

Administrative Service Agreement Amendment (ASA Amendment)

(If the Employer has purchased BCBSAZ stop loss coverage, this ASA Amendment amends Exhibit C and Exhibit C-1 of the Maximum Aggregate and Specific Liability Agreement. If the Employer has NOT purchased BCBSAZ stop loss coverage, this ASA Amendment amends the ASA.)

Effective Date:	7/1/2016-6/30/2017	Date:	6/3/2016
Group / Bld ID:	11250	Bid/Renewal:	Renewal
Legal Name of Group:	City of Glendale	Days Notice:	240
Name of Group Health Plan:	City of Glendale Group Health Plan	SRE:	Ken Muth
Funding:	12/24 Incurred ASC, Medical and Pharmacy	Underwriter:	Craig Downs
Broker Paid:	Direct	UW Code:	LI
Commission:	N/A	Pooling / Specific Stop Loss:	\$200,000
Commission (% of Billed Rate):	N/A	Aggregate Stop Loss:	125%
Total Enrollment:	1,829		

SOLD Plan(s) Benefit Outline

	Deductible	Coinsurance	OOP Max	OV	Spec	UC	ER	RX
PPO								
IN:	\$500	80%	\$3,000	\$30	\$45	\$35	\$100	\$725/50
OON:	common	70%	\$6,000					
EPO								
IN:	N/A	90%	\$3,000	\$30	\$45	\$35	\$100	\$725/50
Saver								
IN:	\$1,500	80%	\$5,000	Ded and coins	Ded and coins	Ded and coins	Ded and coins	\$10/25/50/80 after ded
OON:	Common	60%	\$10,000					

SOLD Rates

Active - PPO	Enrollment	Admin	SSL	ASL	Total Fixed Costs	ICAP	Expected Liability	Maximum Liability
Employee	140	\$21.19	\$53.60	\$1.19	\$75.98	\$599.45	\$555.54	\$675.43
Employee + 1	64	\$21.19	\$53.60	\$1.19	\$75.98	\$1,258.53	\$1,082.80	\$1,334.50
Employee + 2 +	132	\$21.19	\$53.60	\$1.19	\$75.98	\$1,797.77	\$1,514.19	\$1,873.75
Total	336							

Active - EPO	Enrollment	Admin	SSL	ASL	Total Fixed Costs	ICAP	Expected Liability	Maximum Liability
Employee	345	\$21.19	\$53.60	\$1.19	\$75.98	\$623.21	\$574.54	\$699.18
Employee + 1	196	\$21.19	\$53.60	\$1.19	\$75.98	\$1,283.73	\$1,102.96	\$1,359.70
Employee + 2 +	589	\$21.19	\$53.60	\$1.19	\$75.98	\$1,824.15	\$1,535.30	\$1,900.13
Total	1,130							

Retiree <65 PPO	Enrollment	Admin	SSL	ASL	Total Fixed Costs	ICAP	Expected Liability	Maximum Liability
Employee	60	\$21.19	\$53.60	\$1.19	\$75.98	\$791.59	\$709.25	\$867.67
Employee + 1	28	\$21.19	\$53.60	\$1.19	\$75.98	\$1,623.87	\$1,375.07	\$1,699.85
Employee + 2 +	4	\$21.19	\$53.60	\$1.19	\$75.98	\$2,304.83	\$1,919.84	\$2,380.80
Total	92							

Retiree <65 EPO	Enrollment	Admin	SSL	ASL	Total Fixed Costs	ICAP	Expected Liability	Maximum Liability
Employee	70	\$21.19	\$53.60	\$1.19	\$75.98	\$815.80	\$728.62	\$891.78
Employee + 1	36	\$21.19	\$53.60	\$1.19	\$75.98	\$1,669.01	\$1,411.19	\$1,744.99
Employee + 2 +	9	\$21.19	\$53.60	\$1.19	\$75.98	\$2,367.09	\$1,969.65	\$2,443.07
Total	115							

Retiree >65 PPO	Enrollment	Admin	SSL	ASL	Total Fixed Costs	ICAP	Expected Liability	Maximum Liability
Employee	40	\$21.19	\$53.60	\$1.19	\$75.98	\$712.19	\$645.73	\$788.17
Employee + 1	31	\$21.19	\$53.60	\$1.19	\$75.98	\$1,612.21	\$1,365.74	\$1,688.18
Employee + 2 +	2	\$21.19	\$53.60	\$1.19	\$75.98	\$2,348.59	\$1,954.85	\$2,424.66
Total	73							

Retiree >65 EPO	Enrollment	Admin	SSL	ASL	Total Fixed Costs	ICAP	Expected Liability	Maximum Liability
Employee	32	\$21.19	\$53.60	\$1.19	\$75.98	\$728.89	\$659.09	\$804.87
Employee + 1	10	\$21.19	\$53.60	\$1.19	\$75.98	\$1,631.57	\$1,381.23	\$1,707.55
Employee + 2 +	0	\$21.19	\$53.60	\$1.19	\$75.98	\$2,370.12	\$1,972.08	\$2,446.10
Total	42							

Active Saver	Enrollment	Admin	SSL	ASL	Total Fixed Costs	ICAP	Expected Liability	Maximum Liability
Employee	14	\$21.19	\$53.60	\$1.19	\$75.98	\$449.58	\$435.65	\$525.66
Employee + 1	2	\$21.19	\$53.60	\$1.19	\$75.98	\$943.90	\$831.10	\$1,019.88
Employee + 2 +	6	\$21.19	\$53.60	\$1.19	\$75.98	\$1,348.32	\$1,154.64	\$1,424.30
Total	21							

Retiree <65 Saver	Enrollment	Admin	SSL	ASL	Total Fixed Costs	ICAP	Expected Liability	Maximum Liability
Employee	16	\$21.19	\$53.60	\$1.19	\$75.98	\$593.69	\$550.93	\$669.67
Employee + 1	1	\$21.19	\$53.60	\$1.19	\$75.98	\$1,217.90	\$1,050.30	\$1,293.88
Employee + 2 +	0	\$21.19	\$53.60	\$1.19	\$75.98	\$1,728.62	\$1,458.88	\$1,804.60
Total	17							

Retiree >65 Saver	Enrollment	Admin	SSL	ASL	Total Fixed Costs	ICAP	Expected Liability	Maximum Liability
Employee	0	\$21.19	\$53.60	\$1.19	\$75.98	\$534.14	\$503.29	\$610.12
Employee + 1	3	\$21.19	\$53.60	\$1.19	\$75.98	\$1,209.15	\$1,043.30	\$1,285.13
Employee + 2 +	0	\$21.19	\$53.60	\$1.19	\$75.98	\$1,761.43	\$1,485.13	\$1,837.41
Total	3							

HCR Suite: N = Non-Grandfathered PPO
HCR Suite: N = Non-Grandfathered EPO
HCR Suite: N = Non-Grandfathered Saver

Sold HealthEquity Account Pricing PEPM (not included above)

Health Savings Account

Plan

Saver

Billed by
BCBSAZ HealthEquity
\$2.70 \$0.00

Total

\$2.70

Annual Set Up Fee (based on number HRA and FSA accounts and billed by HealthEquity)

<500 Accounts
\$250

500 - 2,999 Accounts
\$500

3,000+ Accounts
\$1,500

Groups selecting HealthEquity administration (including integration) services for HSA, HRA and/or FSA products hereby direct BCBSAZ to collect the HealthEquity administration fees reflected in the Administrative Service Agreement Amendment (ASA Amendment) and forward those fees to HealthEquity, along with the required personal health information. BCBSAZ is collecting the HealthEquity administration fees a courtesy and is not responsible for any reconciliation, recoupment or adjustments to payments received and forwarded to HealthEquity on behalf of Employer. If Employer and HealthEquity negotiate alternative fees, Employer shall notify BCBSAZ.

Employer agrees to pay charges for HealthEquity administration services. For HSAs and HRAs, those charges apply to all employees enrolled in a health plan the group has paired with a Health Equity account. For FSAs, those charges apply to any employees for whom an FSA selection has been sent to BCBSAZ by the employer.

Proposed administration assumes BCBSAZ will retain Rx Rebates. In exchange for retaining Rx Rebates, BCBSAZ has adjusted the Admin PEPM by the Rx Rebate Credit. Rx Rebate Credit (PEPM) = -\$18.50

Premium tax is included in the specific and aggregate charges.

Minimum Monthly Attachment Level: \$2,102.007 based on 100% enrolled

Deposit Required: Yes
BCBSAZ will continue to retain the current claims deposit of \$1,424,701.

Is Mayo Provider Included in network?

Yes

Wellness and Communication \$50,000: Yes

Rate Guarantee Sold:

Yes (Admin)

-Rate Guarantee Period:

See Assumptions

-Rate Guarantee Details:

See Assumptions

HealthEquity Integration:

Yes

All information from the exhibit Assumptions #ASC-2016-011250-SOLD, Guarantees (Attachment 1), 100+ Employer Application (Exhibit 1) and Disclosure of "Eligible Indirect Compensation" (Exhibit 2) are incorporated herein by reference. Employer acknowledges electronic receipt of the Uniform Summaries of Benefits and Coverage (SBCs) for plans selected and the SBCs are incorporated herein by reference. As of the effective date on page 1, this amends and is made part of Employer's Administrative Services Agreement (ASA) with BCBSAZ. All provisions in the ASA not modified by this Amendment remain in full force and effect.

BCBSAZ reserves the right to adjust these premium rates retroactive to the first day of any billing month in which enrollment varies by more than fifteen percent (+/-15%) from that listed above.

The health reform law provides for a transitional reinsurance program beginning in 2014. Self-insured plans are required to contribute to the reinsurance program.

The ACA prohibits waiting periods in excess of 90 days. By signing below you represent that you do not impose a waiting period which is longer than 90 days and that you have made all necessary changes to bring all waiting periods for your plan into compliance with the ACA requirements. You agree to promptly advise BCBSAZ of any change which may impact the accuracy of this representation. You agree to provide BCBSAZ with timely and accurate information regarding enrollee effective dates and shall ensure such effective dates comply with applicable laws.



BCBS Representative

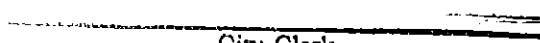
5/9/2016
Date

Group Representative

Date

Title

ATTEST:


City Clerk

Approved as to form


City Attorney

City Of Glendale #011250
Effective Date: 07/01/2016 - 06/30/2017



Assumptions #IASC-2016-011250- SOLD

Assumptions

- * Employer participation and contribution requirements apply:
 - Where the employer contributes 100% of the employee cost, BCBSAZ requires 100% participation of all eligible employees, excluding those with other qualifying medical coverage.
 - Where the employer does not contribute 100%, BCBSAZ requires 70% of all eligible employees to participate.
 - BCBSAZ requires a minimum of 50% of all full-time employees in the group to be enrolled in the employer's group plan.
 - Employer must contribute a minimum of 50% of the employee's health premium.
 - Payroll deduction for employee contribution is required.
- * Rates assume Blue Cross Blue Shield of Arizona is the sole medical and rx carrier.
- * Rates assume Blue Cross Blue Shield of Arizona is the specific and aggregate stoploss carrier.
- * BCBSAZ reserves the right to re-evaluate the rates if there is a significant change in the rating assumptions (e.g. enrollment).
- * BCBSAZ reserves the right to adjust our specific stop loss rates in the event the retirees over and under 65 are no longer covered under our specific stop loss coverage.
- * Currently BCBSAZ is holding a claims deposit of \$1,424,701. Our offer assumes that we will continue to hold this deposit for the policy period 7/1/2016-6/30/2017, in exchange for a credit of \$.81 PEPM made to the administration rate.
- * BCBSAZ reserves the right to re-evaluate and change the rates if City Of Glendale adds or deletes a benefit eligible class that will have BCBSAZ medical coverage.
- * BlueCard fees are included in the Attachment Point rate (if applicable) and are charged on the monthly invoice as a claim expense.
- * BCBSAZ reserves the right to decline to provide coverage for residents of any state other than Arizona, if in BCBSAZ's sole opinion, such coverage would be inconsistent with state or federal law.
- * The group will be billed each month prospectively for the Fixed Expenses.
- * Our offer assumes Mayo is included as an In-Network provider.
- * 100+ Groups (Fully Insured or ASC) who choose the network that includes Mayo Clinic in Arizona will also have, as an In-network provider at no additional charge, the Cancer Centers Treatment of America located in Arizona. Groups will also have access to Mayo Clinics and Cancer Treatment Centers of America facilities identified as "in-network" in the provider directory for other states.
- * We have not included premium tax on this account, based on the assumption that all premiums are paid with the employer's funds, and the employer is a municipality.
- * Costs for covered services provided by a chiropractor to PPO, EPO and Indemnity members, including an allowance for BCBSAZ to maintain this arrangement, will be paid by the Employer to BCBSAZ on a per member per month (PMPM) basis. The PMPM rate each Employer pays BCBSAZ will differ from the capitated fee BCBSAZ negotiated with the chiropractic administrator. BCBSAZ negotiated the fee that BCBSAZ pays the chiropractic administrator on the basis of BCBSAZ's entire book of business, without regard to any individual Plan. The PMPM rate BCBSAZ charges the employer is subject to change by BCBSAZ upon 60 days prior written notice.
 - The PMPM rate(s) for chiropractic services applicable to this Employer is/are:
 - EPO \$2.93 PMPM
 - PPO \$2.93 PMPM
 - Saver \$2.93 PMPM
 - The PMPM capitated fee(s) BCBSAZ pays the chiropractic provider is/are:
 - EPO \$2.62 PMPM
 - PPO \$2.62 PMPM
 - Saver \$2.62 PMPM

City Of Glendale #011250
Effective Date: 07/01/2016 - 06/30/2017



Assumptions #IASC-2016-011250- SOLD

- Pharmacy Network discounts are negotiated between BCBSAZ and our pharmacy benefit manager (PBM) over BCBSAZ's entire book of business and not on behalf of any group customer. You have been given the choice between the following PBM pricing models and have selected the Pass Through model effective 7/1/2014:

Pass Through PBM pricing model: allows you to pay the same discounted price for prescription drugs that BCBSAZ pays its PBM. The pass through pricing model passes on to you 100% of the pharmacy network discount. Any projected savings (amounts you might save by choosing the Pass Through PBM pricing model rather than the Traditional PBM pricing model) discussed with you are only estimates and your actual savings may vary from these estimates.

Traditional PBM pricing model: allows you to pay a discounted price for prescription drugs that is guaranteed regardless of the amount the PBM pays the pharmacies. The amount the PBM actually pays to pharmacies may be higher or lower than the guaranteed price. The traditional model guaranteed network discount has been negotiated over and applies to the entire BCBSAZ book of business that offers a prescription drug benefit.

- BCBSAZ enters into contracts with pharmaceutical manufacturers to receive rebate payments based on factors such as preferred drug list placement and the volume and/or market share of pharmaceutical products used by Participants in this Plan, participants in other group plans, and BCBSAZ subscribers ("rebate contracts"). BCBSAZ enters into rebate contracts on its own behalf, for its entire book of insured and administered business, and not on behalf of any specific individual or group benefit plan. BCBSAZ reserves the right to negotiate, enter into and terminate existing or future rebate contracts with pharmaceutical manufacturers at any time, and in its sole and absolute discretion.

At Employer's request, the parties have agreed that BCBSAZ will provide Employer with an administrative fee credit, in the amount specified below, in lieu of BCBSAZ remitting, to Employer, any rebates attributable to drug utilization by Employer's participants. If BCBSAZ receives any rebates attributable to pharmaceutical products covered under the terms and conditions of this Agreement, and used by Participants of Employer's Plan, BCBSAZ shall retain any such rebates in exchange for the administrative credit BCBSAZ has extended to Employer. BCBSAZ shall not remit any rebate payments to Employer.

Based on the amount of Rx rebates BCBSAZ received for its large group block of business for Calendar Year 2013, BCBSAZ calculates that the Rx rebates amount to approximately \$5.74 Per Employee Per Month (PEPM) for Calendar Year 2013. Based on this group's contract period, claims experience and/or demographics, the group's administrative fees reflect a credit for Rx rebates as reflected in the ASA/Rate Acceptance Form. The parties agree to accept this credited amount regardless of the actual amount of rebates that BCBSAZ may receive for Participants' Rx utilization.

The actual Rx PEPM rebate amount for your group, for 1 Qtr 2014 – 4 Qtr 2014 was \$18.41 PEPM.

- Beginning in 2015 the Affordable Care Act provides that certain large employers will be subject to a penalty if they fail to offer full time employees and certain dependents health coverage which satisfies both a 60% minimum value standard and an affordability requirement and a full-time employee obtains a subsidy on the health insurance marketplace. Groups subject to these requirements and seeking to avoid a penalty are responsible for the ultimate determination of whether the minimum value and affordability requirements are satisfied.

Using the minimum value calculator made available by HHS and the IRS, BCBSAZ estimates that the minimum value of the EPO, PPO and Saver plans do meet the minimum value standard. It is important that you independently review and confirm these results as they may be impacted by information not available to us (for example, benefits not provided by BCBSAZ, non-standard benefits not suited for the calculator and certain HSA contributions or HRA funds). BCBSAZ has included its conclusion(s) about minimum value in the plan(s) SBC(s) that BCBSAZ provides to Group. Any changes that Group makes to that conclusion based on Group's independent analysis will also affect the minimum value statement(s) in the SBC.

- BCBSAZ will provide funds as described below, this budget is for items not included in BCBSAZ's standard materials.

Policy Period	Implementation	Wellness/ Communication
7/1/14-6/30/15	\$ 40,000	\$ 50,000
7/1/15-6/30/16	n/a	\$ 50,000
7/1/16-6/30/17	n/a	\$ 50,000

BCBSAZ will pay City approved vendors directly.

Any unused funds can be carried forward to future policy periods. In the event of termination all money in this fund will be forfeited.

- BlueCard fees are a claims expense and are included in the rate development.
- BCBSAZ agrees to an administrative rate guarantee for 7/1/2014 thru 6/30/2019. BCBSAZ reserves the right to change the rate guarantee due to legislative changes. The guarantee is based on the administrative charge before any credits for Rx rebates or claim deposits.

Policy Periods	2014-2015	2016-2016	2016-2017	2017-2018	2018-2019
Guaranteed Admin before all credits	\$ 40.50	\$ 40.50	\$ 40.50	\$ 41.31	\$ 42.14

- BCBSAZ will create the Uniform Summaries of Coverage (SBC) for coverage provided by BCBSAZ. BCBSAZ will not create SBCs for any coverage the Group provides through a third-party or for health reimbursement arrangements, flexible spending accounts or health savings accounts provided by the Group. Unless directed by the Group, BCBSAZ will provide SBCs to Subscribers, as required by PPACA, except that the Group is solely responsible for delivering SBCs in accordance with PPACA: (i) to Subscribers during open enrollment; (ii) to newly eligible individuals; and (iii) to special enrollees.

- BCBSAZ agrees to guarantee the Rx rebate credit for 7/1/2014 thru 6/30/2017 (see table below). This guarantee assumes BCBSAZ retains all Rx rebates. BCBSAZ reserves the right to change the credit guarantee due to legislative changes. During the negotiations of the 7/1/2016 renewal BCBSAZ will provide guaranteed amounts for policy periods 7/1/2017 and 7/1/2018.

Policy Periods	2014-2015	2016-2016	2016-2017
Guaranteed Rx rebate credit PEPM	\$ 12.00	\$ 11.50	\$ 11.50

- BCBSAZ will pay run out claims (i.e., claims incurred but not paid during the term of the contract) as follows:
 - Month 1 through Month 24 following the effective date of termination WITH stop loss.

1. LOCAL

BCBSAZ pays some of its contracted medical providers an amount to manage the medical care of members diagnosed with certain medical conditions if the provider demonstrates to BCBSAZ it has satisfied BCBSAZ's criteria for effectively managing the care ("Value Based Services")

With respect to a BCBSAZ group members residing and receiving Value Based Services in Arizona under a BCBSAZ value based program, BCBSAZ will estimate at the beginning of the contract year the amount BCBSAZ projects it will pay BCBSAZ's contracted providers for members who receive Value Based Services throughout the upcoming year in the form of a PMPM or PEPM charge ("PMPM Charge"). BCBSAZ will charge BCBSAZ's ASC Groups via the Group's Claims Invoice this PMPM Charge beginning January 1, 2016.

On an aggregate basis for the entire Value Based Program, the amounts used to calculate PMPM charge are fixed amounts estimated to be necessary to finance the cost of a particular Value-Based Program. Because amounts are estimates, there may be positive or negative differences based on actual experience, and such differences will be accounted for in a variance account maintained by BCBSAZ until the end of the applicable Value-Based Program payment and/or reconciliation measurement period. The amounts needed to fund a Value-Based Program may be changed before the end of the measurement period if it is determined that amounts being collected are projected to exceed the amount necessary to fund the program or if they are projected to be insufficient to fund the program.


On an aggregate basis for the entire Value Based Program, at the end of the Value-Based Program payment and/or reconciliation measurement period for these arrangements, BCBSAZ will take one of the following actions:

- Use any surplus in funds in the variance account to fund Value-Based Program payments or reconciliation amounts in the next measurement period.
- Address any deficit in funds in the variance account through an adjustment to the PMPM billing amount or the reconciliation billing amount for the next measurement period.

NOTE: If an ASC Group terminates its BCBSAZ contract, that Group will neither receive a refund nor a charge to reflect any variance between what BCBSAZ charged the Group in Value Based Charges and what BCBSAZ paid the providers for Value Based Services


2. NATIONAL

Value Based Services will also apply to your members who reside in other states/geographical locations served by other Blue Cross Blue Shield Plans. A full description of these arrangements will be described in your contract.


	<p align="center">Solicitation Number: RFP 14-26</p> <p align="center">MEDICAL AND PHARMACY ADMINISTRATION</p>	<p align="center">CITY OF GLENDALE Materials Management 5850 West Glendale Avenue, Suite 317 Glendale, Arizona 85301</p>
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For the following categories, provide the performance standard you are willing to offer, the financial penalty (maximum dollar amount or % of administrative fees) you will agree to pay if the standard is not met, and the method of measuring the penalty.

PERFORMANCE GUARANTEES	VENDOR RESPONSE
<p>1. <u>Vendor attendance at the Client meetings</u></p> <p>Attendance by vendor representatives when requested at meetings scheduled by the Client during the contract period and implementation phase.</p>	<p>BCBSAZ agrees to attend when requested by the City during the contract period and Implementation phase.</p> <p>BCBSAZ agrees. 1.5% of annual administrative fee.</p>
<p>2. <u>Vendor call (or e-mail) return timeliness</u></p> <p>The Client or designated consultant's calls (or e-mails) to vendor are acknowledged within 24 business hours.</p>	<p>BCBSAZ agrees. 1.5% of annual administrative fee.</p>
<p>3. <u>Processing monthly eligibility updates</u></p> <p>All updates to eligibility or enrollment records will be made within 3 business days after the information is received by the vendor.</p>	<p>BCBSAZ agrees. 1.5% of annual administrative fee.</p> <p>Ninety-nine percent of clean electronic eligibility files will be processed within 3 business days after the information is received by the vendor.</p>
<p>4. <u>Telephone call availability & answering speed</u></p> <p>90% of all calls are answered within 30 seconds, and telephone service is available between 8:00 am and 6:00 pm Arizona Time Zone on business days.</p>	<p>BCBSAZ agrees. 1.5% of annual administrative fee.¹</p> <p>BCBSAZ Customer Service calls answered in an average of 45 seconds or less. Average speed of answer begins once the caller exits the IVR. Customer service hours 6 AM – 6PM.¹</p>
<p>5. <u>Telephone call on-hold (in-queue) time</u></p> <p>An average of less than 2 minute(s) on hold before a <u>human being</u> answers.</p>	<p>BCBSAZ agrees. 1.5% of annual administrative fee.¹</p> <p>BCBSAZ Customer Service calls answered in an average of 45 seconds or less. Average speed of answer begins once the caller exits the IVR. Customer service hours 6 AM – 6PM.¹</p>
<p>6. <u>Telephone Abandonment Rate</u></p>	

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PERFORMANCE GUARANTEES	VENDOR RESPONSE
<p>An abandonment rate of less than 3% is maintained during standard business hours.</p>	<p>BCBSAZ agrees. 1.5% of annual administrative fee.¹</p> <p>Less than 5% of BCBSAZ Customer Service calls abandoned.¹</p>
<p>7. <u>Claims Processing Accuracy</u></p> <p>99% of claims dollars submitted for payment will be accurately processed and paid. Regardless of whether or not these standards of performance are satisfied, the vendor must reimburse the Client for all overpayments that are not recovered from the recipient within 60 days after the overpayment is discovered. The Client will assign its right to any recover such overpayments to the vendor.</p>	<p>BCBSAZ agrees. 1.5% of annual administrative fee.¹</p> <p>Ninety-nine percent of audited claims dollars are paid in accordance with benefit plan designs and in-force provider contracts. This penalty applies if BCBSAZ fails to perform in accordance with this standard quarterly. A penalty pay out of 1% would occur for results at or below 98.5%, and an additional 1% for results at or below 98%.¹</p>
<p>8. <u>Turnaround Time on Claims Payments</u></p> <p>95% of all claims received will be completely processed (paid, denied, or pended for additional information) within 14 calendar days after they are received. 100% of claims will be processed within 30 calendar days of receipt.</p>	<p>BCBSAZ agrees. 1.5% of annual administrative fee.¹</p> <p>Ninety percent of non-investigated clean claims processed (paid or rejected) within 14 calendar days after receipt of clean claim.</p> <p>A clean claim is defined as a written or electronic claim for health care services or benefits that may be processed without obtaining additional information, such as coordination of benefits information, from the health care provider, the enrollee or a third party. Claims processing penalties are not applicable on claims incurred outside of Arizona.¹</p>

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PERFORMANCE GUARANTEES	VENDOR RESPONSE
<p>9. <u>Timeliness of Claim Reports</u></p> <p>Each report the vendor will supply the Client will be provided within a mutually agreed upon timeframe.</p>	<p>BCBSAZ agrees. 1.5% of annual administrative fee.</p> <p>Report Timeliness: Each report will be mutually agreed upon with the Vendor and the Client. Each report will be provided within a mutually agreed upon timeframe.</p>
<p>10. <u>Claims Coding</u></p> <p>99% of all claims will be coded with no errors.</p>	<p>BCBSAZ agrees. 1.5% of annual administrative fee.¹</p> <p>Ninety-five percent of audited claims are processed in accordance with benefit plan designs.¹</p>
<p>11. <u>Implementation</u></p> <p>Successful implementation as defined by key milestones. Include measurable milestones in your proposal.</p>	<p>BCBSAZ agrees. 1.5% of annual administrative fee. Please refer to Section 11H for an Implementation Timeline.</p>
<p>12. <u>Data Exchange</u></p> <p>Receive and transmit data with vendors based on a frequency defined by the business needs of the Client.</p>	<p>At this time there is no data exchange with any vendors other than our integrated/contracted partners.</p>

BCBSAZ footnote:

- ¹. If BCBSAZ fails to perform in accordance with these Guarantee(s) for two (2) consecutive reporting periods after the Guarantee(s) are effective, BCBSAZ will refund or credit the group up to the amount at risk per measure during the time period which BCBSAZ did not meet the performance guarantee(s).

BCBSAZ notes:

- The Performance Guarantee payout does not include stop loss premiums, claims reimbursement amounts, vendor interface fees, capitated claim payments, etc.
- BCBSAZ will determine the sample size of audited claims.
- BCBSAZ will evaluate performance 90 days after the end of the 4th quarter of the performance period. Any penalties due to the group would be payable annually on the 15th of the month following the 90 day period. BCBSAZ will not be required to pay a penalty for Performance Guarantees if the group is in default of its contract with BCBSAZ and/or has not paid all claims and premiums by the date due.

100+ EMPLOYER APPLICATION



REQUESTED EFFECTIVE
DATE (MM/DD/YYYY)

7/1/14

Exhibit 1

GROUP # 11250

☐ NEW

☒ Change to existing group

SECTIONS TO BE CHANGED: ☒ I ☒ II ☒ III ☐ IV ☐ V

PLEASE FULLY COMPLETE ALL SECTIONS OF THIS APPLICATION EVEN IF
SPECIFIC PROVISIONS REMAIN UNCHANGED.

SECTION I - EMPLOYER GROUP INFORMATION

LEGAL COMPANY NAME

City of Glendale

DBA

GROUP HEALTH PLAN NAME

City of Glendale Group Health Plan

ARIZONA LOCATION STREET ADDRESS

5850 W. Glendale Ave.

CITY

Glendale

A Z

ZIP CODE PLUS FOUR

85301

BILLING ADDRESS ☒ SAME AS STREET ADDRESS

CITY, STATE

ZIP CODE PLUS FOUR

COUNTY

Maricopa

FEDERAL TAX ID NUMBER

86-6000247

ARIZONA STATE TAX ID NUMBER

PLAN YEAR ANNIVERSARY MONTH

July

HEADQUARTERS STATE

Arizona

INCORPORATED STATE

Arizona

TYPE OF BUSINESS

Municipality

GROUP EXECUTIVE

Jim Brown

TITLE

Executive Director of Human Resources and Risk Management

E-MAIL

JWBrown@GLENDALEAZ.com

PHONE NUMBER

(623) 930-2277

FAX

()

CHIEF FINANCIAL OFFICER

TITLE

E-MAIL

PHONE NUMBER

()

FAX

()

CHIEF EXECUTIVE OFFICER

TITLE

E-MAIL

PHONE NUMBER

()

FAX

()

GROUP BENEFIT ADMINISTRATOR ☒ BILLING CONTACT

Jim Brown

TITLE

Executive Director of Human Resources and Risk Management

E-MAIL

JWBrown@GLENDALEAZ.com

PHONE NUMBER

(623) 930-2277

FAX

()

OTHER CONTACT PERSON ☐ BILLING CONTACT

ATTACH SHEET FOR ADD'L CONTACTS

TITLE

Lalrisse Kuzinski

Senior HR Analyst

E-MAIL

LKuzinski@GLENDALEAZ.com

PHONE NUMBER

(623) 930-2298

FAX

(623) 930-2107

LEGAL ENTITY

☐ CORP ☐ LLC ☐ PARTNERSHIP ☐ POLITICAL SUBDIVISION ☒ MUNICIPALITY ☐ UNIONS ☐ TRUSTS ☐ NON PROFIT

SECTION II - PLAN INFORMATION - INDICATE HEALTH/DENTAL PLAN SELECTED AND HEALTH ACCOUNT ADMINISTRATION FROM HEALTH EQUITY*. IF ANY, SELECT

☒ PPO ☐ R ☐ F ☒ PPO SAVER (HDHP) ☐ H ☐ L ☐ INDEMNITY ☐ R ☐ F ☐ BLUE/PREFERRED DENTAL
☒ PPO-EPO* ☐ R ☐ F ☐ HMO ☐ R ☐ F ☐ GSA (DETAILED/LOCAL HEALTH) ☐ COMPATIBLE ☐ YES ☐ NO

FOR EACH PLAN SELECTED, CHOOSE DESIRED HEALTH ACCOUNT OPTIONS: H-HSA, R-HRA, F-FSA, L-LIMITED PURPOSE FSA
 *SELF-FUNDED ONLY NEW GROUPS OR GROUPS MAKING BENEFIT CHANGES MUST HAVE SIGNED RATE ACCEPTANCE FORM.

SECTION III - FUTURE EMPLOYEE ELIGIBILITY AND EMPLOYER CONTRIBUTION

1) FOR ALL ELIGIBLE EMPLOYEES, THE EMPLOYER AGREES TO CONTRIBUTE AN AMOUNT EQUAL TO 50-100% OF THE EMPLOYEE'S PREMIUM. PLEASE REFER TO UNDERWRITING GUIDELINES FOR COMPLETE ELIGIBILITY, CONTRIBUTION AND PARTICIPATION REQUIREMENTS. (IF ELIGIBLE FOR RETIREE COVERAGE, SEE SECTION 12.) DEFINE EMPLOYEE CLASSIFICATION AND INDICATE EMPLOYER CONTRIBUTION BY DOLLAR AMOUNT OR PERCENTAGE. USE ADDITIONAL SHEET IF MORE THAN 3 CLASSES

FUTURE EMPLOYEE ENROLLMENT REGULATIONS/CONTRIBUTION BY CLASSIFICATION

CLASS I: Full Time Working 30 Hours	CLASS II: Part Time Working 20-30 Hours	CLASS III: New hires hired 1st, 2nd, 3rd of month
EFFECTIVE DATE OF EMPLOYEE COVERAGE <input type="checkbox"/> ODD EFFECTIVE or <input checked="" type="checkbox"/> FIRST BILLING DATE OF HIRE: _____ DAYS: _____ 1 MONTHS OTHER: _____ <input checked="" type="checkbox"/> FIRST OF THE MONTH BILL	EFFECTIVE DATE OF EMPLOYEE COVERAGE <input type="checkbox"/> ODD EFFECTIVE or <input checked="" type="checkbox"/> FIRST BILLING DATE OF HIRE: _____ DAYS: _____ 1 MONTHS OTHER: _____ <input checked="" type="checkbox"/> FIRST OF THE MONTH BILL	EFFECTIVE DATE OF EMPLOYEE COVERAGE <input type="checkbox"/> ODD EFFECTIVE or <input checked="" type="checkbox"/> FIRST BILLING DATE OF HIRE: _____ DAYS: _____ 1 MONTHS OTHER: _____ <input checked="" type="checkbox"/> FIRST OF THE MONTH BILL
TERMINATION DATE OF EMPLOYEE COVERAGE <input type="checkbox"/> ODD TERM OR <input checked="" type="checkbox"/> END OF MONTH	TERMINATION DATE OF EMPLOYEE COVERAGE <input type="checkbox"/> ODD TERM OR <input checked="" type="checkbox"/> END OF MONTH	TERMINATION DATE OF EMPLOYEE COVERAGE <input type="checkbox"/> ODD TERM OR <input type="checkbox"/> END OF MONTH

2) ADDITIONAL CLASSES (SEE ATTACHED)

3) DOMESTIC PARTNERS TO BE COVERED? - ATTACH CRITERIA YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> CRITERIA: STANDARD CRITERIA: OTHER-ATTACHED	4) NUMBER OF ELIGIBLE EMPLOYEES 1293	5) NUMBER OF NON-ARIZONA (US AND WORLDWIDE) ELIGIBLE EMPLOYEES	6) TOTAL NUMBER OF WORLDWIDE ELIGIBLE EMPLOYEES
--	---	--	---

7) EMPLOYEE ELIGIBILITY:
☒ FULL-TIME, ACTIVE, WORKING 30 HOURS PER WEEK ☒ PART-TIME (IF ELIGIBLE) HOURS PER WEEK 20.6 ☐ OTHER (SPECIFY)

8) DEPENDENT ELIGIBILITY:
☒ SPOUSES ☒ CHILDREN TO AGE 26 ☒ OTHER (MUST SPECIFY, USE SEPARATE ATTACHMENT IF NEEDED)
 Retirees, see below

9) NEW GROUP ENROLLMENT REGULATIONS:
 EMPLOYER'S ENROLLMENT WAITING PERIODS WILL BE WAIVED AT THE NEW GROUP'S INITIAL ENROLLMENT. YES ☐ NO ☐

10) PRE-EXISTING CONDITION (PEC) WAITING PERIODS (NOT ALLOWABLE FOR CHILDREN UNDER AGE 18)
 A. FUTURE EMPLOYEE PEC WAITING PERIOD: ☒ 11 MONTHS STANDARD (6 MO LOOKBACK APPLIES) ☒ NO PEC ☐ OTHER:
 B. NEW GROUP EMPLOYEE PEC WAITING PERIOD WAIVED: ☐ YES: ANY PERSONS COVERED BY PRIOR CARRIER ☐ YES: AT RENEWAL ONLY ☐ NO: HIPAA CREDITABLE COVERAGE APPLIES
 C. RENEWAL GROUP EMPLOYEE PEC WAITING PERIOD WAIVED: ☐ YES: ANY PERSONS COVERED BY PRIOR CARRIER ☐ YES: AT RENEWAL ONLY ☐ NO: HIPAA CREDITABLE COVERAGE APPLIES
 D. LATE ENROLLEES PEC WAITING PERIOD: ☐ SAME AS A (ABOVE) ☐ 18 MONTHS ☐ OTHER:

11) SECTION 125: DOES THE GROUP HAVE A SECTION 125 PLAN? YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	12) LOSS OF COVERAGE EFFECTIVE DATE: <input checked="" type="checkbox"/> DATE OF LOSS UNDER ANOTHER GROUP PLAN <input type="checkbox"/> 1ST BILL DATE FOLLOWING LOSS
---	---

13) RETIREE COVERAGE: RETIREMENT ELIGIBILITY: YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> RETIREES TO BE COVERED? YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> IF YES: <input checked="" type="checkbox"/> UNDER 65 <input checked="" type="checkbox"/> 65 AND OLDER RETIREES DEPENDENTS TO BE COVERED? YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> OTHER THAN NEWBORNS, ETC. FOR WHICH COVERAGE MAY BE MANDATED UNDER APPLICABLE ARIZONA LAW

14) RETIREMENT PARTICIPATION REQUIREMENTS
 A) RETIREE MUST COMPLETE _____ YEARS OF SERVICE PRIOR TO RETIREMENT
 B) RETIREE IS ELIGIBLE FOR COVERAGE ONLY THROUGH END OF BILLING PERIOD IN WHICH RETIREE REACHES AGE _____
 C) OTHER: SEE ATTACHED
 See attached.

* HealthEquity is an independent company, contracted with BCBSAZ to administer HSAs, HRAs and FSAs for group benefit plans.

SECTION IV - BROKER/CONSULTANT ☒ BROKER ☐ CONSULTANT

LAST NAME		FIRST NAME		MI
None				
AGENCY NAME				
None				
SUITE NO.		STREET ADDRESS		
CITY		STATE	ZIP + FOUR	
PHONE NUMBER		FAX NUMBER		
()		()		
E-MAIL		EFFECTIVE DATE		

SECTION V - IMPORTANT - READ CAREFULLY

As the authorized representative of Company, I certify that the Company is the sole employer of the employees to be enrolled under this proposed contract for health insurance or services to administer the group health plan identified on this application. I also certify that the information provided on this 100+ Employer Application and all other applicable documents submitted in connection with this Application, is complete and accurate. I agree that Company shall promptly notify Blue Cross Blue Shield of Arizona (BCBSAZ) of any changes in this information that may affect the eligibility of employees or their dependents, including the hire date of any new eligible employees, addition of dependents, and the termination date of any enrolled employee or dependent. I understand and agree that BCBSAZ may, in its sole discretion, verify health/medical and all other information with or through outside sources, including third party investigative firms, as BCBSAZ deems necessary or appropriate for finalizing its decision on this Application. I agree that if the information (including medical information) contained in this Application or other supporting documentation is incomplete, inaccurate, materially misleading, false, or fraudulent, that BCBSAZ has the right to (a) retroactively adjust the Company's rates and/or administrative fees if such information would have affected the rate/fee calculation; and (b) invalidate, or withdraw any rate/fee proposal, or terminate coverage for any group to the extent permitted by law.

I understand and agree that this Application is not accepted until approved by BCBSAZ and that BCBSAZ's acceptance shall be based on information supplied by the Group, the requested benefits, and any other information obtained from outside sources. BCBSAZ's acceptance shall be evidenced by the execution of this Application by an authorized representative of BCBSAZ, at which time this Application shall become binding upon BCBSAZ and the group. Upon acceptance, this Application shall be attached to and shall become a part of the Group Master Contract or Administrative Services Agreement With/Without Stoploss (the "Contract"), as applicable. To the extent permitted by applicable law, BCBSAZ may terminate the Contract in accordance with the Contract terms, including the Group's failure to meet certain obligations under the Contract such as failure to pay premium/fees; failure to maintain Group contribution rates and percentages; and failure to maintain employee and/or dependent participation levels.

The Group agrees that it is solely responsible for ensuring that it complies with applicable laws in classifying employees for purposes of defining eligibility for benefits and in providing specific benefits, including laws prohibiting discrimination based on salary. Company understands and agrees that federal law requires Company to provide dependent coverage for children under age 26, and prohibits Company from imposing pre-existing condition waiting periods for children under age 19.

By including my e-mail address on the reverse side, I authorize BCBSAZ to send me information via e-mail. I also understand I may change my e-mail address or rescind this permission at any time by contacting BCBSAZ through azblue.com.

Company Authorized Officer / Owner / Partner



SIGNATURE

Brenda S. Fischer

PRINT NAME

City manager

TITLE

4/3/14

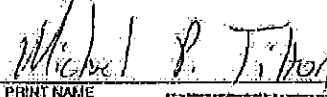
DATE

Glendale, AZ 85301

CITY, STATE & ZIP

☒

BCBSAZ Authorized Signature



PRINT NAME

Vice President, Sales

TITLE

3/17/14

DATE

APPROVED AS TO FORM
BCBSAZ Legal Division

3/17/14

(30) (21)

ATTEST:



City Clerk



City Attorney

Addendum to Employer Application
Effective 07/01/2016
Group# 11250

Section 1- Additional Group Contacts

Vicki Moss, Human Resources Administrator
Phone: 623-930-2297
Vmoss@Glendaleaz.com

Charlotte Beadles, Human Resources Specialist
Phone: 623-930-2969
Cbeadles@Glendaleaz.com

Hanh Hang, Human Resources Technician
Phone: 623-930-2283
Hhang@Glendaleaz.com

Hillary Zagara, Human Resources Technician
Phone: 623-930-2282
Hzagara@Glendaleaz.com

Section 3- Retirement Participation Requirements:

Additional Note: To be eligible for retiree benefits, a retiree must have at least five(5) years of service at the City of Glendale if hired prior to 07/01/2005. Ten (10) years of service at the City of Glendale is hired after 07/01/2005. There is no age minimum or maximum for retiree coverage.

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Re: 2016 Form 5500 Schedule C Service Provider Information – Disclosure of "Eligible Indirect Compensation" -

Dear Sir or Madam:

Blue Cross Blue Shield of Arizona ("BCBSAZ") is required to provide Employers with information regarding certain indirect compensation ("Eligible Indirect Compensation" or "EIC") paid by BCBSAZ to other Service Providers during 2016.

Under your contract with BCBSAZ, one of the benefits your employees and their dependents ("Participants") receive is access to healthcare services outside the geographic area BCBSAZ serves under a program known as BlueCard. Typically in that situation, Participants obtain care from healthcare providers that have a contractual agreement with the local Blue Cross and/or Blue Shield Licensee in that other geographic area (the "Host Blue"). Within that arrangement, BCBSAZ is referred to as the "Home Blue." The BlueCard Program is established and operated pursuant to policies established and enforced by the Blue Cross and Blue Shield Association.

A plan sponsor's reporting requirements for a self-funded plan on Schedule C are significantly streamlined for EIC about which a service provider has shared certain information. As such, below is a list of EIC that has been and/or is likely to be received in connection with the BlueCard Program. Note that the fees and compensation subject to disclosure under the Department of Labor rules include amounts that are not necessarily passed on to your ERISA Plan or your Participants. The financial terms of the BlueCard Program passed on to your ERISA plan, and additional details about the BlueCard Program, are described in your Agreement with BCBSAZ.

The following is a list of EIC:

1. **BlueCard Access Fees:** The Access Fee is charged by the Host Blue to us for making its applicable provider network available to your members. The Access Fee will not apply to nonparticipating provider claims. The Access Fee is charged on a per-claim basis and is charged as a percentage of the discount/differential we receive from the applicable Host Blue subject to a maximum of \$2,000 per claim. When charged, we pass the Access Fee directly on to you.
2. **Administrative Expense Allowances (AEA):** The AEA is a fixed per-claim dollar amount charged by the Host Blue to us for administrative services the Host Blue provides in processing claims for your members. The dollar amount is normally based on the type of claim (e.g. institutional, professional, international, etc.) and can also be based on the size of your group enrollment. When charged, we pass the AEA fee directly on to you.

Note: To be considered for reduced BlueCard PPO fees, the claim must be for an account whose total Blue PPO enrollment exceeds 1,000 contracts

3. **Use of Estimated or Average Pricing by Host Blues.** As described in your administrative service agreement, some Host Blues use estimated or average prices to determine the negotiated price that is made available to BCBSAZ when plan participants access the Host Blue's participating provider network. This may result in a difference (positive or negative) between the price you pay on a specific claim and the actual amount paid to the provider by the Host Blue.

The following describes the formulas used for determining an estimated or average price:

Estimated: A percentage is used to modify the claim price for covered services. This percentage (either positive or negative) allows Host Blues to incorporate

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adjustments and actuarial projections prospectively into the final price. The percentage is determined by calculating the aggregate cost to the Host Blue over a look-back period less any initial payments made to providers divided by the total payments initially made to providers. The aggregate cost in the numerator includes all provider retrospective settlements, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, performance-related bonuses or incentives, interest, other non-claim transactions and any positive or negative balance in the variance account. The percentage is then actuarially adjusted for anticipated changes in claims expenses for the prospective period. As of December 31, 2015 the modifying percentage applied to claims from those Host Blues that use estimated pricing ranged from -8.0% to +12.36% the rate of payment to the provider at the point of the claims. The modifying percentages applied to claims from those Host Blues that will be used for estimated pricing have not been calculated as of the date of this letter.

Average: An average price is determined for a defined category of provider (e.g., institutional, professional, etc.) of a Host Blue in a given geographic area. The average is determined as follows:

Total amount paid to such providers over a look-back period, including initial payments as well as applicable claim and non-claim related transactions, which may include but are not limited to provider retrospective settlements, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, performance-related bonuses or incentives, interest, etc., and any positive or negative balance in the variance account

divided by

Total amount of such providers' corresponding charges for covered services over the same look-back period (claims for non-covered services are not included in the calculation)

This result is an average price that is applied to each claim for the defined category of provider of the Host Blue in the geographic area and presented as the negotiated price.

The Host Blue determines whether it will use an actual, estimated or average price. The use of estimated or average pricing may result in a difference (positive or negative) between the price you pay on a specific claim and the amount the Host Blue pays to the provider. However, the BlueCard Program requires that the amount paid by the member and you is the final price; no future price adjustment will result in increases or decreases to the pricing of past claims.

Any positive or negative differences in estimated or average pricing are accounted for through variance accounts maintained by the Host Blue and are incorporated into future claim prices. As a result, the amounts charged to you will be adjusted in a following year, as necessary, to account for over- or underestimation of the past years' prices. The Host Blue will not receive compensation from how the estimated price or average price methods, described above, are calculated. Because all amounts paid are final, neither positive variance account amounts (funds available to be paid in the following year), nor negative variance amounts (the funds needed to be received in the following year), are due to or from [you/account name]. If [you/account name] terminate, you will not receive a refund or charge from the variance account.

Variance account balances are small amounts relative to the overall paid claims amounts and will be [liquidated/drawn down] over time. The timeframe for their liquidation depends

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on variables, including, but not limited to, overall volume/number of claims processed and variance account balance. Variance account balances may earn interest at the [federal funds or similar rate]. Host Blues may retain interest earned on funds held in variance accounts.

4. **BlueCard Worldwide Program.** The BlueCard Worldwide Program provides members with access to an international network of inpatient, outpatient and professional providers. The Blue Cross and Blue Shield Association has contracted with AXA Assistance USA, an independent company, to gain access to AXA's network for the program. Medical assistance and claims support services are also provided under the program by AXA Assistance USA. AXA Assistance USA's fees paid by the Home Blue are as follows:

Medical Assistance	Fee (in dollars)
General Inbound Calls (questions related to the BlueCard Worldwide Program and related processes; requests for provider information for non-medical situations, etc.)	\$8.04 / Call
Provider Inquiry/Referral (non-medical situation)	\$10.07 / Call
Cashless access	\$19.21 / Call
Phone Translation	\$28.00 / Call
Fulfillment	\$7.28 / Mailing
Provider Referral/visitation (medical situation)	\$31.82 / Referral
Misrouted Calls	\$3.21 / Call

Medical Monitoring	Fee (in dollars)
Medical Monitoring < 3 Days	\$195.12 / Case
Medical Monitoring 3 – 10 Days	\$353.97 / Case
Medical Monitoring > 10 days	\$545.31 / Case

Claims Support Services	Fee (in dollars)
Claim Preparation – (Image claim, route claim, verify eligibility, conduct provider follow-ups; excluding translation and currency conversion)	\$3.70 / Bill
Claim Preparation and Currency Conversation	\$3.70 / Bill
Claim Preparation and Translation	\$4.08 / Bill
Claim Preparation, Translation and Currency Conversion	\$4.08 / Bill
Claim coding (code claim to ICD standards)	\$4.20 / Bill
Misrouted claim (for example, domestic)	\$1.50 / Claim
Claim Status inquiry	4.15 / Claim
Other Document Translation (for example, medical records)	\$28.00 / Page
Outside Translation Costs	At Cost

Claims Payment	Fee (in dollars)
Payment Issuance (receive funds, match to file, purchase currency, issue check)	\$2.22 / Payment
Currency Conversion gains/losses	At Cost
Void check requests	\$1.13 / payment

Additional Services	Fee (in dollars)
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Medical Evacuation coordination	\$739.47 / Case
Medical Repatriation coordination	\$657.97 / Case
Repatriation of Remains coordination	\$446.91 / Case
Medical Travel - case	\$602.17 / Case
Medical Travel – Travel assistance	\$47.40 / Case

5. Negotiated Arrangements: With respect to one or more Host Plans, instead of using the BlueCard Program, BCBSAZ may process your Participant claims for Covered Services through Negotiated Arrangements.

Non-Standard negotiated AEA fees for 2015 and 2016

Non-standard negotiated fees can range from either \$5.48 to \$18.22 per claim, or \$10.00 to \$16.75 per contract per month depending on the negotiated arrangement and/or the health plan product

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Under new regulations related to the 2009 Form 5500 Schedule C - Service Provider Information, BCBSAZ is required to provide information regarding certain indirect compensation (referred to in this letter as "Eligible Indirect Compensation" or "EIC") paid by BCBSAZ to other Service Providers during 2016 related to your contract with BCBSAZ.

The following Service Providers received EIC from BCBSAZ during 2016:

Name of Service Provider Receiving EIC from BCBSAZ: SourceHOV LLC.

Address: 369 Inverness Parkway, Suite 300, Englewood, CO 80112

Service Provided: Claims Processing (Certain Specialty Type Claims) and Claims Edit Resolution

Basis of Compensation: \$0.41 to \$0.90 per Institutional Claim Processed (UB04); \$0.28 to \$0.55 per Professional Claim Processed (CMS1500); \$0.31 to \$0.32 per Dental Claim Processed; \$1.019 - \$2.038 per claim edit resolution

Name of Service Provider Receiving EIC from BCBSAZ: Sutherland Global Services, Inc.

Address: 2 Brighton Rd., Suite 300 Clifton, NJ 07012

Service Provided: Data entry for provider data, assistance with credentialing

Basis of Compensation: \$4.23 - \$34.35 per provider record completed and \$28.04 per credentialing unit completed

Name of Service Provider Receiving EIC from BCBSAZ: Emdeon Inc.

Address: P.O. Box 572490, Murray Utah 84157-2490

Service Provided: Fee for the Recovery of Overpayments

Basis of Compensation: 21.5% of the Recovered Amount

Name of Service Provider Receiving EIC from BCBSAZ: OptumRx.¹

Address: 1600 McConnor Parkway, Schaumburg, IL 60173-6801

Service Provided: Pharmacy Claims Processing and select PBM services

Basis of Compensation: for electronic claims only

Traditional Pricing Model = \$0.50 per net paid claim dispensed by Walgreens Mail Service

Pass-Thru Pricing Model = \$0.75 per net paid claim

¹ BCBSAZ paid compensation to OptumRx only for groups who used BCBSAZ to manage their pharmacy benefits.

Pharmacy Rebates – BCBSAZ receives rebates from certain Pharmaceutical Manufacturers for certain drugs. Subject to the terms of your BCBSAZ Administrative Services Agreement your Group may be eligible for a Pharmacy Rebate. The current Rebate estimate for 100-plus member Groups is \$5.74 per employee per month. BCBSAZ may earn interest income on Pharmacy Rebates during the period after the Rebate is paid to BCBSAZ and prior to payment to your Group.

Name of Service Provider Receiving EIC from BCBSAZ: KJB Health Care

Address: 5935 E. Kings Avenue, Scottsdale, AZ 85254

Service Provided: Clinical review of medication prior authorization and non-formulary requests

Basis of Compensation: Hourly, \$100/hr

Name of Service Provider Receiving EIC from BCBSAZ: Inpharmative

Address: 8717 W. 110th St., Overland Park, KS 66210

Service Provided: Pharmacy Rebate Processing

Basis of Compensation: \$0.04 per Claim Processed

Name of Service Provider Receiving EIC from BCBSAZ: Convergys

Address: 110 Hawkwatch Drive, Montgomery TX 77316

Service Provided: Provider Assistance Call Center

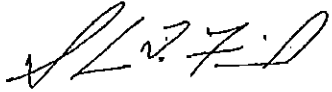
Basis of Compensation: \$ 4.19 per call

BCBSAZ's list of affiliated Service Providers receiving EIC will be updated as necessary.
If you have any questions, please contact your BCBSAZ Account Manager.

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For informational Purposes Only - NO Action Required

Sincerely,

A handwritten signature in black ink, appearing to read 'S. A. Fried'.

Shawn A. Fried
Supervisor, Large Group Underwriting

cc:
Report File

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Exhibit A to Supplemental Terms and Conditions to Administrative Services Agreement HMO BlueCard Disclosure

I. Out-of-Area Services

Overview

BCBSAZ has a variety of relationships with other Blue Cross and/or Blue Shield Licensees referred to generally as "Inter-Plan Arrangements." These Inter-Plan Arrangements operate under rules and procedures issued by the Blue Cross Blue Shield Association ("Association"). Whenever Participants access healthcare services outside the geographic area BCBSAZ serves, the claim for those services may be processed through one of these Inter-Plan Arrangements. The Inter-Plan Arrangements are described generally below.

Typically, when accessing care outside the geographic area BCBSAZ serves, Participants obtain care from healthcare providers that have a contractual agreement ("participating providers") with the local Blue Cross and/or Blue Shield Licensee in that other geographic area ("Host Blue"). In some instances, Participants may obtain care from healthcare providers in the Host Blue geographic area that do not have a contractual agreement ("nonparticipating providers") with the Host Blue. BCBSAZ remain responsible for fulfilling its contractual obligations to Employer. BCBSAZ payment practices in both instances are described below.

- BCBSAZ Narrow Network Benefit Plan - BCBSAZ covers only limited healthcare services received outside of BCBSAZ's service area ("Out-of-Area Covered Healthcare Services"). Emergency services and EGID and Medical Foods formulas are covered when provided by providers contracted with a Host Blue and when provided by non-contracted providers. All other covered services must be obtained from providers contracted with a Host Blue.
- BCBSAZ Statewide Benefit Plan - BCBSAZ covers healthcare services received outside of our service area ("Out-of-Area Covered Healthcare Services"). Emergency services and EGID and Medical Foods formulas are covered when provided by providers contracted with a Host Blue and when provided by non-contracted providers. All other covered services must be obtained from providers contracted with a Host Blue.

Inter-Plan Arrangements Eligibility – Claim Types

All claim types are eligible to be processed through Inter-Plan Arrangements, as described above, except for all dental care benefits (except when paid as medical claims/benefits), and those prescription drug benefits or vision care benefits that may be administered by a third party contracted by BCBSAZ to provide the specific service or services.

A. BlueCard[®] Program

The BlueCard[®] Program is an Inter-Plan Arrangement. Under this Arrangement, when Participants access Out-of-Area Covered Services within the geographic area served by a Host Blue the Host Blue will be responsible for contracting and handling all interactions with its participating healthcare providers. The financial terms of the BlueCard Program are described generally below.

Liability Calculation Method Per Claim

1. Participant Liability Calculation

Unless subject to a fixed-dollar copayment, the calculation of Participant liability on claims for Out-of-Area Covered Services processed through the BlueCard Program will be based on the lower of the participating provider's billed charges for Out-of-Area Covered Services or the negotiated price made available to BCBSAZ by the Host Blue.

2. Employer Liability Calculation

The calculation of Employer liability on claims for Covered Services processed through the BlueCard Program will be based on the negotiated price made available to BCBSAZ by the Host Blue. Sometimes, this negotiated price may be greater for a given service or services than the billed charge in accordance with how the Host Blue has negotiated with its participating provider(s) for specific healthcare services. In cases where the negotiated price exceeds the billed charge, Employer may be liable for the excess amount even when

the Participant's deductible has not been satisfied. This excess amount reflects an amount that is necessary to secure (a) the provider's participation in the network, and (b) the overall discount negotiated by the Host Blue. The entire contracted price is paid to the provider even when the contracted price is greater than the billed charge.

Claims Pricing

Host Blues determine a negotiated price, which is reflected in the terms of each Host Blue's provider contracts. The negotiated price made available to BCBSAZ by the Host Blue may be represented by one of the following:

- (i) An actual price. An actual price is a negotiated rate of payment in effect at the time a claim is processed without any other increases or decreases; or
- (ii) An estimated price. An estimated price is a negotiated rate of payment in effect at the time a claim is processed, reduced or increased by a percentage to take into account certain payments negotiated with the provider and other claim- and non-claim-related transactions. Such transactions may include, but are not limited to, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, retrospective settlements and performance-related bonuses or incentives; or
- (iii) An average price. An average price is a percentage of billed charges for Out-of-Area Covered Healthcare Services in effect at the time a claim is processed representing the aggregate payments negotiated by the Host Blue with all of its providers or a similar classification of its providers and other claim- and non-claim-related transactions. Such transactions may include the same ones as noted above for an estimated price.

The Host Blue determines whether or not it will use an actual price, an estimated price or an average price. The use of estimated or average pricing may result in a difference (positive or negative) between the price the Employer pays on a specific claim and the actual amount the Host Blue pays to the provider.

However, the BlueCard Program requires that the amount paid by the Participant and Employer is a final price; no future price adjustment will result in increases or decreases to the pricing of past claims. Any positive or negative differences in estimated or average pricing are accounted for through variance accounts maintained by the Host Blue and are incorporated into future claim prices. As a result, the amounts charged to Employer will be adjusted in a following year, as necessary, to account for over- or underestimation of past years' prices. The Host Blue will not receive compensation from how the estimated price or average price methods, described above, are calculated.

Because all amounts paid are final, neither positive variance account amounts (funds available to be paid in the following year), nor negative variance amounts (the funds needed to be received in the following year), are due to or from Employer. If Employer terminates, Employer will not receive a refund or charge from the variance account.

Variance account balances are small amounts relative to the overall paid claims amounts and will be drawn down over time. The timeframe for their liquidation depends on variables, including, but not limited to, overall volume/number of claims processed and variance account balance. Variance account balances may earn interest at the federal funds or similar rate. Host Blues may retain interest earned on funds held in variance accounts.

Federal/State Taxes/Surcharges/Fees

In some instances, federal or state laws or regulations may impose a surcharge, tax, or other fee that applies to self-funded accounts. If applicable, BCBSAZ will disclose any such surcharge, tax or other fee to Employer, which will be Employer liability.

Return of Overpayments

Recoveries of overpayments from a Host Blue or its participating and nonparticipating providers can arise in several ways, including, but not limited to, anti-fraud and abuse recoveries, provider/hospital bill audits, credit balance audits, utilization review refunds and unsolicited refunds. Recovery amounts determined in the ways noted above will be applied so that corrections will be made, in general, on a claim-by-claim or prospective basis. If recovery amounts are passed on a claim-by-claim basis from a Host Blue to BCBSAZ, they will be credited to Employer's account. In some cases, the Host Blue will engage a third party to assist in identification or collection of overpayments. The fees of such a third party may be charged to Employer as a percentage of the recovery.

Unless otherwise agreed to by the Host Blue, BCBSAZ will request adjustments from the Host Blue for full refunds from providers due to the retroactive cancellation of membership but only for one year after the date of the Inter-Plan financial settlement process for the original claim. In some cases, recovery of claim payments associated with a retroactive cancellation may not be possible if, as an example, the recovery conflicts with the Host Blue's state law or provider contracts or would jeopardize the Host Blue's relationship with its providers.

BlueCard Fees and Compensation

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under the BlueCard Program to pay to the Host Blues, to the Association and/or to vendors of BlueCard Program-related services, as described below. BlueCard Program Fees and compensation may be revised from time to time as described in section I.D below. BCBSAZ will charge these fees as follows:

Only the BlueCard Program Access Fee and the BlueCard Program Administrative Expense Allowance (AEA) fee may be charged separately each time a claim is processed through the BlueCard Program. All other BlueCard Program-related fees are included in the Administrative Charges.

The Access Fee is charged by the Host Blue to BCBSAZ for making the applicable Host Blue's provider network available to Employer's Participants. The Access Fee will not apply if the provider does not participate in the applicable Host Blue's network. The Access Fee is charged on a per-claim basis and is charged as a percentage of the discount/differential BCBSAZ receives from the applicable Host Blue subject to a maximum of \$2,000 per claim. When charged, BCBSAZ passes the Access Fee directly on to Employer.

The AEA Fee is a fixed per-claim dollar amount charged by the Host Blue to BCBSAZ for administrative services that the Host Blue provides in processing claims for Employer's Participants. The dollar amount is normally based on the type of claim (e.g. institutional, professional, international, etc.) and can also be based on the size of your group enrollment. When charged, BCBSAZ passes the AEA Fee directly on to Employer.

See Administrative Service Agreement, Caveats) for the BlueCard Program Access Fee and AEA Fee and for Employer's general administrative fee.

BlueCard Program Access Fees

A BlueCard Program Access Fee may be charged only if the Host Blue's arrangement with its provider prohibits billing Participants for amounts in excess of the negotiated payment. However, a provider may bill Participants for non-covered healthcare services and for cost sharing (for example, deductibles, copayments and/or coinsurance) related to a particular claim.

How the BlueCard Program Access Fee Affects Employer

Sometimes the Access Fee is a negative amount, which is known as an Access Fee Credit. Any Access Fee Credits will be credited to BCBSAZ, and BCBSAZ will pass the entire Access Fee Credit on to Employer.

Instances may occur in which the claim payment is zero or BCBSAZ pays only a small amount because the amounts eligible for payment were applied to patient cost sharing (such as a deductible or coinsurance). In these instances, BCBSAZ will pay the Host Blue's Access Fee and pass it along to BCBSAZ as stated above even though Employer paid little or had no claim liability.

B. Nonparticipating Providers Outside BCBSAZ Service Area

Participant Liability Calculation

In General

When Out-of-Area Covered Healthcare Services are provided outside of BCBSAZ service area by nonparticipating providers, the amount(s) a Participant pays for such services will generally be based on either the Host Blue's nonparticipating provider local payment or the pricing arrangements required by applicable state law. Payments for out-of-network emergency services will be governed by applicable federal and state law.

Exceptions

In some exception cases, BCBSAZ may pay claims from nonparticipating providers for Out-of-Area Covered Healthcare Services based on the provider's billed charge. This may occur in situations where a Participant did not have reasonable access to a participating provider, as determined by BCBSAZ in BCBSAZ's sole and absolute discretion or by applicable state law. In other exception cases, BCBSAZ may pay such claims based on the payment BCBSAZ would make if BCBSAZ were paying a nonparticipating provider for the same covered healthcare services inside BCBSAZ's service area, as described elsewhere in this Agreement. This may occur where the Host Blue's corresponding payment would be more than BCBSAZ in-service area nonparticipating provider payment. BCBSAZ may choose to negotiate a payment with such a provider on an exception basis.

Fees and Compensation

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under applicable Inter-Plan Arrangement requirements to pay to the Host Blues, to the Blue Cross Blue Shield Association and/or to vendors of Inter-Plan Arrangement-related services. Fees and compensation under applicable Inter-Plan Arrangements may be revised from time to time as provided for in section I.D below.

Specifically, BCBSAZ must pay an administrative fee to the Host Blue, and Employer further agrees to reimburse BCBSAZ for any such administrative fee as set forth below.

BCBSAZ will charge these fees as follows:

C. BlueCard Worldwide[®] Program

General Information

If Participants are outside the United States (hereinafter: "BlueCard service area"), they may be able to take advantage of the BlueCard Worldwide[®] Program when accessing Covered Services. The BlueCard Worldwide Program is unlike the BlueCard Program available in the BlueCard service area in certain ways. For instance, although the BlueCard Worldwide Program assists Participants with accessing a network of inpatient, outpatient and professional providers, the network is not served by a Host Blue. As such, when Participants receive care from providers outside the BlueCard service area, the Participants will typically have to pay the providers and submit the claims themselves to obtain reimbursement for these services.

☐ **Inpatient Services**

In most cases, if Participants contact the BlueCard Worldwide Service Center for assistance, hospitals will not require Participants to pay for covered inpatient services, except for their cost-share amounts. In such cases, the hospital will submit Participant claims to the BlueCard Worldwide Service Center to initiate claims processing. However, if the Participant paid in full at the time of service, the Participant must submit a claim to obtain reimbursement for Covered Services. **Participants must contact BCBSAZ to obtain precertification for non-emergency inpatient services.**

☐ **Outpatient Services**

Physicians, urgent care centers and other outpatient providers located outside the BlueCard service area will typically require Participants to pay in full at the time of service. Participants must submit a claim to obtain reimbursement for Covered Services.

☐ **Submitting a BlueCard Worldwide Claim**

When Participants pay for Covered Services outside the BlueCard service area, they must submit a claim to obtain reimbursement. For institutional and professional claims, Participants should complete a BlueCard Worldwide International claim form and send the claim form with the provider's itemized bill(s) to the BlueCard Worldwide Service Center (the address is on the form) to initiate claims processing. The claim form is available from BCBSAZ, the BlueCard Worldwide Service Center or online at www.bluecardworldwide.com. If Participants need assistance with their claim submissions, they should call the BlueCard Worldwide Service Center at 1.800.810.BLUE (2583) or call collect at 1.804.673.1177, 24 hours a day, seven days a week.

D. Modifications or Changes to Inter-Plan Arrangement Fees or Compensation

Modifications or changes to Inter-Plan Arrangement fees are generally made effective Jan. 1 of the calendar year, but they may occur at any time during the year. In the case of any such modifications or changes, BCBSAZ shall provide Employer with at least thirty (30) days' advance written notice of any modification or change to such Inter-Plan Arrangement fees or compensation describing the change and the effective date thereof and Employer's right to terminate this Agreement without penalty by giving written notice of termination before the effective date of the change. If Employer fails to respond to the notice and does not terminate this Agreement during the notice period, Employer will be deemed to have approved the proposed changes, and BCBSAZ will then allow such modifications to become part of this Agreement.

II. BlueCard Program Fees and Compensation

The Employer's General Administrative Fee, as set forth on the first page of the Administrative Service Agreement, encompasses fees BCBSAZ charges to Employer for administering Employer's benefit plan. They may include both local BCBSAZ service area and Inter-Plan fees. For purposes of this Agreement, they include the following BlueCard Program-related fees other than the BlueCard Program Access Fee and AEA Fee: namely, Central Financial Agency Fee, ITS Transaction Fee, Toll-Free Number Fee, PPO Provider Directory Fee and BlueCard Worldwide Program Fees, if applicable.

BCBSAZ Value-Based Programs

Value-Based Program (VBP) is outcome-based payment arrangement and/or a coordinated care model facilitated with one or more local providers that is evaluated against cost and quality metrics/factors and is reflected in provider payment.

LOCAL - BCBSAZ pays some of its contracted medical providers an amount to manage the medical care of members diagnosed with certain medical conditions if the provider demonstrates to BCBSAZ it has satisfied BCBSAZ's criteria for effectively managing the care ("Value Based Services")

With respect to BCBSAZ group members residing and receiving Value Based Services in Arizona under a BCBSAZ value based program, BCBSAZ will estimate at the beginning of the contract year the amount BCBSAZ projects it will pay BCBSAZ's contracted providers for members who receive Value Based Services throughout the upcoming year in the form of a PMPM or PEPM charge ("PMPM Charge"). BCBSAZ will charge BCBSAZ's self-insured ("ASC") Groups via the Employer's Claims Invoice this PMPM Charge beginning January 1, 2016.

On an aggregate basis for the entire Value Based Program, the amounts used to calculate PMPM charge are fixed amounts estimated to be necessary to finance the cost of a particular Value-Based Program. Because amounts are estimates, there may be positive or negative differences based on actual experience, and such differences will be accounted for in a variance account maintained by BCBSAZ until the end of the applicable Value-Based Program payment and/or reconciliation measurement period. The amounts needed to fund a Value-Based Program may be changed before the end of the measurement period if it is determined that amounts being collected are projected to exceed the amount necessary to fund the program or if they are projected to be insufficient to fund the program.

On an aggregate basis for the entire Value Based Program, at the end of the Value-Based Program payment and/or reconciliation measurement period for these arrangements, BCBSAZ do one of the following:

- a. Use any surplus in funds in the variance account to fund Value-Based Program payments or reconciliation amounts in the next measurement period.
- b. Address any deficit in funds in the variance account through an adjustment to the PMPM billing amount or the reconciliation billing amount for the next measurement period.

NOTE: If an ASC Group terminates its BCBSAZ contract, that Employer will neither receive a refund nor a charge to reflect any variance between what BCBSAZ charged the Employer in Value Based Charges and what BCBSAZ paid the providers for Value Based Services.

Exhibit A to Supplemental Terms and Conditions to Administrative Services Agreement PPO BlueCard Disclosure

I. Out-of-Area Services

Overview

BCBSAZ has a variety of relationships with other Blue Cross and/or Blue Shield Licensees referred to generally as "Inter-Plan Arrangements." These Inter-Plan Arrangements operate under rules and procedures issued by the Blue Cross Blue Shield Association ("Association"). Whenever Participants access healthcare services outside the geographic area BCBSAZ serves, the claim for those services may be processed through one of these Inter-Plan Arrangements. The Inter-Plan Arrangements are described generally below.

Typically, when accessing care outside the geographic area BCBSAZ serves, Participants obtain care from healthcare providers that have a contractual agreement ("participating providers") with the local Blue Cross and/or Blue Shield Licensee in that other geographic area ("Host Blue"). In some instances, Participants may obtain care from healthcare providers in the Host Blue geographic area that do not have a contractual agreement ("nonparticipating providers") with the Host Blue. BCBSAZ remains responsible for fulfilling its contractual obligations to Employer. BCBSAZ payment practices in both instances are described below.

This disclosure describes how claims are administered for Inter-Plan Arrangements and the fees that are charged in connection with Inter-Plan Arrangements. Note that dental care benefits (except when not paid as medical claims/benefits), and those prescription drug benefits or vision care benefits that may be administered by a third party contracted by BCBSAZ to provide the specific service or services are not processed through Inter-Plan Arrangements.

A. BlueCard[®] Program

The BlueCard[®] Program is an Inter-Plan Arrangement. Under this Arrangement, when Participants access Covered Services within the geographic area served by a Host Blue, the Host Blue will be responsible for contracting and handling all interactions with its participating healthcare providers. The financial terms of the BlueCard Program are described generally below.

1. Liability Calculation Method Per Claim – In General

a. Participant Liability Calculation

Unless subject to a fixed dollar copayment, the calculation of the Participant liability on claims for Covered Services will be based on the lower of the participating provider's billed charges for Covered Services or the negotiated price made available to BCBSAZ by the Host Blue.

b. Employer Liability Calculation

The calculation of Employer liability on claims for Covered Services processed through the BlueCard Program will be based on the negotiated price made available to BCBSAZ by the Host Blue. Sometimes, this negotiated price may be greater for a given service or services than the billed charge in accordance with how the Host Blue has negotiated with its participating healthcare provider(s) for specific healthcare services. In cases where the negotiated price exceeds the billed charge, Employer may be liable for the excess amount even when the Participant's deductible has not been satisfied. This excess amount reflects an amount that may be necessary to secure (a) the provider's participation in the network and/or (b) the overall discount negotiated by the Host Blue. In such a case, the entire contracted price is paid to the provider, even when the contracted price is greater than the billed charge.

2. Claims Pricing

Host Blues determine a negotiated price, which is reflected in the terms of each Host Blue's provider contracts. The negotiated price made available to BCBSAZ by the Host Blue may be represented by one of the following:

- (i) An actual price. An actual price is a negotiated rate of payment in effect at the time a

claim is processed without any other increases or decreases; or

- (ii) An estimated price. An estimated price is a negotiated rate of payment in effect at the time a claim is processed, reduced or increased by a percentage to take into account certain payments negotiated with the provider and other claim- and non-claim-related transactions. Such transactions may include, but are not limited to, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, retrospective settlements and performance-related bonuses or incentives; or
- (iii) An average price. An average price is a percentage of billed charges for Covered Services in effect at the time a claim is processed representing the aggregate payments negotiated by the Host Blue with all of its healthcare providers or a similar classification of its providers and other claim- and non-claim-related transactions. Such transactions may include the same ones as noted above for an estimated price.

The Host Blue determines whether it will use an actual, estimated or average price. The use of estimated or average pricing may result in a difference (positive or negative) between the price Employer pays on a specific claim and the actual amount the Host Blue pays to the provider. However, the BlueCard Program requires that the amount paid by the Participant and Employer is a final price; no future price adjustment will result in increases or decreases to the pricing of past claims.

Any positive or negative differences in estimated or average pricing are accounted for through variance accounts maintained by the Host Blue and are incorporated into future claim prices. As a result, the amounts charged to Employer will be adjusted in a following year, as necessary, to account for over- or underestimation of the past years' prices. The Host Blue will not receive compensation from how the estimated price or average price methods, described above, are calculated. Because all amounts paid are final, neither positive variance account amounts (funds available to be paid in the following year), nor negative variance amounts (the funds needed to be received in the following year), are due to or from Employer. If Employer terminates, Employer will not receive a refund or charge from the variance account.

Variance account balances are small amounts relative to the overall paid claims amounts and will be drawn down over time. The timeframe for their liquidation depends on variables, including, but not limited to, overall volume/number of claims processed and variance account balance. Variance account balances may earn interest at the federal funds rate or similar rate. Host Blues may retain interest earned on funds held in variance accounts.

3. BlueCard Program Fees and Compensation

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under the BlueCard Program to pay to the Host Blues, to the Association and/or to vendors of BlueCard Program-related services. The specific BlueCard Program fees and compensation that are charged to Employer are set forth in Administrative Service Agreement, Caveat. BlueCard Program Fees and compensation may be revised from time to time as described in section I.H below.

B. Negotiated Arrangements

With respect to one or more Host Plans, instead of using the BlueCard Program, BCBSAZ may process your Participant claims for Covered Services through Negotiated Arrangements.

In addition, if BCBSAZ and Employer have agreed that (a) Host Blue(s) shall make available (a) custom healthcare provider network(s) in connection with this Agreement, then the terms and conditions set forth in BCBSAZ's Negotiated Arrangement(s) for National Accounts with such Host Blue(s) shall apply. These include the provisions governing the processing and payment of claims when Participants access such network(s). In negotiating such arrangement(s), BCBSAZ is not acting on behalf of or as an agent for Employer, Employer's group health plan or Employer Participants.

Participant Liability Calculation

Participant liability calculation will be based on the lower of either billed charges for Covered Services or negotiated price (refer to the description of negotiated price under Section A., BlueCard Program, as

stated above) that the Host Blue makes available to BCBSAZ and that allows Employer's Participants access to negotiated participation agreement networks of specified participating providers outside of the BCBSAZ service area.

Under certain circumstances, if BCBSAZ pays the Healthcare Provider amounts that are the responsibility of the Participant, BCBSAZ may collect such amounts from the Participant.

In situations where participating agreements allow for bulk settlement reconciliations for Episode-Based Payment/Bundled Payments, BCBSAZ may include a factor for such settlement reconciliations as part of the fees BCBSAZ charges to Employer.

Where Employer agrees to use reference-based benefits, if offered, which are service-specific benefit dollar limits for specific procedures, based on a Host Blue's local market rates, Participants will be responsible for the amount that the healthcare provider bills for a specified procedure above the reference benefit limit for that procedure. For a participating provider, that amount will be the difference between the negotiated price and the reference benefit limit. For a nonparticipating provider, that amount will be the difference between the provider's billed charge and the reference benefit limit. Where a reference benefit limit exceeds either a negotiated price or a provider's billed charge, the Participant will incur no liability, other than any applicable Participant cost sharing under this Agreement.

Fees and Compensation

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under applicable Inter-Plan Arrangement requirements to pay to the Host Blues, to the Association and/or to vendors of Inter-Plan Arrangement-related services. Fees and compensation under applicable Inter-Plan Arrangements may be revised from time to time as described in Section I.H below. In addition, the participation agreement with the Host Blue may provide that BCBSAZ must pay an administrative and/or a network access fee to the Host Blue, and Employer further agrees to reimburse BCBSAZ for any such applicable administrative and/or network access fees. The specific fees and compensation that are charged to Employer under Negotiated Arrangements are set forth in Administrative Service Agreement, Caveat.

C. Special Cases: Value-Based Programs

Value-Based Programs Overview

Employer's Participants may access Covered Services from providers that participate in a Host Blue's Value-Based Program. Value-Based Programs may be delivered either through the BlueCard Program or a Negotiated Arrangement. These Value-Based Programs may include, but are not limited to, Accountable Care Organizations, Global Payment/Total Cost of Care arrangements, Patient Centered Medical Homes and Shared Savings arrangements.

Value-Based Programs Definitions

- Accountable Care Organization (ACO): A group of healthcare providers who agree to deliver coordinated care and meet performance benchmarks for quality and affordability in order to manage the total cost of care for their member populations.
- Care Coordination: Organized, information-driven patient care activities intended to facilitate the appropriate responses to a Participant's healthcare needs across the continuum of care.
- Care Coordinator: An individual within a provider organization who facilitates Care Coordination for patients.
- Care Coordinator Fee: A fixed amount paid by a Blue Cross and/or Blue Shield Licensee to providers periodically for Care Coordination under a Value-Based Program.
- Global Payment/Total Cost of Care: A payment methodology that is defined at the patient level and accounts for either all patient care or for a specific group of services delivered to the patient such as outpatient, physician, ancillary, hospital services and prescription drugs.
- Negotiated Arrangement (a.k.a., Negotiated National Account Arrangement): An agreement negotiated between a Control/Home Licensee and one or more Par/Host Licensees for any National Account that is not delivered through the BlueCard Program.
- Patient-Centered Medical Home (PCMH): A model of care in which each patient has an ongoing relationship with a primary care physician who coordinates a team to take collective

responsibility for patient care and, when appropriate, arranges for care with other qualified physicians.

- Provider Incentive: An additional amount of compensation paid to a healthcare provider by a Blue Cross and/or Blue Shield Plan, based on the provider's compliance with agreed-upon procedural and/or outcome measures for a particular [group/population] of covered persons.
- Shared Savings: A payment mechanism in which the provider and payer share cost savings achieved against a target cost budget based upon agreed upon terms and may include downside risk.
- Value-Based Program (VBP): An outcomes-based payment arrangement and/or a coordinated care model facilitated with one or more local providers that is evaluated against cost and quality metrics/factors and is reflected in provider payment.

Value-Based Programs under the BlueCard Program

Value-Based Programs Administration

Under Value-Based Programs, a Host Blue may pay providers for reaching agreed-upon cost/quality goals in the following ways: *retrospective settlements, Provider Incentives, share of target savings, Care Coordinator Fees and/or other allowed amounts.*

The Host Blue may pass these provider payments to BCBSAZ, which BCBSAZ will pass directly on to Employer as either an amount included in the price of the claim or an amount charged separately in addition to the claim.

When such amounts are included in the price of the claim, the claim may be billed using one of the following pricing methods, as determined by the Host Blue:

- (i) **Actual Pricing**: The charge to accounts for Value-Based Programs incentives/Shared Savings settlements is part of the claim. These charges are passed to Employer via an enhanced provider fee schedule.
- (ii) **Supplemental Factor**: The charge to accounts for Value-Based Programs incentives/Shared Savings settlements is a supplemental amount that is included in the claim as an amount based on a specified supplemental factor (e.g., a small percentage increase in the claim amount). The supplemental factor may be adjusted from time to time.

When such amounts are billed separately from the price of the claim, they may be billed as follows:

- ☐ **Per Member Per Month (PMPM) Billings**: Per Member Per Month billings for Value-Based Programs incentives/Shared Savings settlements to accounts are outside of the claim system. BCBSAZ will pass these Host Blue charges directly through to Employer as a separately identified amount on the group billings.

The amounts used to calculate either the supplemental factors for estimated pricing or PMPM billings are fixed amounts that are estimated to be necessary to finance the cost of a particular Value-Based Program. Because amounts are estimates, there may be positive or negative differences based on actual experience, and such differences will be accounted for in a variance account maintained by the Host Blue (in the same manner as described in the BlueCard claim pricing section above) until the end of the applicable Value-Based Program payment and/or reconciliation measurement period. The amounts needed to fund a Value-Based Program may be changed before the end of the measurement period if it is determined that amounts being collected are projected to exceed the amount necessary to fund the program or if they are projected to be insufficient to fund the program.

At the end of the Value-Based Program payment and/or reconciliation measurement period for these arrangements, Host Blues will do one of the following:

- Use any surplus in funds in the variance account to fund Value-Based Program payments or reconciliation amounts in the next measurement period.
- Address any deficit in funds in the variance account through an adjustment to the PMPM billing amount or the reconciliation billing amount for the next measurement period.

The Host Blue will not receive compensation resulting from how estimated, average or PMPM price methods, described above, are calculated. If Employer terminates, Employer will not receive a refund or charge from the variance account. This is because any resulting surpluses or deficits would be eventually exhausted through prospective adjustment to the settlement billings in the case of Value-Based Programs. The measurement period for determining these surpluses or deficits may differ from the term of this Agreement.

Variance account balances are small amounts relative to the overall paid claims amounts and will be drawn down over time. The timeframe for their liquidation depends on variables, including, but not limited to, overall volume/number of claims processed and variance account balance. Variance account balances may earn interest, and interest is earned at the federal funds or similar rate. Host Blues may retain interest earned on funds held in variance accounts.

Note: Participants will not bear any portion of the cost of Value-Based Programs except when a Host Blue uses either average pricing or actual pricing to pay providers under Value-Based Programs.

Care Coordinator Fees

Host Blues may also bill BCBSAZ for Care Coordinator Fees for provider services which we will pass on to Employer as follows:

1. PMPM billings; or
2. Individual claim billings through applicable care coordination codes from the most current editions of either Current Procedural Terminology (CPT) published by the American Medical Association (AMA) or Healthcare Common Procedure Coding System (HCPCS) published by the U.S. Centers for Medicare and Medicaid Services (CMS).

As part of this Agreement, BCBSAZ and Employer will not impose Participant cost sharing for Care Coordinator Fees.

Value-Based Programs under Negotiated Arrangements

If BCBSAZ has entered into a Negotiated National Account Arrangement with a Host Blue to provide Value-Based Programs to Employer's Participants, BCBSAZ will follow the same procedures for Value-Based Programs administration and Care Coordination Fees as noted in the BlueCard Program section.

Exception: For negotiated arrangements, if any, for Value-Based programs to the extent that BCBSAZ and Employer have agreed to waive Participant cost sharing for Care Coordinator Fees, such waiver shall be a part of this Agreement.

D. Return of Overpayments

Recoveries of overpayments from a Host Blue or its participating and nonparticipating providers can arise in several ways, including, but not limited to, anti-fraud and abuse recoveries, audits/healthcare provider/hospital bill audits, credit balance audits, utilization review refunds and unsolicited refunds. Recovery amounts determined in the ways noted above will be applied so that corrections will be made, in general, on either a claim-by-claim or prospective basis. If recovery amounts are passed on a claim-by-claim basis from a Host Blue to BCBSAZ they will be credited to Employer's account. In some cases, the Host Blue will engage a third party to assist in identification or collection of overpayments. The fees of such a third party may be charged to Employer as a percentage of the recovery.

Unless otherwise agreed to by the Host Blue, for retroactive cancellations of membership, BCBSAZ will request the Host Blue to provide full refunds from participating healthcare providers for a period of only one year after the date of the Inter-Plan financial settlement process for the original claim. For Care Coordinator Fees associated with Value-Based Programs, BCBSAZ will request such refunds for a period of only up to ninety (90) days from the termination notice transaction on the payment innovations delivery platform. In some cases, recovery of claim payments associated with a retroactive cancellation may not be possible if, as an example, the recovery (a) conflicts with the Host Blue's state law or healthcare provider contracts, (b) would result from Shared Savings and/or Provider Incentive arrangements or (c) would jeopardize the Host Blue's relationship with its

participating healthcare providers, notwithstanding to the contrary any other provision of this Agreement.

E. Inter-Plan Programs: Federal/State Taxes/Surcharges/Fees

In some instances federal or state laws or regulations may impose a surcharge, tax or other fee that applies to self-funded accounts. If applicable, BCBSAZ will disclose any such surcharge, tax or other fee to Employer, which will be Employer's liability.

F. Nonparticipating Providers Outside BCBSAZ's Service Area

1. Participant Liability Calculation

a. In General

When Covered Services are provided outside of BCBSAZ's service area by nonparticipating providers, the amount(s) a Participant pays for such services will be based on either the Host Blue's nonparticipating healthcare provider local payment or the pricing arrangements required by applicable state law. In these situations, the Participant may be responsible for the difference between the amount that the nonparticipating provider bills and the payment will make for the covered services as set forth in this paragraph. Payments for out-of-network emergency services will be governed by applicable federal and state law.

b. Exceptions

In some exception cases, BCBSAZ may pay claims from nonparticipating healthcare providers outside of BCBSAZ's service area based on the provider's billed charge. This may occur in situations where a Participant did not have reasonable access to a participating provider, as determined by BCBSAZ in BCBSAZ's sole and absolute discretion or by applicable state law. In other exception cases, BCBSAZ may pay such claims based on the payment BCBSAZ would make if BCBSAZ were paying a nonparticipating provider inside of BCBSAZ's service area, as described elsewhere in this Agreement. This may occur where the Host Blue's corresponding payment would be more than BCBSAZ in-service area nonparticipating provider payment. BCBSAZ may choose to negotiate a payment with such a provider on an exception basis.

Unless otherwise stated, in any of these exception situations, the Participant may be responsible for the difference between the amount that the nonparticipating healthcare provider bills and the payment will make for the covered services as set forth in this paragraph.

2. Fees and Compensation

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under applicable Inter-Plan Arrangement requirements to pay to the Host Blues, to the Association and/or to vendors of Inter-Plan Arrangement-related services. The specific fees and compensation that are charged to Employer are set forth in Administrative Service Agreement, Caveat. Fees and compensation under applicable Inter-Plan Arrangements may be revised from time to time as provided for in section I.H below.

G. BlueCard Worldwide[®] Program

1. General Information

If Participants are outside the United States (hereinafter: "BlueCard service area"), they may be able to take advantage of the BlueCard Worldwide Program when accessing Covered Services. The BlueCard Worldwide Program is unlike the BlueCard Program available in the BlueCard service area in certain ways. For instance, although the BlueCard Worldwide Program assists Participants with accessing a network of inpatient, outpatient and professional providers, the network is not served by a Host Blue. As such, when Participants receive care from providers outside the BlueCard service area, the Participants will typically have to pay the providers and

submit the claims themselves to obtain reimbursement for these services.

☐ **Inpatient Services**

In most cases, if Participants contact the BlueCard Worldwide Service Center for assistance, hospitals will not require Participants to pay for covered inpatient services, except for their cost-share amounts. In such cases, the hospital will submit Participant claims to the BlueCard Worldwide Service Center to initiate claims processing. However, if the Participant paid in full at the time of service, the Participant must submit a claim to obtain reimbursement for Covered Services. **Participants must contact BCBSAZ to obtain precertification for non-emergency inpatient services.**

☐ **Outpatient Services**

Physicians, urgent care centers and other outpatient providers located outside the BlueCard service area will typically require Participants to pay in full at the time of service. Participants must submit a claim to obtain reimbursement for Covered Services.

☐ **Submitting a BlueCard Worldwide Claim**

When Participants pay for Covered Services outside the BlueCard service area, they must submit a claim to obtain reimbursement. For institutional and professional claims, Participants should complete a BlueCard Worldwide International claim form and send the claim form with the provider's itemized bill(s) to the BlueCard Worldwide Service Center address on the form to initiate claims processing. The claim form is available from BCBSAZ, the BlueCard Worldwide Service Center, or online at www.bluecardworldwide.com. If Participants need assistance with their claim submissions, they should call the BlueCard Worldwide Service Center at 1.800.810.BLUE (2583) or call collect at 1.804.673.1177, 24 hours a day, seven days a week.

2. BlueCard Worldwide Program-Related Fees

Employer understands and agrees to reimburse BCBSAZ for certain fees and compensation which BCBSAZ is obligated under applicable Inter-Plan Arrangement requirements to pay to the Host Blues, to the Association and/or to vendors of Inter-Plan Arrangement-related services. The specific fees and compensation that are charged to Employer under the BlueCard Worldwide Program are set forth in Administrative Service Agreement, Caveat. Fees and compensation under applicable Inter-Plan Arrangements may be revised from time to time as provided for in section I.H below.

H. Modifications or Changes to Inter-Plan Arrangement Fees or Compensation

Modifications or changes to Inter-Plan Arrangement fees are generally made effective Jan. 1 of the calendar year, but they may occur at any time during the year. In the case of any such modifications or changes, BCBSAZ shall provide Employer with at least thirty (30) days' advance written notice of any modification or change to such Inter-Plan Arrangement fees or compensation describing the change and the effective date thereof and Employer right to terminate this Agreement without penalty by giving written notice of termination before the effective date of the change. If Employer fails to respond to the notice and does not terminate this Agreement during the notice period, Employer will be deemed to have approved the proposed changes, and BCBSAZ will then allow such modifications to become part of this Agreement.

II. BlueCard Program Fees and Compensation

Only the BlueCard Program Access Fee and the BlueCard Program Administrative Expense Allowance (AEA) fee may be charged separately each time a claim is processed through the BlueCard Program. All other BlueCard Program-related fees are included in the Administrative Charges.

The Access Fee is charged by the Host Blue to BCBSAZ for making the applicable Host Blue's provider network available to Employer's Participants. The Access Fee will not apply if the provider does not participate in the applicable Host Blue's network. The Access Fee is charged on a per-claim basis and is charged as a percentage of the discount/differential BCBSAZ receives from the applicable Host Blue subject to a maximum of \$2,000 per claim. When charged, BCBSAZ passes the Access Fee directly on to the Employer.

BlueCard Program Access Fees: A BlueCard Program Access Fee may be charged only if the Host Blue's arrangement with its healthcare provider prohibits billing Participants for amounts in excess of the negotiated payment. However, a healthcare provider may bill Participants for non-covered healthcare services and for cost sharing (for example, deductibles, copayments and/or coinsurance) related to a particular claim.

How the Blue Card Program Access Fee Affects Employer: Sometimes the Access Fee is a negative amount, which is known as an Access Fee Credit. Any Access Fee Credits will be credited to BCBSAZ and BCBSAZ will pass the entire Access Fee Credit onto Employer.

Instances may occur in which the claim payment is zero or BCBSAZ pays only a small amount because the amounts eligible for payment were applied to patient cost sharing (such as a deductible or coinsurance). In these instances, BCBSAZ will pay the Host Blue's Access Fee and pass it along directly to Employer as stated above even though Employer paid little or had no claim liability.

The AEA Fee is a fixed per-claim dollar amount charged by the Host Blue to BCBSAZ for administrative services that the Host Blue provides in processing claims for Employer's Participants. The dollar amount is normally based on the type of claim (e.g. institutional, professional, international, etc.) and can also be based on the size of your group enrollment. When charged, BCBSAZ passes the AEA Fee directly on to Employer.

See the fee listing below for the BlueCard Program Access Fee and AEA Fee. The General Administrative Fee, are set forth in the Administrative Service Agreement, Caveat, includes all other fees relative to the BlueCard Program. These fees include the Central Financial Agency Fee, ITS Transaction Fee, Toll-Free Number Fee, PPO Provider Directory Fee and BlueCard Worldwide Program Fees, if applicable.

A General Administrative Fee encompasses fees BCBSAZ charges to Employer for administering Employer's benefit plan. They may include both local BCBSAZ service area and Inter-Plan fees. For purposes of this Agreement, they include the following BlueCard Program-related fees other than the BlueCard Program Access Fee and AEA Fee: namely, Central Financial Agency Fee, ITS Transaction Fee, Toll-Free Number Fee, PPO Provider Directory Fee and BlueCard Worldwide Program Fees, if applicable.

Inter-Plan Arrangements Fees:
BlueCard Program Fees

Access Fees:

- 4.79% in 2015 for fewer than 1,000 PPO or traditional enrolled Blue contracts
- 2.67% in 2015 for 1,000–9,999 Blue PPO enrolled contracts
- 2.48% in 2015 for 10,000–49,999 Blue PPO enrolled contracts of network savings, capped at \$2,000.00 per claim

Standard Administrative Expense Allowances (AEAs) - For fewer than 1,000 PPO or traditional enrolled Blue contracts:

- Professional - \$5.00 per claim
- Institutional - \$11.00 per claim
- Non-Participating Provider \$3.00 per claim
- Medicare related claims \$1.00 per claim

Reduced Administrative Expense Allowances (AEAs) – To be considered for reduced fees, the Employer must exceed 1,000 PPO or traditional enrolled Blue contracts:

- Professional - \$4.00 per claim
- Institutional - \$9.75 per claim
- Non-Participating Provider \$3.00 per claim
- Medicare related claims \$1.00 per claim

Negotiated Arrangement: Non-standard negotiated fees can range from either \$5.48 to \$18.22 per claim or \$10.00 to \$16.75 per contract per month depending on the negotiated arrangement and/or the health plan product.

BCBSAZ Value-Based Programs

1. LOCAL

BCBSAZ pays some of its contracted medical providers an amount to manage the medical care of members diagnosed with certain medical conditions if the provider demonstrates to BCBSAZ it has satisfied BCBSAZ's criteria for effectively managing the care ("Value Based Services")

With respect to BCBSAZ group members residing and receiving Value Based Services in Arizona under a BCBSAZ value based program, BCBSAZ will estimate at the beginning of the contract year the amount BCBSAZ projects it will pay BCBSAZ's contracted providers for members who receive Value Based Services throughout the upcoming year in the form of a PMPM or PEPM charge ("PMPM Charge"). BCBSAZ will charge BCBSAZ's self-insured ("ASC") Groups via the Employer's Claims Invoice this PMPM Charge beginning January 1, 2016.

On an aggregate basis for the entire Value Based Program, the amounts used to calculate PMPM charge are fixed amounts estimated to be necessary to finance the cost of a particular Value-Based Program. Because amounts are estimates, there may be positive or negative differences based on actual experience, and such differences will be accounted for in a variance account maintained by BCBSAZ until the end of the applicable Value-Based Program payment and/or reconciliation measurement period. The amounts needed to fund a Value-Based Program may be changed before the end of the measurement period if it is determined that amounts being collected are projected to exceed the amount necessary to fund the program or if they are projected to be insufficient to fund the program.

On an aggregate basis for the entire Value Based Program, at the end of the Value-Based Program payment and/or reconciliation measurement period for these arrangements, BCBSAZ do one of the following:

- a. Use any surplus in funds in the variance account to fund Value-Based Program payments or reconciliation amounts in the next measurement period.
- b. Address any deficit in funds in the variance account through an adjustment to the PMPM billing amount or the reconciliation billing amount for the next measurement period.

NOTE: If an ASC Group terminates its BCBSAZ contract, that Employer will neither receive a refund nor a charge to reflect any variance between what BCBSAZ charged the Employer in Value Based Charges and what BCBSAZ paid the providers for Value Based Services.

2. NATIONAL

Value Based Services will also apply to your members who reside in other states/geographical locations served by other Blue Cross Blue Shield Plans. A full description of these arrangements will be described in your contract.

CITY OF GLENDALE, an Arizona
municipal corporation

Kevin Phelps, City Manager

ATTEST:

Pamela Hanna, City Clerk (SEAL)

APPROVED AS TO FORM:

Michael D Bailey, City Attorney