francisco County Medi-Cal Mental Health threshold languages. For April 2013, threshold languages are: Spanish, Russian, Cantonese, Vietnamese, and Tagalog, in addition to English.
 7. CONTRACTOR shall be responsible for ensuring compliance by Participating Pharmacies with the provisions set forth in Appendix A-1 which, govern the operations of the pharmacy network.
- B. Each of the pharmacies in the network must:
1. Be an authorized California State Medi-Cal provider.
 2. Possess a State of California Pharmacy permit.

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3. Accept electronic prescriptions (including controlled substances) as the primary method of transmission. Support CBHS policies for electronic prescriptions and the Meaningful Use of electronic health records.
 4. Possess an operating computerized patient profile system with which to monitor utilization, drug-drug and drug-food interactions, allergies, potential side effects, and physician prescribing patterns.
 5. Cooperate fully with CITY quality improvement activities, including reviews of all claim records, original prescriptions, and signature logs, as well as provide availability to pharmacy staff to answer questions related to quality of care concerns.
 6. Assist CITY staff in resolving all complaints and grievances in a timely fashion.
 7. Dispense generic medications in place of name brands, unless the prescriber indicates "Do Not Substitute" or (DNS) on the prescription and a brand name prior authorization is approved by CITY Pharmacy Services or, at CITY' request, through MedImpact following CITY protocols.
 8. Comply with CITY policies regarding maximum days supply, lost prescriptions, acceptable refill intervals, non-formulary drug request, and other relevant prescription dispensing activities.
 9. Dispense prescriptions written by CBHS providers to CBHS-eligible patients in accordance to and in compliance with the drug formulary and applicable formulary restrictions established by CBHS.
 10. Stock adequate supplies of medications on the CBHS drug formulary prescribed for CBHS patients needing their services.
 11. Collect co-payments and/or share of cost from clients as defined in the benefit design. Any claims to CBHS for client co-pays and/or share of cost, as based on benefit design, occur only if client is unable to pay co-payment and/or share of cost.
- C. CONTRACTOR shall evaluate and monitor all pharmacies in the network to ensure compliance with the requirements in Appendix A-1, as well as compliance with all applicable laws and regulations of the United States, the State of California, and the City. CONTRACTOR shall disclose in writing to CITY any actions pertaining to the California State Board of Pharmacy licensing status and any other action or changes, including State Medi-Cal or other regulations, that restrict the services that a participating pharmacy may provide. Such written notice shall be provided, within five (5) days of the date that CONTRACTOR becomes aware of such action. CONTRACTOR shall also provide this information for pharmacies, which are being considered for inclusion in the network.
- D. CONTRACTOR shall remove pharmacies from the network at CITY's discretion and/or when CITY or CONTRACTOR discovers that pharmacies no longer meet the criteria listed above. CONTRACTOR shall remove pharmacies within 10 (ten) business days of receipt of written notice by CITY requesting the removal.
- E. CONTRACTOR shall invite applications from pharmacies identified for the network by CITY. CONTRACTOR agrees to mail to pharmacies the necessary information, application and enrollment forms. CONTRACTOR shall enroll pharmacies in the network within thirty (30) business days of date pharmacies submit all necessary required documentation.

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II. CLAIMS PROCESSING

A. CONTRACTOR shall provide online electronic claims adjudication for prescriptions which includes, but is not limited to: verifying, at the point-of-service when a prescription is presented to the pharmacy in order to be filled, the eligibility of the patient, prescriber, medication, and payor; relaying approval or denial to the network pharmacies based on the eligibility screenings and the terms of this Agreement; and processing the claims data and payments accordingly.

1. Eligible patients are defined as those patients listed in the patient eligibility files to be provided by CITY and in the specification layouts defined in the CONTRACTOR'S proposal under "System Specifications" or according to mutually agreed to specification layouts.
2. Authorized prescribers are defined as those prescribers listed in the prescriber eligibility files to be provided by CITY and in the specification layouts defined in the CONTRACTOR'S proposal under "System Specifications" or according to mutually agreed to specification layouts.
3. The eligible patient and authorized prescriber files will be provided by CITY to the CONTRACTOR on a monthly, weekly, or daily basis in a file format as mutually agreed to by CITY and CONTRACTOR via: FTP file transfer or other means as mutually agreed to. CONTRACTOR shall notify CITY via electronic message, within twenty-four (24) hours of receiving each file. CONTRACTOR shall upload and add to any existing files the patient and prescriber files received from CITY within one (1) business day of receipt of this information. If records for specific patients and prescribers already exist and different and/or additional information is received on the same patient(s) and prescriber(s), the most recent information is to replace and/or be added to the previous information. Individual patients and prescribers will be considered no longer eligible after the termination date for the patient or prescriber. All patient and prescriber records will be saved in CONTRACTOR'S database and previously eligible patients and prescriber may be reinstated as eligible at CITY'S request, by the CONTRACTOR or CITY through MedAccess making the patients' and prescribers' term date current.

These files will be uploaded for purposes of notifying pharmacies, which patients are eligible and which prescribers are authorized under the terms of this contract.

Contractor shall provide the CITY an error report in format as mutually agreed to by CITY and CONTRACTOR within twenty-four (24) hours of each eligibility file being loaded.

4. Covered medications are defined as those medications listed in the current CITY Formulary to be supplied by CITY. The medications in the CITY Formulary list do not require prior authorization before the prescription can be dispensed unless otherwise indicated. No other medications will be paid for under this contract unless prior approval has been received from the CITY Medical Director or his/her designee.
5. The covered medication files will be provided to the CONTRACTOR on a monthly, weekly, or daily basis in a file format as mutually agreed to by CITY and CONTRACTOR via: FTP file transfer, or other means as mutually agreed to. CONTRACTOR shall notify CITY via electronic message, within twenty-four (24) hours of receiving each file. CONTRACTOR shall upload the covered medication files received from CITY within five (5) business days of receipt of this information. CONTRACTOR shall ensure that new patient medication information will replace or update existing information. These files will be uploaded for purposes of notifying pharmacies which medications are covered under the terms of this contract.
6. For patients who have prescription(s) written or transmitted on an authorized CITY prescription form, but the patient and/or prescriber are not in the eligibility files, each pharmacy shall be requested to first attempt to receive authorization from Medi-Cal or other third party insurance for the prescription(s) unless the patient's social security number and/or date of birth is unknown by the patient and CONTRACTOR. If the patient is found to have third party insurance (including Medi-Cal), the pharmacy will take the necessary steps, including assisting with any required treatment authorization requirements, to dispense and bill the prescription(s) to the third party. If the patient's social security number and/or date of birth is unknown to

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- the patient and CONTRACTOR or Medi-Cal denies the prescription(s) due to an uncleared Medi-Cal share of cost or the patient is found to be not eligible for third party coverage due to reasons other than prior treatment authorization requirements, pharmacy will dispense five (5) days of formulary medication prescription(s) as uninsured and according to the procedures requested by CITY for uninsured eligible patients' prescriptions.
7. At CITY'S discretion, CONTRACTOR shall have Medi-Cal share of cost clients with an uncleared share of cost at the time they present a prescription(s) handled in one of two ways: (1) have the uncleared share of cost collected by the pharmacies from the client, or (2) if the client is unable to pay the share of cost, have the uncleared share of cost paid via this contract. In both cases, pharmacies will reduce the Medi-Cal share of cost up to the amount of the prescription(s). If the cost of the prescription exceeds the share of cost, the balance of the prescription will be billed to Medi-Cal.
 8. CONTRACTOR will accept facsimile or emailed revisions to the patient and prescriber eligibility files from CBHS and apply the revised information to the pharmacy network database within 60 minutes of receipt and at no additional cost. Additionally, CONTRACTOR shall create and implement a system for temporary patient eligibility numbers to allow for client enrollment when CONTRACTOR Customer Support is closed. These temporary patient eligibility records will be merged in the active upon request by CITY.
 9. If a patient and/or prescriber are or are not in the CITY eligibility files and a prescription(s) is written or transmitted on an authorized CITY prescription form(s) by a prescriber who the pharmacy does not have a State license number and/or DEA number for, the pharmacy will contact the prescriber for the needed information. If the pharmacy is not able to reach the prescriber, the pharmacy will attempt to receive the needed information from the CONTRACTOR.
 10. CONTRACTOR agrees to provide documentation and tracking of non-formulary approvals, including an appropriate prior authorization request (PAR) mechanism as defined by CITY. CONTRACTOR shall only pay pharmacies for medications that have received the required prior authorization according to the terms of this contract and the protocols furnished by CITY.
 11. CONTRACTOR will, using the protocols furnished by CITY, grant PARS for specifically identified medications. The normal hours for obtaining these PARs will be during the customer service hours listed in this contract. CONTRACTOR agrees to process a minimum of ninety-five percent (95%) of clean PARs within ten (10) minutes; provided, however, that the caller has all the needed information. Such PARs shall include medications outlined in the prior authorization guidelines provided by CITY; lost, stolen or spilled medications; vacation override requests; and over cost maximum (except compounded drugs).
 12. When prior approvals are requested by authorized doctors in writing using the PAR form and faxed to CONTRACTOR, a response letter will be faxed to the prescriber in the case of approvals and denials within twenty-four (24) hours, at no additional charge. A phone call to relay if a denial was received will also be made to the prescriber by CONTRACTOR at no additional charge to CITY. When prior approvals are conducted over the telephone by CONTRACTOR, the approval or denial will be given at that time, at no additional charge to CITY. In these cases, CONTRACTOR will fax response letters only at CITY'S request and for an additional charge of one dollar (\$1.00) per letter.
 13. CONTRACTOR will, at CITY'S discretion, refer prior authorization requests for specific medications or requests for specific doses of medications, as defined in the CITY PAR Protocols, to CITY for its review.
 14. The CONTRACTOR shall be responsible for sending on-line messages to the pharmacies at CITY request at no additional cost to the CITY. All mailings by the CONTRACTOR must have prior approval by CITY. CITY shall reimburse CONTRACTOR for approved mailings as set forth in Appendix B-1. At CITY'S request, CONTRACTOR will fax the pharmacies on a rate set forth in Appendix B-1.

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15. The PAR protocols furnished by CITY on the prior approval medications shall only be changed at CITY'S discretion. Upon written notification by CITY to the CONTRACTOR, of protocol changes, CONTRACTOR agrees to put in place all changes within five (5) business days.
16. CITY will provide the CONTRACTOR with payor information that identifies whether or not patients on the eligible file have third party coverage (e.g.-Medi-Cal, HMO, private insurance, etc.) as part of the patient eligibility files in the specification layouts defined in the CONTRACTOR'S proposal under "System Specifications" or according to mutually agreed to specification layouts. CONTRACTOR shall ensure that new patient's payor eligibility information will replace or update existing information. This information will be uploaded for purposes of notifying pharmacies when they should bill CITY or first attempt to bill a third party directly under the terms of this contract. CONTRACTOR shall fax the CITY an error report within twenty-four (24) hours of each eligibility file being loaded. CONTRACTOR shall upload payor information files received from CITY within two (2) business days of receipt of this information.
17. CONTRACTOR shall only pay claims pursuant to the Agreement for patients with a third party insurable identified in the payor information if the third party insurance has rejected the claim or, in cases where the third party insurance requires prior approval, a reasonable effort was made to obtain prior approval and a rejection was received by the third party insurance. Pharmacy shall obtain a copy of the third party rejection and provide such copy to CITY before the prescription can be paid under the terms of this contract.
18. CONTRACTOR shall create and relay POS messages to the network pharmacies at CITY's request and at no additional cost to CITY. These include COB information such as "bill Medi-Cal"; "bill Blue Cross" etc.

B. The CONTRACTOR'S online claims adjudication system is to operate and be available to CITY and network pharmacies twenty-four (24) hours, seven (7) days a week. The CONTRACTOR'S downtime will be no more than 1% of total operating time within each month. CONTRACTOR will supply to CITY reports measuring and totaling the downtime based on system access data provided by NDC-spell out. These reports will be supplied on a quarterly basis within twenty (20) business days of the end of the period.

In the event of unscheduled downtime interruptions lasting longer than one (1) hour, CONTRACTOR will notify CITY within one (1) hour before or after the interruption begins and relay an estimation of how long the interruption will be.

In the event of scheduled or unscheduled downtime interruptions, CONTRACTOR shall instruct CITY and the pharmacy network that they may call the CONTRACTOR during the customer service hours listed in this contract. CONTRACTOR will then verbally provide the information CITY and/or the pharmacists need based on CITY'S contract and protocols. In the event that the eligibility information is not accessible, the CONTRACTOR will work with the CITY to implement an alternative method, such as through a paper claims process, to allow authorized patients to receive medications through the pharmacy network. This alternative will be mutually agreed to by both parties.

In the event that the eligibility files and benefit parameters CITY has supplied to CONTRACTOR are incorrectly loaded or become damaged or modified without CITY'S request due to CONTRACTOR'S fault, CONTRACTOR will rectify the situation within twenty four (24) hours at no expense to CITY, including but not limited to all related reports and payments.

C. CONTRACTOR will process eligible, online claims submitted by the pharmacies in the network within four (4) seconds. CONTRACTOR will provide CITY with quarterly reports tracking and totaling the monthly amount of turnaround time for each online claims processing occurrence. These reports will be supplied within twenty (20) business days of the end of the period.

D. CONTRACTOR will accurately adjudicate claims submitted online by the network pharmacies. CONTRACTOR will provide CITY with monthly reports accounting for all claims paid during the month, itemized

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and totaled by pharmacy. These reports will be supplied with the other standard reports on a monthly basis within twenty (20) business days of the end of the period.

E. CONTRACTOR will process eligible paper or manual claims within 30 (thirty) days of submittal by CITY eligible patients and pharmacies. Only eligible claims submitted up to ninety days after being dispensed will be reimbursed to patients who have directly paid for a prescription. If a paper or manual claim is submitted by a patient and/or prescriber that are not in the eligibility files, the claims will be reviewed and reimbursement must be approved by CITY prior to being paid.

CONTRACTOR will provide CITY with monthly reports tracking and totaling the amount of turnaround time for paper or manual claims processing. These reports will be supplied with the other standard reports on a monthly basis within twenty (20) business days of the end of the period.

F. Medication prices are to be reimbursed according to the reimbursement formula in Appendix B-1. MAC prices will be updated monthly and will be supplied to CITY by CONTRACTOR on a monthly basis.

CONTRACTOR will accurately adjudicate paper or manual claims submitted by CITY eligible clients and pharmacies in the same manner as online claims. CONTRACTOR will provide CITY with monthly reports accounting for all claims paid during the month, broken down and totaled by pharmacy. These reports will be supplied with the other standard reports on a monthly basis within twenty (20) business days of the end of the period.

G. All claims found to be inaccurately reimbursed at any time will be reconciled by the CONTRACTOR within thirty (30) days upon discovery. Reconciliation will include the CONTRACTOR correcting all related data, reports, etc. at the CONTRACTOR'S expense.

If a claims error is found prior to reimbursing pharmacies, CONTRACTOR will correct and verify all related data and reports before reimbursement is made to the pharmacies and, to the extent possible, all related data and reports are submitted to CITY. If any errors in the adjudication process are discovered at a later date but within three years after the prescription(s) have been dispensed, the CONTRACTOR will be responsible for correcting all related payments, data, and reports to the pharmacies and CITY within thirty (30) business days of receiving written notification.

H. CONTRACTOR shall provide to CITY through terminal emulation online and real time access to CITY'S claims data, client profile, and dispensing activity and maintain this access for designated workstations located at CITY. CITY has the option of having concurrent access on ten (10) PC workstations. Only ten (10) users at one time are part of this Agreement. If more than ten (10) users are accessing at one time, there is an additional charge. Through these PC workstations and terminal emulation, CONTRACTOR will enable CITY, at no additional cost, to do the following at any time:

- Add, update and term client records;
- Check the member's history of prior authorizations;
- Issue prior authorizations;
- Review adjudicated claims;
- Print hardcopies of the above information, records, and reports, including detailed patient profiles.

If CITY is unable to do any of these functions at any time from the PC workstations at any time during normal business hours, the CONTRACTOR will remedy access problems either by fulfilling all requests CITY is unable to fulfill due to access problems or rectifying access problems within one (1) business day upon CITY's request and at no additional cost to CITY.

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CITY shall be responsible for reasonable time and material charges for on-site training at CITY'S facility. Telephone training, related manuals and updates, and technical support, etc. as described in this Appendix are included.

I. CONTRACTOR shall install and maintain and support any software and required database management programs for the CONTRACTOR'S ad hoc reporting tool. The users of this ad hoc reporting tool shall have access to all data related to this program. It shall be possible for CITY to view, analyze, save and print data from the ad hoc reporting tool in any format of CITY'S choice.

CONTRACTOR'S ad hoc reporting tool shall enable CITY to generate the system's predefined reports and to design customized reports.

Through the ad hoc reporting tool, claims data shall be exportable to applications such as Microsoft Excel, Microsoft Access, and Lotus. CONTRACTOR'S ad hoc reporting tool shall provide a full range of output support, including screen, ACSII file, and paper. CITY shall be able to view all prior months' data through this mechanism at the PC workstations.

CITY shall be responsible for reasonable time and material charges for on-site training at CITY'S facility. Telephone training, related manuals and updates, and technical support, etc. as described in this Appendix are included.

J. CONTRACTOR shall pay to the participating pharmacies, on behalf of the CITY, the cost of the medication and a dispensing fee for each prescription or such reimbursement as may be agreed upon by CITY and CONTRACTOR for all eligible on-line claims prescriptions processed, no later than seventy-two (72) hours after the close of each two week billing cycle or at a time mutually agreed to by all involved parties. All claims for each fiscal year must be processed and paid within 30 (thirty) days from the end of each fiscal year.

III. CUSTOMER SUPPORT

A. The CONTRACTOR shall maintain toll-free telephone Help Lines and a non-toll free fax line that are available from 5 AM to 10 PM Monday through Friday, Saturday from 6 AM to 7 PM, and Sunday from 7 AM to 7 PM, Pacific Standard Time. These hours do not include national holidays. CITY and participating pharmacies shall be notified twenty-one (21) days in advance of any changes to these scheduled business hours; however, in no event will such hours begin later than 8 AM Pacific Standard Time or end earlier than 5 PM Pacific Standard Time. The Help Lines will be answered by a customer service department that will be available to answer questions from CITY, plan prescribers and staff and patients as well as network pharmacies.

1. The customer service department will have access to linguistic capabilities for each San Francisco County Medi-Cal Mental Health threshold language. For April 2013, threshold languages are: Spanish, Tagalog, Cantonese, , Russian and Vietnamese, in addition to English.
2. During off-hours, a toll-free voice mail recording system must be in place with all messages answered to within the next business day. A pager number must be provided for emergencies, weekends, and holidays and responses must occur within one hour.
3. CONTRACTOR shall have an average speed of answer (ASA) within thirty (30) seconds and help line faxes shall be answered within one (1) business day.

The CONTRACTOR will send CITY on a quarterly basis, within twenty (20) business days of the end of the period, reports that itemize and total the telephone account data for CITY's account and detail the number and types of calls, and shall note the percentage of calls abandoned.

4. The CONTRACTOR'S call abandonment rate shall average no more than 5% (five percent) of all monthly calls.

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5. CONTRACTOR shall record and maintain a log of all clients' complaints and problems and their outcomes brought to CONTRACTOR'S attention regarding this plan. At no additional cost to CITY, CONTRACTOR will fax a copy of this log to CITY every month.

The CONTRACTOR shall design two patient satisfaction surveys and two prescriber satisfaction surveys for approval by CITY for an additional cost as set forth in Appendix B-1. CITY will be responsible for distributing the surveys, as well as the cost of reproduction, materials, and postage. If requested by CITY, CONTRACTOR shall perform any of these tasks for an additional cost as scheduled in Appendix B-1. Completed surveys shall be sent, at CITY'S expense, to the CONTRACTOR. For an additional cost as scheduled in Appendix B-1, CONTRACTOR shall tabulate and electronically report the results within two (2) weeks after receiving the completed surveys.

- B. CONTRACTOR shall provide telephone training, in the form of conference calls, for the CONTRACTOR'S claims software application and ad hoc reporting tool, as well as other necessary and related software and applications as needed.
- C. CONTRACTOR shall provide technical support for the claims query tool accessed through terminal emulation and the ad hoc reporting tool being provided and this will include answering all users' questions pertaining to the use of the products and system capabilities. Technical support shall also include, but is not limited to, bug reporting/workarounds, enhancement requests/workarounds and informal questions such as "How to construct a query...". Technical support will be available Monday through Friday, 8:00 AM to 5:00 PM, Pacific Standard Time (PST), excluding national holidays, through the CONTRACTOR'S toll free telephone and telefacsimile lines.

IV. REPORTS

- A. CONTRACTOR shall provide a standard report package consisting of ten (10) reports, on a monthly basis. CITY will select the individual reports from the CONTRACTOR'S library. CITY may request CONTRACTOR to program specific reports at an additional cost. There will be no additional charge to run up to one (1) special report per year. CITY will receive the reports electronically through a FTP on a monthly basis, within ten (10) business days of the end of the monthly period.

- B. CONTRACTOR shall send monthly electronic claims detail file in the current NCPDP D.0 format by the tenth (10th) of each month. CONTRACTOR will assist with the integration of data with CITY Information Systems at the specific client level on an inquiry only basis. Such data would include information pertaining to costs, usage, clients, providers and medication prescribed and dispensed by the County.

- C. At the request of the CITY, CONTRACTOR will provide custom reporting as defined by the CITY, at an additional expense, within thirty days after receipt of written notification from the CITY or at a time mutually agreed to.

V. OTHER SERVICES

- A. **MEETINGS:** The CONTRACTOR may have one representative from the CONTRACTOR'S clinical department attend a total of four on-site CITY meetings per fiscal year, as well as attend a total of four meetings a fiscal year via telecommunication. The representative may attend each meeting for a maximum of two hours. The meeting attendance time will be billed at the rate of \$90 per hour, in addition to reasonable travel and lodging expenses, to be paid by the CITY after prior written approval has been received.

- B. **FISCAL INTERMEDIARY:** CONTRACTOR shall serve as a fiscal intermediary to process payments for related program expenses, services, materials and equipment at the request of CITY using contract funds that have been designated for this purpose. Related program expenses may include pharmacy materials and supplies, delivery service, and laboratory services. Upon receipt of a written CITY request, CONTRACTOR shall invoice CITY, and upon remittance of funds will issue all requested checks and mail as instructed within ten business days of receiving

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written request. The first five checks per month will be issued at no additional charge. All checks requested beyond the first five per month will be at an administrative cost to the CITY of \$10.00 per check.

C. **ACCOUNT MANAGER:** A dedicated account manager will be assigned by the CONTRACTOR to CITY with sufficient support and upon CITY'S request a backup account manager will be assigned. The account manager will meet (conference call) with CITY biweekly unless requested otherwise. Account Manager will respond within forty eight (48) hours to phone or email messages sent between conference calls. Some meetings may be on-site if requested by CITY. Account Manager shall research and propose resolutions to CITY problems related to this contract within forty eight (48) hours of notification of the problem.

D. **PHARMACY AUDITS:** CITY may request bench and field audits to be performed at CITY'S expense. CONTRACTOR shall obtain written authorization from CITY prior to conducting any bench and/or field audits of a pharmacy. Any unauthorized audit initiated by CONTRACTOR shall be conducted at the CONTRACTOR'S expense. The criteria used in CITY requested audits will be reviewed and approved by CITY prior to conducting audits.

1. Bench and/or field audits of pharmacies in the network will be completed within one month of written request by CITY and submitted to CITY within one week of completion. All audit findings and the final report becomes the property of the CITY. Upon request by CITY, the CONTRACTOR will report audit findings to the pharmacy and the California State Board of Pharmacy.
2. If overpayment to a pharmacy has been identified as a result of an audit, the amount shall be deducted from the future reimbursement from CITY to the CONTRACTOR immediately preceding the conclusion of the audit as requested by the CITY.
3. As a result of any audit, CITY has the right to require removal of a pharmacy from the network.

E. **DELIVERY SERVICE:** At CITY'S request, CONTRACTOR shall subcontract for a delivery service to transport bulk medications and medical supplies to and from the CITY'S pharmacies and clinics within the CITY and County of San Francisco. CITY shall not be financially responsible for CONTRACTOR'S overhead and shall only reimburse CONTRACTOR for the actual cost of the transportation service.

Appendix B
Calculation of Charges

1. Method of Payment

A. Invoices furnished by CONTRACTOR under this Agreement must be in a form acceptable to the Contract Administrator and the CONTROLLER and must include the Contract Progress Payment Authorization number or Contract Purchase Number. All amounts paid by CITY to CONTRACTOR shall be subject to audit by CITY. The CITY shall make monthly payments as described below. Such payments shall not exceed those amounts stated in and shall be in accordance with the provisions of Section 5, COMPENSATION, of this Agreement.

Compensation for all SERVICES provided by CONTRACTOR shall be paid in the following manner. For the purposes of this Section, "General Fund" shall mean all those funds which are not Work Order or Grant funds. "General Fund Appendices" shall mean all those appendices which include General Fund monies.

(1) Fee For Service (Monthly Reimbursement by Certified Units at Budgeted Unit Rates)

CONTRACTOR shall submit monthly invoices in the format attached, Appendix F, and in a form acceptable to the Contract Administrator, by the fifteenth (15th) calendar day of each month, based upon the number of units of service that were delivered in the preceding month. All deliverables associated with the SERVICES defined in Appendix A times the unit rate as shown in the appendices cited in this paragraph shall be reported on the invoice(s) each month. All charges incurred under this Agreement shall be due and payable only after SERVICES have been rendered and in no case in advance of such SERVICES.

(2) Cost Reimbursement (Monthly Reimbursement for Actual Expenditures within Budget):

CONTRACTOR shall submit monthly invoices in the format attached, Appendix F, and in a form acceptable to the Contract Administrator, by the fifteenth (15th) calendar day of each month for reimbursement of the actual costs for SERVICES of the preceding month. All costs associated with the SERVICES shall be reported on the invoice each month. All costs incurred under this Agreement shall be due and payable only after SERVICES have been rendered and in no case in advance of such SERVICES.

B. Final Closing Invoice

(1) Fee For Service Reimbursement:

A final closing invoice, clearly marked "FINAL," shall be submitted no later than forty-five (45) calendar days following the closing date of each fiscal year of the Agreement, and shall include only those SERVICES rendered during the referenced period of performance. If SERVICES are not invoiced during this period, all unexpended funding set aside for this Agreement will revert to CITY. CITY'S final reimbursement to the CONTRACTOR at the close of the Agreement period shall be adjusted to conform to actual units certified multiplied by the unit rates identified in Appendix B attached hereto, and shall not exceed the total amount authorized and certified for this Agreement.

(2) Cost Reimbursement:

A final closing invoice, clearly marked "FINAL," shall be submitted no later than forty-five (45) calendar days following the closing date of each fiscal year of the Agreement, and shall include only those costs incurred during the referenced period of performance. If costs are not invoiced during this period, all unexpended funding set aside for this Agreement will revert to CITY.

C. Payment shall be made by the CITY to CONTRACTOR at the address specified in the section entitled "Notices to Parties."

D. Upon the effective date of this Agreement, contingent upon prior approval by the CITY'S Department of Public Health of an invoice or claim submitted by Contractor, and of each year's revised Appendix A (Description of Services) and each year's revised Appendix B (Program Budget and Cost Reporting Data Collection Form), and within each fiscal year, the CITY agrees to make an initial payment to CONTRACTOR not to exceed twenty-five per cent (25%) of the General Fund and Prop 63 portion of the CONTRACTOR'S allocation for the applicable fiscal year.

CONTRACTOR agrees that within that fiscal year, this initial payment shall be recovered by the CITY through a reduction to monthly payments to CONTRACTOR during the period of October 1 through March 31 of

the applicable fiscal year, unless and until CONTRACTOR chooses to return to the CITY all or part of the initial payment for that fiscal year. The amount of the initial payment recovered each month shall be calculated by dividing the total initial payment for the fiscal year by the total number of months for recovery. Any termination of this Agreement, whether for cause or for convenience, will result in the total outstanding amount of the initial payment for that fiscal year being due and payable to the CITY within thirty (30) calendar days following written notice of termination from the CITY.

2. Program Budgets and Final Invoice

A. Program Budgets(Rate Schedule) are listed below and are attached hereto.

- Budget Summary (Rate Schedule)
- Appendix B-1 Administrative Fee Schedule

B. *COMPENSATION*

Compensation shall be made in monthly payments on or before the 30th day after the DIRECTOR, in his or her sole discretion, has approved the invoice submitted by CONTRACTOR. The breakdown of costs and sources of revenue associated with this Agreement appears in Appendix B, Cost Reporting/Data Collection (CR/DC) and Program Budget, attached hereto and incorporated by reference as though fully set forth herein. The maximum dollar obligation of the CITY under the terms of this Agreement shall not exceed Twenty Eight Million Two Hundred Ninety One Thousand Three Hundred Forty Six Dollars (\$28,291,346) for the period of July 1, 2013 through June 30, 2018.

CONTRACTOR understands that, of this maximum dollar obligation, \$3,031,216 is included as a contingency amount and is neither to be used in Appendix B, Budget, or available to CONTRACTOR without a modification to this Agreement executed in the same manner as this Agreement or a revision to Appendix B, Budget, which has been approved by the Director of Health. CONTRACTOR further understands that no payment of any portion of this contingency amount will be made unless and until such modification or budget revision has been fully approved and executed in accordance with applicable CITY and Department of Public Health laws, regulations and policies/procedures and certification as to the availability of funds by the Controller. CONTRACTOR agrees to fully comply with these laws, regulations, and policies/procedures.

(1) For each fiscal year of the term of this Agreement, CONTRACTOR shall submit for approval of the CITY's Department of Public Health a revised Appendix A, Description of Services, and a revised Appendix B, Program Budget and Cost Reporting Data Collection form, based on the CITY's allocation of funding for SERVICES for the appropriate fiscal year. CONTRACTOR shall create these Appendices in compliance with the instructions of the Department of Public Health. These Appendices shall apply only to the fiscal year for which they were created. These Appendices shall become part of this Agreement only upon approval by the CITY.

(2) CONTRACTOR understands that, of the maximum dollar obligation stated above, the total amount to be used in Appendix B, Budget and available to CONTRACTOR for the entire term of the contract is as follows, not withstanding that for each fiscal year, the amount to be used in Appendix B, Budget and available to CONTRACTOR for that fiscal year shall conform with the Appendix A, Description of Services, and a Appendix B, Program Budget and Cost Reporting Data Collection form, as approved by the CITY's Department of Public Health based on the CITY's allocation of funding for SERVICES for that fiscal year.

July 1, 2013 through June 30, 2014	\$5,052,026
July 1, 2014 through June 30, 2015	\$5,052,026
July 1, 2015 through June 30, 2016	\$5,052,026
July 1, 2016 through June 30, 2017	\$5,052,026
July 1, 2017 through June 30, 2018	\$5,052,026

July 1, 2013 through June 30, 2018	\$25,260,130
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(3) CONTRACTOR understands that the CITY may need to adjust sources of revenue and agrees that these needed adjustments will become part of this Agreement by written modification to CONTRACTOR. In event that such reimbursement is terminated or reduced, this Agreement shall be terminated or proportionately reduced accordingly. In no event will CONTRACTOR be entitled to compensation in excess of these amounts for these periods without there first being a modification of the Agreement or a revision to Appendix B, Budget, as provided for in this section of this Agreement.

C. CONTRACTOR agrees to comply with its Budget as shown in Appendix B in the provision of SERVICES. Changes to the budget that do not increase or reduce the maximum dollar obligation of the CITY are subject to the provisions of the Department of Public Health Policy/Procedure Regarding Contract Budget Changes. CONTRACTOR agrees to comply fully with that policy/procedure.

D. No costs or charges shall be incurred under this Agreement nor shall any payments become due to CONTRACTOR until reports, SERVICES, or both, required under this Agreement are received from CONTRACTOR and approved by the DIRECTOR as being in accordance with this Agreement. CITY may withhold payment to CONTRACTOR in any instance in which CONTRACTOR has failed or refused to satisfy any material obligation provided for under this Agreement.

E. In no event shall the CITY be liable for interest or late charges for any late payments.

F. CONTRACTOR understands and agrees that should the CITY'S maximum dollar obligation under this Agreement include State or Federal Medi-Cal revenues, CONTRACTOR shall expend such revenues in the provision of SERVICES to Medi-Cal eligible clients in accordance with CITY, State, and Federal Medi-Cal regulations. Should CONTRACTOR fail to expend budgeted Medi-Cal revenues herein, the CITY'S maximum dollar obligation to CONTRACTOR shall be proportionally reduced in the amount of such unexpended revenues. In no event shall State/Federal Medi-Cal revenues be used for clients who do not qualify for Medi-Cal reimbursement.

APPENDIX B-1

ADMINISTRATIVE FEE SCHEDULE

CLAIMS PROCESSING FEE: \$0.00 per paid electronically submitted Claim

Claims Processing Fees must meet an aggregated minimum average of \$750.00 per bi-weekly billing cycle to qualify for fee schedule, otherwise a flat fee of \$750.00 will be billed and payable in such cycle.

The Claims Processing Fee includes the following standard MedImpact services:

- Processing and payment of all electronic Claims
- Concurrent Drug Utilization Reviews (DUR)
- Standard benefit design services
- MedImpact pharmacy network administration
- Administration of a standard MAC program
- EOB Claims payment detail sent to Participating Pharmacies
- Check-run control totals
- MedAccess[®] – Twelve (12) named user accounts; includes initial training
- MedOptimize[®] – Twelve (12) named users accounts; includes initial training
- MedImpact Online Reports (MOR)
- Administrative Overrides
- Toll free standard pharmacy and provider 24/7 Contact Center
- Toll free standard 24/7 Contact Center for Client member issues
- On-line messaging to pharmacy
- Clinical Pipeline
- Clinical Tablet
- MedImpact standard formulary
- Eligibility Management

PHARMACY CLAIMS RATES

Brand Effective Rate shall mean the aggregate rate across all brand drugs (brand drugs as defined by First Databank). Such brand drugs include single source brand drugs, multi-source brand drugs and generic drugs available through two (2) or less manufacturers.

Generic Effective Rate shall mean the aggregate rate across all generic drugs (generic drugs being defined as any such drug which is available through three (3) or more manufacturers and which has an "A" rating according to the United States Food and Drug Administration (FDA) Orange Book) dispensed, both MAC and non-MAC.

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Lesser of Logic: Client acknowledges and agrees that Participating Pharmacies shall collect from Eligible Members the lesser of the discounted rate, the Participating Pharmacy's usual and customary charge or the applicable Copayment.

Claim Rates: Client acknowledges and agrees that, as part of its total compensation for providing services, including administering the pharmacy network, MedImpact shall retain such the difference, if any, between the reimbursement paid to Participating Pharmacies for Claims and the reimbursement received by MedImpact from Client for Claims (the "Network Administration Fee" or "NAF") MedImpact will receive the Network Administration Fee as set forth in the Agreement. Claim rates may be greater or less than the actual rates paid to Participating Pharmacies. However, the amounts that Client shall reimburse MedImpact under this Agreement are the rates identified in this Exhibit B, unless otherwise excluded as set forth below.

PHARMACY NETWORK GUARANTEES

Retail:

Brand Effective Rate: AWP – 16% + \$1.25 dispensing fee
Generic Effective Rate: The lesser of AWP – 20% or MAC + \$1.25 dispensing fee
GER 76%

Includes OTC items presented with a valid prescriptions

Guarantee. MedImpact will guarantee network performance on a total aggregate cost basis at least equivalent to the calculated total aggregate cost for the pharmacy network guarantees subject to the exclusions identified in this Exhibit B.

Network performance measurements will include Claims that adjudicate at the usual and customary (U&C) and Claims that adjudicate at or below copay at the discounted rate.

MedImpact will report performance on a quarterly basis and reconcile the guarantees annually. Any shortfall identified during the annual reconciliation will be covered dollar for dollar by MedImpact. Any over performance above the guarantees shall be returned to Client. Any such amounts shall be credited to Client within ninety (90) days after the end of the calendar year.

Exclusions. The following Claims are excluded from network performance measurements: compound claims, paper claims (DMR), discount card programs Claims, Claims processed under state or federal mandated rates, flu vaccine program Claims, Subrogation Claims, and Claims submitted by Client-Contracted Participating Pharmacies.

MedImpact agrees to provide the services selected by Client herein (by checking the box(es)), for the fees identified herein.

1. CLAIMS PROCESSING SERVICES

- Standard Direct member reimbursement (DMR) paper Claim and Coordination of Benefit Claim Submissions \$2.25 per Claim

Includes MedImpact production of and mailing to the Eligible Member the Adverse Benefit Determination appeals notification

Subrogation Claims

- Subrogation Claims processing N/A
 Submission of Eligible Member List N/A

2. PHARMACY NETWORK ADMINISTRATION SERVICES

- Pharmacy Audits – Documentation and Verification audit services \$0.03 per Claim or 25% contingency

- Pharmacy Audits - On-site audit services N/A

- Pharmacy Audits – Client specific on-site audits N/A

- Fraud, Waste, and Abuse (“FWA”) Services – Prospective, retrospective and research & investigation N/A

- FWA – Five (5) standard quarterly reports N/A

- FWA Custom Audit Reports N/A

3. IMPLEMENTATION AND CHANGE SERVICES

Customized Services \$175.00/hour of IT time; plus time and materials to support custom or new requirements, if applicable

Eligibility and Plan Benefit Support – Late Fee Time and materials to include any necessary overtime

3. IMPLEMENTATION AND CHANGE SERVICES

charges associated with data conversion and eligibility processing

4. REPORTING, DATA AND MANAGEMENT TOOLS

Drug file access

\$7,250 per year – fee adjusted annually based on increase in the drug file license fee

Physician Access®
Set Up Fee

\$5,000.00 (one time charge)
OR \$.02 per paid Claim

Maintenance Fee

\$1,500.00 per month

Registration Fee – Physician Registrants

<1,000 \$3.00 per physician

1,000 – 3,000 \$2.50 per physician

>3,000 \$2.00 per physician

Custom reporting requested by Client (programming time)

\$175.00 per hour

5. CLINICAL MANAGEMENT SERVICES

Clinical Trend Management Services

\$0.10 per paid claim if MedDividend option is not selected.

Clinical Program Management (CPM) Consultative Services

Included in above

Other Client Clinical Consultations

\$225.00 per hour for special projects

Drug Monograph Preparation

i. Standard Drug Monograph Distribution/Delivery

Included

Custom Formulary Services - includes P&T Committee Participation – one (1) custom formulary

\$10,000 per custom Formulary per year to create, maintain and support each custom formulary. Note: This assumes

4. REPORTING, DATA AND MANAGEMENT TOOLS

a three year contract.

Custom Formulary print preparation (data file)

N/A

MedFocus® Includes one Annual Trend performance review with executive summary report.

Paid Claims Per Month	Fee Per Processed Claim*
Less than 10,000	\$0.10
10,000 - 19,999	\$0.07
20,000 - 29,999	\$0.06
30,000 - 39,999	\$0.05
40,000 - 49,999	\$0.04
50,000 and above	\$0.02

MedFocus – Additional report set(s) in PDF format

\$1,000 per set (report only)

6. REBATE ADMINISTRATION

MedDividend® Program

MedImpact shall retain 10% of quarterly rebates

8. POSTAGE

Shipping & Mailing (e.g. overnight delivery service)

Time and materials

Shipping/Postage (Aggregate)

\$0.003 per Claim

THE FOLLOWING INCUR ADDITIONAL CHARGES

Claims Extract File

NCPDP modified/MedImpact format

\$75.00 per file via FTP

Plan file data (Manual input in MedAccess® and maintenance from hardcopy)

Members

\$1.00 per record

Physicians

\$5.00 per record

Groups/Divisions

\$10.00 per record

ID cards

Standard cards (teslin)

Price Per Card

\$0.25

Custom cards (teslin)

\$1.25

Printed from the member website

Included

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Information technology programming time	\$175.00 per hour
Non-Standard or Excessive Services or Materials	Time and Materials
Additional Services	\$200.00 per hour
Client directed pharmacy communications (e.g. via fax or mail)	\$0.50 per pharmacy per communication
MedOptimize® - Additional users	\$500.00 per named user account per month
MedAccess® - Additional users	\$500.00 per named user account per month
Paper Claims	\$1.00 per Rx (charged to participating pharmacy)
Fiscal Intermediary Expense	
Appeals Management	
Benefit Coverage/Administrative Standard and Expedited Appeal Levels; Note – Client is responsible for second level appeal/review decisions.	\$100.00 per Eligible Member Appeal
Medical Necessity Standard and Expedited Appeal Levels	
First Level Appeal	\$200.00 per Eligible Member Appeal
Second Level Appeal – External Review Organization done by Medical Review Institute of America	Fees paid by Client for each Eligible Member Appeal
Comprehensive Clinical Management Package - Includes the following packages and programs:	\$0.20 PMPM with minimum annual charge of \$150,000.00
Clinical Program Management Consultative Services – Access to a clinical pharmacist familiar with client’s formulary and utilization reports and participates in quarterly meetings (via phone with annual on-site visit) and provide consultation to client on an as needed basis.	<i>Note:</i> if conversion to per paid claim is needed, Finance supports Business Development and provides the figure.
Drug Monographs: Standard Drug Monographs - Included with Clinical Program Management Consultative Services	

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Client Pharmacy & Therapeutics Committee Participation - Any travel & lodging expenses reimbursed by client.

Custom Formulary – administer custom formulary(s) defined by client with quarterly updates. Printed formulary maintenance if requested additional @\$0.01 PMPM.

MedFocus[®] - Annual trend performance review with executive summary. Note: One report is provided (not broken out by line of business).

Point of Service Clinical Edits*

Customized Step-Therapy Package – implement edits defined by client with quarterly modifications allowed

Customized Quantity Restriction Package – implement edits defined by client with quarterly modifications allowed

Customized Prior Authorization Package – implement edits defined by client with quarterly modifications allowed. Note: Prior-authorization and appeals administration additional per fee schedule

Customized Age, Gender and Specialty Edit Package – implement edits defined by client with quarterly modifications allowed

*Any edits requiring custom programming by MedImpact additional per IT/SR fee schedule.

Concurrent DUR - Point of service system edits providing warnings to dispensing pharmacist when patient care issues are identified with medication claims submissions.

Mailings to be conducted by client or \$1.00/ mailing additional if MedImpact provides this service.

Enhanced Retrospective Drug Use Evaluation Programs
Therapeutic area customized to meet specific client needs in consultation with client and administered quarterly or may be conducted as a recurring program.

Custom:
\$0.09 PMPM**
Minimum \$24,000 per year

** Mailing and reporting services available for additional fees

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Health Management System powered by WorldDoc

Essential

\$0.50 - \$0.65 per eligible user
per month

Nurse Line**

\$0.20 - \$0.25 per eligible user
per month

**Note: Nurse Line may not be sold independent of Essential,
however, pricing noted to allow for flexibility in the offer.

MedResults

Daily real-time sweeps using the POS engine; program runs for 6
months to 1 year; MedImpact mails/faxes communication to physicians
and provides standard program reporting.

\$3,000 set up fee
\$5.00 per
notice/communication

Prior Authorization Administration

Ensures that medications having a higher potential for in appropriate
use are utilized in a cost-effective and/or safer manner.

Note: This includes quantity/age/edit restriction overrides.

\$25.00 per Therapeutic PA
Request

Special Clinical Pharmacist Projects

\$225.00 per hour

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**Appendix C
Insurance Waiver**

RESERVED

THIS PAGE IS LEFT BLANK AND IS NOT BEING USED

[Use as appropriate and only if an insurance waiver has been signed and granted by the Risk Manager.]

**Appendix D
Additional Terms**

1. HIPAA

The parties acknowledge that CITY is a Covered Entity as defined in the Healthcare Insurance Portability and Accountability Act of 1996 ("HIPAA") and is therefore required to abide by the Privacy Rule contained therein. The parties further agree that CONTRACTOR falls within the following definition under the HIPAA regulations:

- A Covered Entity subject to HIPAA and the Privacy Rule contained therein; or
 A Business Associate subject to the terms set forth in Appendix E;
 Not Applicable, CONTRACTOR will not have access to Protected Health Information.

2. THIRD PARTY BENEFICIARIES

No third parties are intended by the parties hereto to be third party beneficiaries under this Agreement, and no action to enforce the terms of this Agreement may be brought against either party by any person who is not a party hereto.

3. CERTIFICATION REGARDING LOBBYING

CONTRACTOR certifies to the best of its knowledge and belief that:

A. No federally appropriated funds have been paid or will be paid, by or on behalf of CONTRACTOR to any persons for influencing or attempting to influence an officer or an employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the entering into of any federal cooperative agreement, or the extension, continuation, renewal, amendment, or modification of a federal contract, grant, loan or cooperative agreement.

B. If any funds other than federally appropriated funds have been paid or will be paid to any persons for influencing or attempting to influence an officer or employee of an agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this federal contract, grant, loan or cooperative agreement, CONTRACTOR shall complete and submit Standard Form -111, "Disclosure Form to Report Lobbying," in accordance with the form's instructions.

C. CONTRACTOR shall require the language of this certification be included in the award documents for all subawards at all tiers, (including subcontracts, subgrants, and contracts under grants, loans and cooperation agreements) and that all subrecipients shall certify and disclose accordingly.

D. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Use a version of this section if you want to have the right to approve in advance any materials developed or distributed under the Agreement:

4. MATERIALS REVIEW

CONTRACTOR agrees that all materials, including without limitation print, audio, video, and electronic materials, developed, produced, or distributed by personnel or with funding under this Agreement shall be subject to review and approval by the Contract Administrator prior to such production, development or distribution. CONTRACTOR agrees to provide such materials sufficiently in advance of any deadlines to allow for adequate review. CITY agrees to conduct the review in a manner which does not impose unreasonable delays on CONTRACTOR'S work, which may include review by members of target communities.

Appendix E

BUSINESS ASSOCIATE ADDENDUM

This Business Associate Addendum is entered into to address the privacy and security protections for certain information as required by federal law. City and County of San Francisco is the Covered Entity and is referred to below as "CE". The CONTRACTOR is the Business Associate and is referred to below as "BA".

RECITALS

- A. CE wishes to disclose certain information to BA pursuant to the terms of the Contract, some of which may constitute Protected Health Information ("PHI") (defined below).
- B. CE and BA intend to protect the privacy and provide for the security of PHI disclosed to BA pursuant to the Contract in compliance with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 ("the HITECH Act"), and regulations promulgated thereunder by the U.S. Department of Health and Human Services (the "HIPAA Regulations") and other applicable laws.
- C. As part of the HIPAA Regulations, the Privacy Rule and the Security Rule (defined below) require CE to enter into a contract containing specific requirements with BA prior to the disclosure of PHI, as set forth in, but not limited to, Title 45, Sections 164.314(a), 164.502(e) and 164.504(e) of the Code of Federal Regulations ("C.F.R.") and contained in this Addendum.

In consideration of the mutual promises below and the exchange of information pursuant to this Addendum, the parties agree as follows:

1. Definitions

- a. **Breach** shall have the meaning given to such term under the HITECH Act [42 U.S.C. Section 17921].
- b. **Business Associate** shall have the meaning given to such term under the Privacy Rule, the Security Rule, and the HITECH Act, including, but not limited to, 42 U.S.C. Section 17938 and 45 C.F.R. Section 160.103.
- c. **Covered Entity** shall have the meaning given to such term under the Privacy Rule and the Security Rule, including, but not limited to, 45 C.F.R. Section 160.103.
- d. **Data Aggregation** shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.
- e. **Designated Record Set** shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.
- f. **Electronic Protected Health Information** means Protected Health Information that is maintained in or transmitted by electronic media.

- g. **Electronic Health Record** shall have the meaning given to such term in the HITECH Act, including, but not limited to, 42 U.S.C. Section 17921.
 - h. **Health Care Operations** shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.
 - i. **Privacy Rule** shall mean the HIPAA Regulation that is codified at 45 C.F.R. Parts 160 and 164, Subparts A and E.
 - j. **Protected Health Information or PHI** means any information, whether oral or recorded in any form or medium: (i) that relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; and (ii) that identifies the individual or with respect to where there is a reasonable basis to believe the information can be used to identify the individual, and shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501. Protected Health Information includes Electronic Protected Health Information [45 C.F.R. Sections 160.103, 164.501].
 - k. **Protected Information** shall mean PHI provided by CE to BA or created or received by BA on CE's behalf.
 - l. **Security Rule** shall mean the HIPAA Regulation that is codified at 45 C.F.R. Parts 160 and 164, Subparts A and C.
 - m. **Unsecured PHI** shall have the meaning given to such term under the HITECH Act and any guidance issued pursuant to such Act including, but not limited to, 42 U.S.C. Section 17932(h).
2. **Obligations of Business Associate**
- a. **Permitted Uses.** BA shall not use Protected Information except for the purpose of performing BA's obligations under the Contract and as permitted under the Contract and Addendum. Further, BA shall not use Protected Information in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so used by CE. However, BA may use Protected Information (i) for the proper management and administration of BA, (ii) to carry out the legal responsibilities of BA, or (iii) for Data Aggregation purposes for the Health Care Operations of CE [45 C.F.R. Sections 164.504(e)(2)(i), 164.504(e)(2)(ii)(A) and 164.504(e)(4)(i)].
 - b. **Permitted Disclosures.** BA shall not disclose Protected Information except for the purpose of performing BA's obligations under the Contract and as permitted under the Contract and Addendum. BA shall not disclose Protected Information in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so disclosed by CE. However, BA may disclose Protected Information (i) for the proper management and administration of BA; (ii) to carry out the legal responsibilities of BA; (iii) as required by law; or (iv) for Data Aggregation purposes for the Health Care Operations of CE. If BA discloses Protected Information to a third party, BA must obtain, prior to making any such disclosure, (i) reasonable *written* assurances from such third party that such Protected Information will be held confidential as provided pursuant to this Addendum and only disclosed as required by law or for the purposes for which it was disclosed to such third party, and (ii) a *written* agreement from such third party to immediately notify BA of any breaches of confidentiality of the Protected Information, to the extent it has obtained knowledge of such breach [42 U.S.C.

Section 17932; 45 C.F.R. Sections 164.504(e)(2)(i), 164.504(e)(2)(i)(B), 164.504(e)(2)(ii)(A) and 164.504(e)(4)(ii)].

- c. **Prohibited Uses and Disclosures.** BA shall not use or disclose Protected Information for fundraising or marketing purposes. BA shall not disclose Protected Information to a health plan for payment or health care operations purposes if the patient has requested this special restriction, and has paid out of pocket in full for the health care item or service to which the PHI solely relates 42 U.S.C. Section 17935(a). BA shall not directly or indirectly receive remuneration in exchange for Protected Information, except with the prior written consent of CE and as permitted by the HITECH Act, 42 U.S.C. Section 17935(d)(2); however, this prohibition shall not affect payment by CE to BA for services provided pursuant to the Contract.
- d. **Appropriate Safeguards.** BA shall implement appropriate safeguards as are necessary to prevent the use or disclosure of Protected Information otherwise than as permitted by the Contract or Addendum, including, but not limited to, administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of the Protected Information, in accordance with 45 C.F.R. Section 164.308(b)]. BA shall comply with the policies and procedures and documentation requirements of the HIPAA Security Rule, including, but not limited to, 45 C.F.R. Section 164.316 [42 U.S.C. Section 17931]
- e. **Reporting of Improper Access, Use or Disclosure.** BA shall report to CE in writing of any access, use or disclosure of Protected Information not permitted by the Contract and Addendum, and any Breach of Unsecured PHI of which it becomes aware without unreasonable delay and in no case later than 10 calendar days after discovery [42 U.S.C. Section 17921; 45 C.F.R. Section 164.504(e)(2)(ii)(C); 45 C.R.R. Section 164.308(b)].
- f. **Business Associate's Agents.** BA shall ensure that any agents, including subcontractors, to whom it provides Protected Information, agree in writing to the same restrictions and conditions that apply to BA with respect to such PHI. If BA creates, maintains, receives or transmits electronic PHI on behalf of CE, then BA shall implement the safeguards required by paragraph c above with respect to Electronic PHI [45 C.F.R. Section 164.504(e)(2)(ii)(D); 45 C.F.R. Section 164.308(b)]. BA shall implement and maintain sanctions against agents and subcontractors that violate such restrictions and conditions and shall mitigate the effects of any such violation (see 45 C.F.R. Sections 164.530(f) and 164.530(e)(1)).
- g. **Access to Protected Information.** BA shall make Protected Information maintained by BA or its agents or subcontractors available to CE for inspection and copying within ten (10) days of a request by CE to enable CE to fulfill its obligations under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.524 [45 C.F.R. Section 164.504(e)(2)(ii)(E)]. If BA maintains an Electronic Health Record, BA shall provide such information in electronic format to enable CE to fulfill its obligations under the HITECH Act, including, but not limited to, 42 U.S.C. Section 17935(e).
- h. **Amendment of PHI.** Within ten (10) days of receipt of a request from CE for an amendment of Protected Information or a record about an individual contained in a Designated Record Set, BA or its agents or subcontractors shall make such Protected Information available to CE for amendment and incorporate any such amendment to enable CE to fulfill its obligation under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.526. If any individual requests an amendment of Protected

Information directly from BA or its agents or subcontractors, BA must notify CE in writing within five (5) days of the request. Any approval or denial of amendment of Protected Information maintained by BA or its agents or subcontractors shall be the responsibility of CE [45 C.F.R. Section 164.504(e)(2)(ii)(F)].

- i. Accounting Rights.* Within ten (10) calendar days of notice by CE of a request for an accounting for disclosures of Protected Information or upon any disclosure of Protected Information for which CE is required to account to an individual, BA and its agents or subcontractors shall make available to CE the information required to provide an accounting of disclosures to enable CE to fulfill its obligations under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.528, and the HITECH Act, including but not limited to 42 U.S.C. Section 17935(c), as determined by CE. BA agrees to implement a process that allows for an accounting to be collected and maintained by BA and its agents or subcontractors for at least six (6) years prior to the request. However, accounting of disclosures from an Electronic Health Record for treatment, payment or health care operations purposes are required to be collected and maintained for only three (3) years prior to the request, and only to the extent that BA maintains an electronic health record and is subject to this requirement. At a minimum, the information collected and maintained shall include: (i) the date of disclosure; (ii) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (iii) a brief description of Protected Information disclosed; and (iv) a brief statement of purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or a copy of the individual's authorization, or a copy of the written request for disclosure. In the event that the request for an accounting is delivered directly to BA or its agents or subcontractors, BA shall within five (5) calendar days of a request forward it to CE in writing. It shall be CE's responsibility to prepare and deliver any such accounting requested. BA shall not disclose any Protected Information except as set forth in Sections 2.b. of this Addendum [45 C.F.R. Sections 164.504(e)(2)(ii)(G) and 165.528]. The provisions of this subparagraph h shall survive the termination of this Agreement.
- j. Governmental Access to Records.* BA shall make its internal practices, books and records relating to the use and disclosure of Protected Information available to CE and to the Secretary of the U.S. Department of Health and Human Services (the "Secretary") for purposes of determining BA's compliance with the Privacy Rule [45 C.F.R. Section 164.504(e)(2)(ii)(H)]. BA shall provide to CE a copy of any Protected Information that BA provides to the Secretary concurrently with providing such Protected Information to the Secretary.
- k. Minimum Necessary.* BA (and its agents or subcontractors) shall request, use and disclose only the minimum amount of Protected Information necessary to accomplish the purpose of the request, use or disclosure. [42 U.S.C. Section 17935(b); 45 C.F.R. Section 164.514(d)(3)] BA understands and agrees that the definition of "minimum necessary" is in flux and shall keep itself informed of guidance issued by the Secretary with respect to what constitutes "minimum necessary."
- l. Data Ownership.* BA acknowledges that BA has no ownership rights with respect to the Protected Information.
- m. Business Associate's Insurance.* BA shall maintain a sufficient amount of insurance to adequately address risks associated with BA's use and disclosure of Protected Information under this Addendum.

- n. Notification of Breach.* During the term of the Contract, BA shall notify CE within twenty-four (24) hours of any suspected or actual breach of security, intrusion or unauthorized use or disclosure of PHI of which BA becomes aware and/or any actual or suspected use or disclosure of data in violation of any applicable federal or state laws or regulations. BA shall take (i) prompt corrective action to cure any such deficiencies and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations.
- o. Breach Pattern or Practice by Covered Entity.* Pursuant to 42 U.S.C. Section 17934(b), if the BA knows of a pattern of activity or practice of the CE that constitutes a material breach or violation of the CE's obligations under the Contract or Addendum or other arrangement, the BA must take reasonable steps to cure the breach or end the violation. If the steps are unsuccessful, the BA must terminate the Contract or other arrangement if feasible, or if termination is not feasible, report the problem to the Secretary of DHHS. BA shall provide written notice to CE of any pattern of activity or practice of the CE that BA believes constitutes a material breach or violation of the CE's obligations under the Contract or Addendum or other arrangement within five (5) calendar days of discovery and shall meet with CE to discuss and attempt to resolve the problem as one of the reasonable steps to cure the breach or end the violation.
- p. Audits, Inspection and Enforcement.* Within ten (10) calendar days of a written request by CE, BA and its agents or subcontractors shall allow CE to conduct a reasonable inspection of the facilities, systems, books, records, agreements, policies and procedures relating to the use or disclosure of Protected Information pursuant to this Addendum for the purpose of determining whether BA has complied with this Addendum; provided, however, that (i) BA and CE shall mutually agree in advance upon the scope, timing and location of such an inspection, (ii) CE shall protect the confidentiality of all confidential and proprietary information of BA to which CE has access during the course of such inspection; and (iii) CE shall execute a nondisclosure agreement, upon terms mutually agreed upon by the parties, if requested by BA. The fact that CE inspects, or fails to inspect, or has the right to inspect, BA's facilities, systems, books, records, agreements, policies and procedures does not relieve BA of its responsibility to comply with this Addendum, nor does CE's (i) failure to detect or (ii) detection, but failure to notify BA or require BA's remediation of any unsatisfactory practices, constitute acceptance of such practice or a waiver of CE's enforcement rights under the Contract or Addendum, BA shall notify CE within ten (10) calendar days of learning that BA has become the subject of an audit, compliance review, or complaint investigation by the Office for Civil Rights.

3. Termination

- a. Material Breach.* A breach by BA of any provision of this Addendum, as determined by CE, shall constitute a material breach of the Contract and shall provide grounds for immediate termination of the Contract, any provision in the Contract to the contrary notwithstanding. [45 C.F.R. Section 164.504(e)(2)(iii)].
- b. Judicial or Administrative Proceedings.* CE may terminate the Contract, effective immediately, if (i) BA is named as a defendant in a criminal proceeding for a violation of HIPAA, the HITECH Act, the HIPAA Regulations or other security or privacy laws or (ii) a finding or stipulation that the BA has violated any standard or requirement of HIPAA, the HITECH Act, the HIPAA Regulations or other

security or privacy laws is made in any administrative or civil proceeding in which the party has been joined.

- c. **Effect of Termination.** Upon termination of the Contract for any reason, BA shall, at the option of CE, return or destroy all Protected Information that BA or its agents or subcontractors still maintain in any form, and shall retain no copies of such Protected Information. If return or destruction is not feasible, as determined by CE, BA shall continue to extend the protections of Section 2 of this Addendum to such information, and limit further use of such PHI to those purposes that make the return or destruction of such PHI infeasible[45 C.F.R. Section 164.504(e)(ii)(2)(I)]. If CE elects destruction of the PHI, BA shall certify in writing to CE that such PHI has been destroyed.

4. **Limitation of Liability**

Any limitations of liability as set forth in the contract shall not apply to damages related to a breach of the BA's privacy or security obligations under the Contract or Addendum.

5. **Disclaimer**

CE makes no warranty or representation that compliance by BA with this Addendum, HIPAA, the HITECH Act, or the HIPAA Regulations will be adequate or satisfactory for BA's own purposes. BA is solely responsible for all decisions made by BA regarding the safeguarding of PHI.

6. **Certification**

To the extent that CE determines that such examination is necessary to comply with CE's legal obligations pursuant to HIPAA relating to certification of its security practices, CE or its authorized agents or contractors, may, at CE's expense, examine BA's facilities, systems, procedures and records as may be necessary for such agents or contractors to certify to CE the extent to which BA's security safeguards comply with HIPAA, the HITECH Act, the HIPAA Regulations or this Addendum.

7. **Amendment**

- a. **Amendment to Comply with Law.** The parties acknowledge that state and federal laws relating to data security and privacy are rapidly evolving and that amendment of the Contract or Addendum may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take action as is necessary to implement the standards and requirements of HIPAA, the HITECH Act, the Privacy Rule, the Security Rule and other applicable laws relating to the security or confidentiality of PHI. The parties understand and agree that CE must receive satisfactory written assurance from BA that BA will adequately safeguard all Protected Information. Upon the request of either party, the other party agrees to promptly enter into negotiations concerning the terms of an amendment to this Addendum embodying written assurances consistent with the standards and requirements of HIPAA, the HITECH Act, the Privacy Rule, the Security Rule or other applicable laws. CE may terminate the Contract upon thirty (30) calendar days written notice in the event (i) BA does not promptly enter into negotiations to amend the Contract or Addendum when requested by CE pursuant to this Section or (ii) BA does not enter into an amendment to the Contract or Addendum providing assurances regarding the safeguarding of PHI that CE, in its sole discretion, deems sufficient to satisfy the standards and requirements of applicable laws.

8. Assistance in Litigation or Administrative Proceedings

BA shall make itself, and any subcontractors, employees or agents assisting BA in the performance of its obligations under the Contract or Addendum, available to CE, at no cost to CE, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against CE, its directors, officers or employees based upon a claimed violation of HIPAA, the HITECH Act, the Privacy Rule, the Security Rule, or other laws relating to security and privacy, except where BA or its subcontractor, employee or agent is a named adverse party.

9. No Third-Party Beneficiaries

Nothing express or implied in the Contract or Addendum is intended to confer, nor shall anything herein confer, upon any person other than CE, BA and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.

10. Effect on Contract

Except as specifically required to implement the purposes of this Addendum, or to the extent inconsistent with this Addendum, all other terms of the Contract shall remain in force and effect.

11. Interpretation

The provisions of this Addendum shall prevail over any provisions in the Contract that may conflict or appear inconsistent with any provision in this Addendum. This Addendum and the Contract shall be interpreted as broadly as necessary to implement and comply with HIPAA, the HITECH Act, the Privacy Rule and the Security Rule. The parties agree that any ambiguity in this Addendum shall be resolved in favor of a meaning that complies and is consistent with HIPAA, the HITECH Act, the Privacy Rule and the Security Rule.

12. Replaces and Supersedes Previous Business Associate Addendums or Agreements

This Business Associate Addendum replaces and supersedes any previous business associate addendums or agreements between the parties hereto.

**Appendix F
Invoice**

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Appendix H

San Francisco Department of Public Health Privacy Policy Compliance Standards

As part of this Agreement, Contractor acknowledges and agrees to comply with the following:

In City's Fiscal Year 2003/04, a DPH Privacy Policy was developed and contractors advised that they would need to comply with this policy as of July 1, 2005.

As of July 1, 2004, contractors were subject to audits to determine their compliance with the DPH Privacy Policy using the six compliance standards listed below. Audit findings and corrective actions identified in City's Fiscal year 2004/05 were to be considered informational, to establish a baseline for the following year.

Beginning in City's Fiscal Year 2005/06, findings of compliance or non-compliance and corrective actions were to be integrated into the contractor's monitoring report.

Item #1: DPH Privacy Policy is integrated in the program's governing policies and procedures regarding patient privacy and confidentiality.

As Measured by: Existence of adopted/approved policy and procedure that abides by the rules outlined in the DPH Privacy Policy

Item #2: All staff who handle patient health information are oriented (new hires) and trained in the program's privacy/confidentiality policies and procedures.

As Measured by: Documentation showing individual was trained exists

Item #3: A Privacy Notice that meets the requirements of the Federal Privacy Rule (HIPAA) is written and provided to all patients/clients served in their threshold and other languages. If document is not available in the patient's/client's relevant language, verbal translation is provided.

As Measured by: Evidence in patient's/client's chart or electronic file that patient was "noticed." (Examples in English, Cantonese, Vietnamese, Tagalog, Spanish, Russian will be provided.)

Item #4: A Summary of the above Privacy Notice is posted and visible in registration and common areas of treatment facility.

As Measured by: Presence and visibility of posting in said areas. (Examples in English, Cantonese, Vietnamese, Tagalog, Spanish, Russian will be provided.)

Item #5: Each disclosure of a patient's/client's health information for purposes other than treatment, payment, or operations is documented.

As Measured by: Documentation exists.

Item #6: Authorization for disclosure of a patient's/client's health information is obtained prior to release (1) to non-treatment providers or (2) from a substance abuse program.

As Measured by: An authorization form that meets the requirements of the Federal Privacy Rule (HIPAA) is available to program staff and, when randomly asked, staff are aware of circumstances when authorization form is needed.

Appendix H

Emergency Response

CONTRACTOR will develop and maintain an Agency Disaster and Emergency Response Plan containing Site Specific Emergency Response Plan(s) for each of its service sites. The agency-wide plan should address disaster coordination between and among service sites. CONTRACTOR will update the Agency/site(s) plan as needed and CONTRACTOR will train all employees regarding the provisions of the plan for their Agency/site(s). CONTRACTOR will attest on its annual Community Programs' Contractor Declaration of Compliance whether it has developed and maintained an Agency Disaster and Emergency Response Plan, including a site specific emergency response plan for each of its service sites. CONTRACTOR is advised that Community Programs Contract Compliance Section staff will review these plans during a compliance site review. Information should be kept in an Agency/Program Administrative Binder, along with other contractual documentation requirements for easy accessibility and inspection.

In a declared emergency, CONTRACTOR'S employees shall become emergency workers and participate in the emergency response of Community Programs, Department of Public Health. Contractors are required to identify and keep Community Programs staff informed as to which two staff members will serve as CONTRACTOR'S prime contacts with Community Programs in the event of a declared emergency.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
08/02/2012

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Marsh Risk & Insurance Services 4445 Eastgate Mall San Diego, CA 92121	CONTACT NAME: PHONE (A/C, No, Ext): FAX (A/C, No): E-MAIL ADDRESS:
317513-MI-GAWUE-12-13	INSURER(S) AFFORDING COVERAGE NAIC # INSURER A: Valley Forge Insurance Co 120508 INSURER B: Continental Insurance Company 135289 INSURER C: National Fire Insurance Co Of Hartford 120478 INSURER D: Illinois Union Insurance Co 127960 INSURER E: INSURER F:
INSURED MediImpact Healthcare Systems Inc Attn: Eric Little 10680 Treena Street, Stop 5 San Diego CA 92131	

COVERAGES CERTIFICATE NUMBER: LOS-001511013-04 REVISION NUMBER: 8

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSR LTR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC	X	5086632554	08/01/2012	08/01/2013	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000 \$
B	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$	X	5086632540	08/01/2012	08/01/2013	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ COMP/COLL DED. \$ 1,000 EACH OCCURRENCE \$ AGGREGATE \$ \$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N	5086625748 (CA) 5086625734 (AOS)	08/01/2012 08/01/2012	08/01/2013 08/01/2013	<input checked="" type="checkbox"/> WC STATU- TORY LIMITS <input type="checkbox"/> OTH- ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
D	Errors & Omissions		MSP G27169855001	05/07/2012	04/30/2013	Limit: 15,000,000 SIR: 100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Certificate holder is named as additional insured for General and Auto Liability as required by written contract.

CERTIFICATE HOLDER City and County of San Francisco, its Officer, Agents, and Employees Office of Contract Management and Compliance Department of Public Health 1380 Howard Street, Room 442 San Francisco, CA 94103	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE of Marsh Risk & Insurance Services Kristen A. Olson <i>Kristen A. Olson</i>
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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

GENERAL LIABILITY EXTENSION ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

Coverage afforded under this extension of coverage endorsement does not apply to any person or organization covered as an additional insured on any other endorsement now or hereafter attached to this Coverage Part.

1. ADDITIONAL INSURED – BLANKET VENDORS

WHO IS AN INSURED (Section II) is amended to include as an additional insured any person or organization (referred to below as vendor) with whom you agreed, because of a written contract or agreement to provide insurance, but only with respect to "bodily injury" or "property damage" arising out of "your products" which are distributed or sold in the regular course of the vendor's business, subject to the following additional exclusions:

1. The insurance afforded the vendor does not apply to:

- a. "Bodily injury" or "property damage" for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;
- b. Any express warranty unauthorized by you;
- c. Any physical or chemical change in the product made intentionally by the vendor;
- d. Repackaging, except when unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;
- e. Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;
- f. Demonstration, installation, servicing or repair operations, except such operations performed at the vendor's premises in connection with the sale of the product;
- g. Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor; or

h. "Bodily injury" or "property damage" arising out of the sole negligence of the vendor for its own acts or omission or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:

- (1) The exceptions contained in Subparagraphs d. or f.; or
- (2) Such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

2. This insurance does not apply to any insured person or organization, from whom you have acquired such products, or any ingredient, part or container, entering into, accompanying or containing such products.

3. This provision 1. does not apply to any vendor included as an insured by an endorsement issued by us and made a part of this Coverage Part.

4. This provision 1. does not apply if "bodily injury" or "property damage" included within the "products-completed operations hazard" is excluded either by the provisions of the Coverage Part or by endorsement.

2. MISCELLANEOUS ADDITIONAL INSURED

WHO IS AN INSURED (Section II) is amended to include as an insured any person or organization (called additional insured) described in paragraphs 2.a. through 2.g. below whom you are required to add as an additional insured on this policy under a written contract or agreement but the written contract or agreement must be:

- 1. Currently in effect or becoming effective during the term of this policy; and
- 2. Executed prior to the "bodily injury," "property damage" or "personal injury and advertising injury," but

Only the following persons or organizations are additional insureds under this endorsement and

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coverage provided to such additional insureds is limited as provided herein:

a. State or Political Subdivisions

A state or political subdivision subject to the following provisions:

(1) This insurance applies only with respect to the following hazards for which the state or political subdivision has issued a permit in connection with premises you own, rent, or control and to which this insurance applies:

(a) The existence, maintenance, repair, construction, erection, or removal of advertising signs, awnings, canopies, cellar entrances, coal holes, driveways, manholes, marquees, hoistaway openings, sidewalk vaults, street banners, or decorations and similar exposures; or

(b) The construction, erection, or removal of elevators; or

(2) This insurance applies only with respect to operations performed by you or on your behalf for which the state or political subdivision has issued a permit.

This insurance does not apply to "bodily injury," "property damage" or "personal and advertising injury" arising out of operations performed for the state or municipality.

b. Controlling Interest

Any persons or organizations with a controlling interest in you but only with respect to their liability arising out of:

(1) Their financial control of you; or

(2) Premises they own, maintain or control while you lease or occupy these premises.

This insurance does not apply to structural alterations, new construction and demolition operations performed by or for such additional insured.

c. Managers or Lessors of Premises

A manager or lessor of premises but only with respect to liability arising out of the ownership, maintenance or use of that specific part of the premises leased to you and subject to the following additional exclusions:

This insurance does not apply to:

(1) Any "occurrence" which takes place after you cease to be a tenant in that premises; or

(2) Structural alterations, new construction or demolition operations performed by or on behalf of such additional insured.

d. Mortgagee, Assignee or Receiver

A mortgagee, assignee or receiver but only with respect to their liability as mortgagee, assignee, or receiver and arising out of the ownership, maintenance, or use of a premises by you.

This insurance does not apply to structural alterations, new construction or demolition operations performed by or for such additional insured.

e. Owners/Other Interests - Land is Leased

An owner or other interest from whom land has been leased by you but only with respect to liability arising out of the ownership, maintenance or use of that specific part of the land leased to you and subject to the following additional exclusions:

This insurance does not apply to:

(1) Any "occurrence" which takes place after you cease to lease that land; or

(2) Structural alterations, new construction or demolition operations performed by or on behalf of such additional insured.

f. Co-owner of Insured Premises

A co-owner of a premises co-owned by you and covered under this insurance but only with respect to the co-owners liability as co-owner of such premises.

g. Lessor of Equipment

Any person or organization from whom you lease equipment. Such person or organization are insureds only with respect to their liability arising out of the maintenance, operation or use by you of equipment leased to you by such person or organization. A person's or organization's status as an insured under this endorsement ends when their written contract or agreement with you for such leased equipment ends.

With respect to the insurance afforded these additional insureds, the following additional exclusions apply:

This insurance does not apply:

- (1) To any "occurrence" which takes place after the equipment lease expires; or
- (2) To "bodily injury," "property damage," or "personal and advertising injury" arising out of the sole negligence of such additional insured.

Any insurance provided to an additional insured designated under paragraphs a. through g. above does not apply to "bodily injury" or "property damage" included within the "products-completed operations hazard."

As respects the coverage provided under this endorsement, Paragraph 4.b. SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS is deleted and replaced with the following:

4. Other Insurance

b. Excess Insurance

This insurance is excess over:

Any other insurance naming the additional insured as an insured whether primary, excess, contingent or on any other basis unless a written contract or agreement specifically requires that this insurance be either primary or primary and noncontributing. Where required by written contract or agreement, we will consider any other insurance maintained by the additional insured for injury or damage covered by this endorsement to be excess and noncontributing with this insurance.

3. NEWLY FORMED OR ACQUIRED ORGANIZATIONS

Paragraph 3.a. of Section II - Who Is An Insured is deleted and replaced by the following:

Coverage under this provision is afforded only until the end of the policy period or the next anniversary of this policy's effective date after you acquire or form the organization, whichever is earlier.

4. JOINT VENTURES / PARTNERSHIP / LIMITED LIABILITY COMPANY COVERAGE

A. The following is added to Section II - Who Is An Insured:

- 4. You are an insured when you had an interest in a joint venture, partnership or limited

liability company which terminated or ended prior to or during this policy period but only to the extent of your interest in such joint venture, partnership or limited liability company. This coverage does not apply:

- a. Prior to the termination date of any joint venture, partnership or limited liability company; or
- b. If there is other valid and collectible insurance purchased specifically to insure the partnership, joint venture or limited liability company.

E. The last paragraph of Section II - Who Is An Insured is deleted and replaced by the following:

Except as provided in 4. above, no person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

5. PARTNERSHIP OR JOINT VENTURES

Paragraph 1.b. of Section II - Who Is An Insured is deleted and replaced by the following:

- b. A partnership (including a limited liability partnership) or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.

6. EMPLOYEES AS INSUREDS - HEALTH CARE SERVICES

For other than a physician, paragraph 2.a(1)(d) of Section II - Who Is An Insured does not apply with respect to professional health care services provided in the course of employment by you.

7. SUPPLEMENTARY PAYMENTS

A. Under Section I - Supplementary Payments - Coverages A and B, Paragraph 1.b., the limit of \$250 shown for the cost of bail bonds is replaced by \$2,500;

B. In Paragraph 1.d., the limit of \$250 shown for daily loss of earnings is replaced by \$1,000.

8. MEDICAL PAYMENTS

A. Paragraph 7. Medical Expense Limit, of Section III - Limits of Insurance is deleted and replaced by the following:

- 7. Subject to 5. above (the Each Occurrence Limit), the Medical Expense Limit is the most we will pay under Section - I - Coverage C for all medical expenses because of "bodily injury" sustained by any one person. The Medical Expense Limit is the greater of:

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- (1) \$15,000; or
- (2) The amount shown in the Declarations for Medical Expense Limit.

B. This provision **8. (Medical Payments)** does not apply if **Section I – Coverage C Medical Payments** is excluded either by the provisions of the Coverage Part or by endorsement.

C. Paragraph **1.a.(3)(2)** of **Section I – Coverage C – Medical Payments**, is replaced by the following:

The expenses are incurred and reported to us within three years of the date of the accident; and

9. NON-OWNED WATERCRAFT

Under **Section I – Coverage A – Bodily Injury and Property Damage**, Exclusion **2.g.**, subparagraph **(2)** is deleted and replaced by the following:

- (2) A watercraft you do not own that is:
 - (a) Less than 55 feet long; and
 - (b) Not being used to carry persons or property for a charge.

10. NON-OWNED AIRCRAFT

Exclusion **2.g.** of **Section I – Coverage A – Bodily Injury and Property Damage**, does not apply to an aircraft you do not own, provided that:

- 1. The pilot in command holds a currently effective certificate issued by the duly constituted authority of the United States of America or Canada, designating that person as a commercial or airline transport pilot;
- 2. It is rented with a trained, paid crew; and
- 3. It does not transport persons or cargo for a charge.

11. LEGAL LIABILITY – DAMAGE TO PREMISES

A. Under **Section I – Coverage A – Bodily Injury and Property Damage 2. Exclusions**, Exclusion **j.** is replaced by the following:

"Property damage" to:

- (1) Property you own, rent, or occupy, including any costs or expenses incurred by you, or any other person, organization or entity, for repair, replacement, enhancement, restoration or maintenance of such property for any reason, including prevention of injury to a person or damage to another's property;
- (2) Premises you sell, give away or abandon, if the "property damage"

arises out of any part of those premises;

- (3) Property loaned to you;
- (4) Personal property in the care, custody or control of the insured;
- (5) That particular part of real property on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or
- (6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph **(2)** of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraphs **(1)**, **(3)** and **(4)** of this exclusion do not apply to "property damage" (other than damage by fire) to premises;

- (1) rented to you;
- (2) temporarily occupied by you with the permission of the owner, or
- (3) to the contents of premises rented to you for a period of 7 or fewer consecutive days.

A separate limit of insurance applies to **Damage To Premises Rented To You** as described in **Section III – Limits Of Insurance**.

Paragraphs **(3)**, **(4)**, **(5)** and **(6)** of this exclusion do not apply to liability assumed under a sidetrack agreement.

Paragraph **(6)** of this exclusion does not apply to "property damage" included in the "products-completed operations hazard."

B. Under **Section I – Coverage A – Bodily Injury and Property Damage** the last paragraph of **2. Exclusions** is deleted and replaced by the following:

Exclusions **c.** through **n.** do not apply to damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner or to the contents of premises rented to you for a period of 7 or fewer consecutive days.

A separate limit of insurance applies to this coverage as described in **Section III – Limits Of Insurance**.

C. Paragraph 6. **Damage To Premises Rented To You Limit of Section III – Limits Of Insurance** is replaced by the following:

6. Subject to 5. above, (the Each Occurrence Limit), the Damage To Premises Rented To You Limit is the most we will pay under **Section – I – Coverage A** for damages because of "property damage" to any one premises while rented to you or temporarily occupied by you with the permission of the owner, including contents of such premises rented to you for a period of 7 or fewer consecutive days. The Damage To Premises Rented To You Limit is the greater of:

- a. \$200,000; or
- b. The Damage To Premises Rented To You Limit shown in the Declarations.

D. Paragraph 4.b.(1)(b) of **Section IV – Commercial General Liability Conditions** is deleted and replaced by the following:

(b) That is property insurance for premises rented to you or temporarily occupied by you with the permission of the owner; or

E. This provision 11. (**LEGAL LIABILITY – DAMAGE TO PREMISES**) does not apply if Damage To Premises Rented To You Liability under **Section I – Coverage A** is excluded either by the provisions of the Coverage Part or by endorsement.

12. BROAD KNOWLEDGE OF OCCURRENCE

The following is added to paragraph 2. of **Section IV – Commercial General Liability Conditions – Duties in The Event of Occurrence, Offense, Claim or Suit:**

You must give us or our authorized representative notice of an "occurrence," offense, claim, or "suit" only when the "occurrence," offense, claim or "suit" is known to:

- (1) You, if you are an individual;
- (2) A partner, if you are a partnership;
- (3) An executive officer or the employee designated by you to give such notice, if you are a corporation; or
- (4) A manager, if you are a limited liability company.

13. NOTICE OF OCCURRENCE

The following is added to paragraph 2. of **Section IV – Commercial General Liability Conditions – Duties in The Event of Occurrence, Offense Claim or Suit:**

Your rights under this Coverage Part will not be prejudiced if you fail to give us notice of an "occurrence," offense, claim or "suit" and that failure is solely due to your reasonable belief that the "bodily injury" or "property damage" is not covered under this Coverage Part. However, you shall give written notice of this "occurrence," offense, claim or "suit" to us as soon as you are aware that this insurance may apply to such "occurrence," offense claim or "suit."

14. UNINTENTIONAL FAILURE TO DISCLOSE HAZARDS

Based on our reliance on your representations as to existing hazards, if unintentionally you should fail to disclose all such hazards at the inception date of your policy, we will not deny coverage under this Coverage Part because of such failure.

15. EXPANDED PERSONAL AND ADVERTISING INJURY

A. The following is added to **Section V – Definitions**, the definition of "personal and advertising injury":

h. Discrimination or humiliation that results in injury to the feelings or reputation of a natural person, but only if such discrimination or humiliation is:

(1) Not done intentionally by or at the direction of:

- (a) The insured; or
- (b) Any "executive officer," director, stockholder, partner, member or manager (if you are a limited liability company) of the insured; and

(2) Not directly or indirectly related to the employment, prospective employment, past employment or termination of employment of any person or persons by any insured.

B. Exclusions of **Section I – Coverage B – Personal and Advertising Injury Liability** is amended to include the following:

p. Discrimination Relating To Room, Dwelling or Premises

Caused by discrimination directly or indirectly related to the sale, rental, lease or sub-lease or prospective sale, rental, lease or sub-lease of any room, dwelling or premises by or at the direction of any insured.

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c. Fines Or Penalties

Fines or penalties levied or imposed by a governmental entity because of discrimination.

C. This provision **15. (EXPANDED PERSONAL AND ADVERTISING INJURY COVERAGE)** does not apply to discrimination or humiliation committed in the states of New York or Ohio. Also, **EXPANDED PERSONAL AND ADVERTISING INJURY COVERAGE** does not apply to policies issued in the states of New York or Ohio.

D. This provision **15. (EXPANDED PERSONAL AND ADVERTISING INJURY COVERAGE)** does not apply if **Section I – Coverage B – Personal And Advertising Injury Liability** is excluded either by the provisions of the Coverage Part or by endorsement.

16. BODILY INJURY

Section V – Definitions, the definition of "bodily injury" is changed to read:

"Bodily injury" means bodily injury, sickness or disease sustained by a person, including death, humiliation, shock, mental anguish or mental injury by that person at any time which results as a consequence of the bodily injury, sickness or disease.

17. EXPECTED OR INTENDED INJURY

Exclusion a. of **Section I – Coverage A – Bodily Injury and Property Damage Liability** is replaced by the following:

a. "Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force to protect persons or property.

18. LIBERALIZATION CLAUSE

If we adopt a change in our forms or rules which would broaden coverage under this endorsement without an additional premium charge, your policy will automatically provide the additional coverages as of the date the revision is effective in your state.

19. PROPERTY DAMAGE – ELEVATORS

With respect to Exclusions of **Section I – Coverage A**, paragraphs **(3), (4) and (6)** of Exclusion **j.** and Exclusion **k.** do not apply to the use of elevators.

The insurance afforded by this provision **19.** is excess over any valid and collectible property insurance (including any deductible) available to the insured, and the Other Insurance Condition is changed accordingly.

**FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)**

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) : Members, Board of Supervisors

Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: MedImpact Healthcare Systems, Inc.	
<p><i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i></p> <p>(1) Board of Directors: Frederick Howe, David Wheeler, George Goldstein, Matthew Simas, Anand Gowda (2) Chairman and CEO: Frederick Howe; President: Greg Watanabe; CFO: David Wheeler; CIO: John Treiman (no COO) (3) > 20% ownership: Frederick Howe (4) None (5) NA</p>	
Contractor address: 10680 Treena St 5th Floor, San Diego, CA 92131	
Date that contract was approved: July 1, 2013	Amount of contract: \$28,291,346
Describe the nature of the contract that was approved: Pharmacy Benefits management Services. Provide online, point-of-service electronic claims adjudication for prescriptions, which includes, but is not limited to: verifying patient and provider eligibility, formulary status of prescribed medication, patient co-pay status.	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves **San Francisco Board of Supervisors**

Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board of Supervisors	Contact telephone number: (415) 554-55184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102	E-mail: Angela.Calvillo@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

