STOP LOSS POLICY

This policy is entered into by and between Canton Town and Board of Education ("Employer") and Anthem Health Plans, Inc. d.b.a. Anthem Blue Cross and Blue Shield ("Anthem") for the purpose of establishing stop loss coverage and is effective as of July 1, 2012 upon the terms and conditions herein ("Policy").

If there are any inconsistencies between this Policy and any prior stop loss agreements or the Administrative Services Agreement between Anthem and Employer, the terms and conditions of this Policy shall control.

In consideration of the promises and the mutual covenants contained in this Policy, Anthem and Employer (the "Party" or "Parties" as appropriate) agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Policy and any amendments, attachments, or schedules to this Policy, the following words and terms have the following meanings unless the context or use clearly indicates another meaning or intent. If a term is not defined, the term shall have the same meaning as defined in the Administrative Services Agreement between the Parties.

AGGREGATE STOP LOSS LIMIT. The threshold total dollar amount of Paid Claims for which Employer is financially responsible. Anthem is financially responsible for Paid Claims in excess of the Aggregate Stop Loss Limit according to the terms of this Policy.

ELIGIBLE CLAIM DATE PERIOD. The dates during which Claims for benefits provided under the terms of the Plan must be Incurred and paid in order to be covered by this Policy.

INCURRED. The date on which a supply is obtained or a service is rendered to a Member.

LINES OF COVERAGE. The benefit plan(s) administered by Anthem and provided in Schedule A.

PAID CLAIM. A Claim for services rendered or supplies provided to a Member under the terms of the Plan, provided such Claim has been received and adjudicated by Anthem. Paid Claim shall have the same meaning as contained in the Administrative Services Agreement between the Parties, unless specifically excluded as indicated in Sections 4(e) and 5(d) of Schedule A.

SPECIFIC STOP LOSS LIMIT. The threshold total dollar amount of Paid Claims for which Employer is financially responsible with respect to a Subscriber or Member as indicated in Section 4(a) of Schedule A. Subject to the terms of this Policy, Anthem is financially responsible for Paid Claims in excess of the Specific Stop Loss Limit.

ARTICLE 2
SPECIFIC STOP LOSS COVERAGE

2.1 When the total amount of Paid Claims pertaining to Subscribers or Members and Lines of Coverage provided in Sections 4(a) and 4(b) of Schedule A exceeds the Specific Stop Loss Limit provided in Section 4(c) of Schedule A, Anthem shall reimburse Employer for such excess.

However, Anthem's reimbursement under this Article 2 shall begin with the invoice on which the Specific Stop Loss Limit is exceeded.

2.2 In the event that the Specific Stop Loss Limit is reached, no amount in excess of the Specific Stop Loss Limit shall be applied towards attainment of any Aggregate Stop Loss Limit.

2.3 Certain Paid Claims may be excluded from the specific stop loss coverage provided in this Policy. These exclusions are provided in Section 4(e) of Schedule A as applicable.
ARTICLE 3
AGGREGATE STOP LOSS COVERAGE

3.1 The Aggregate Stop Loss Limit is the sum of the amounts derived by multiplying the applicable aggregate stop loss amount by the actual number of Subscribers or Members, provided in Section 5(b) of Schedule A, for all months in the Policy Period.

3.2 When the total amount of Paid Claims for all Subscribers or Members and the Lines of Coverage indicated in Sections 5(a) and 5(b) of Schedule A exceeds the Aggregate Stop Loss Limit, Anthem shall reimburse Employer for such excess. Anthem’s reimbursement under this Article 3 shall occur no later than 120 days following the end of the Eligible Claim Date Period. All Lines of Coverage that are subject to aggregate stop loss coverage shall be combined for purposes of calculating amounts owed under this Policy.

3.3 Certain Paid Claims may be excluded from the aggregate stop loss coverage provided in this Policy. These exclusions are provided in Section 5(d) of Schedule A as applicable.

ARTICLE 4
LIMITATIONS ON COVERAGE

4.1 Unless otherwise noted in Schedule A, Paid Claims for Members are covered under the term of the Eligible Claim Date Period of this Policy.

4.2 Claims that are covered by another contract shall not count toward the attainment of the stop loss limit(s) under this Policy. In addition, Paid Claims that are covered under the term of an Eligible Claim Date Period will not count toward attainment of any stop loss limit(s) under a subsequent Policy Period.

4.3 Under the Administrative Services Agreement, the Employer may request Anthem to process and pay Claims that were denied by Anthem or take other actions with respect to the Plan that are not specifically provided in the Benefits Booklet. In such cases, payments shall not count toward the stop loss accumulators under this Policy unless otherwise agreed to in writing by Anthem.

4.4 If a Member does not enroll when first eligible or within the applicable enrollment period provided in the Plan for a special enrollment event, the Member shall be considered a “Late Enrollee” as defined under the Plan. Paid Claims for a Late Enrollee shall not apply towards the stop loss limits under this Policy unless Anthem first provides Employer with written approval and the effective date of coverage under this Policy. Anthem has the right to allow or deny stop loss coverage under this Policy for a Late Enrollee. Anthem shall not cover under this Policy any Late Enrollee not disclosed by the Employer to Anthem.

4.5 A Claim incurred during the Eligible Claim Date Period but not paid until after the expiration of the Eligible Claim Date Period is not eligible for coverage under this Policy Period. Employer may pursue stop loss coverage under this Policy only if Employer demonstrates that Anthem acted in bad faith to delay processing and payment of the Claim until after the expiration of the Eligible Claim Date Period.

ARTICLE 5
SETTLEMENT

5.1 Within 90 days after the end of each Eligible Claim Date Period (or after the termination of this Policy and any applicable Claims Run-out), Anthem shall furnish Employer with a settlement calculation and any additional data which, in Anthem’s opinion, is needed to explain to Employer the settlement calculation. Anthem has the right to offset any amounts owed by Employer under this Policy or the Administrative Services Agreement against any amounts owed by Anthem to Employer.

5.2 If, based on the settlement calculation for a Policy Period, Anthem must pay Employer an amount due under the terms of this Policy, Anthem shall pay Employer no later than 30 days after the settlement calculation subject to any right to offset any amounts owed to the Employer.

If, based on the settlement calculation Employer must pay Anthem an amount under the terms of this Policy, then Employer shall pay Anthem no later than 30 days following receipt of the invoice.
ARTICLE 6
STOP LOSS PREMIUM RATES

The premium rates for the specific stop loss coverage provided in this Policy are indicated in Section 4(d) of Schedule A. The premium rates for the aggregate stop loss coverage provided in this Policy are indicated in Section 5(c) of Schedule A. Employer shall pay Anthem such amounts by the Invoice Due Date.

ARTICLE 7
LATE PAYMENT PENALTY

If Employer fails to timely pay any amount due to Anthem under this Policy, Employer shall pay a late payment penalty for each day the payment is late. The late payment penalty shall be calculated at the rate of 12% simple interest per annum (365 days), and shall be included on a subsequent invoice and payable by the Invoice Due Date. If applicable, Employer agrees to reimburse Anthem for any expenses charged to Anthem by a financial institution, Provider or Vendor due to Employer's failure to maintain sufficient funds in a designated bank account. Any acceptance by Anthem of late payments shall not be deemed a waiver of its rights to terminate this Policy for any future failure of Employer to make timely payments.

ARTICLE 8
CHANGES IN TERMS OR CONDITIONS

8.1 If Anthem offers to renew this Policy at the end of a Policy Period, then Anthem shall provide Employer with the terms and conditions of the proposed renewal in writing within the time period provided in Section 1 of Schedule A. The Employer shall notify Anthem in writing of its selection from the renewal options by indicating its selection and signing Anthem's designated renewal form. If Anthem does not receive a signed acceptance of the renewal from Employer prior to the start of the next Policy Period, the Employer's payment of the amounts provided in the renewal shall constitute Employer's acceptance of the terms. Anthem shall provide a revised Schedule A that will become part of this Policy without the necessity of securing Employer's signature.

8.2 Anthem reserves the right to make changes to this Policy, to Schedule A, or other applicable Run-in or Run-out Schedules at a time other than the start of a Policy Period upon the occurrence of one or more of the following events:

(1) a change to the Plan benefits initiated by Employer that results in a substantial change in the services as determined by Anthem; (2) a change in ownership (including but not limited to a merger, consolidation, or transfer of all or substantially all of Employer's assets); (3) a change in the total number of Members resulting in either an increase or decrease of 10% or more of the number of Members enrolled for coverage on the date the stop loss premium was last modified; (4) a change in the Employer contribution; (5) a change in the nature of Employer's business resulting in a change in its designated Standard Industrial Classification ("SIC") code; or (6) a change in applicable law affecting this Policy or any of the Plan Documents.

Anthem shall provide notice to Employer of any change at least 30 days prior to the effective date of such change. If such change is unacceptable to Employer, either Party shall have the right to terminate this Policy by giving written notice of termination to the other Party before the effective date of the change. If Employer accepts the proposed change, Anthem shall provide a revised Schedule A that will then become part of this Policy without the necessity of securing Employer's signature on the Schedule A.

8.3 No modification or change in any provision of this Policy, including but not limited to, changes at renewal, shall be effective unless and until approved in writing by an authorized representative of Anthem and evidenced by an amendment or new Schedule attached to this Policy.

8.4 Any payments made under this Policy shall only be for the benefit of Employer. Anthem has no obligation or liability under this Policy to provide benefits to Subscribers or Members. No Subscriber or Member shall have the right to any of the proceeds of any stop loss insurance obtained by Employer pursuant to this Policy.
ARTICLE 9
SUBROGATION AND OTHER RECOVERIES

Any subrogation or other recovery received by the Plan will not be used to satisfy any of the stop loss limits under this Policy. Anthem will first be repaid any amounts it has reimbursed under this Policy or under a previous stop loss agreement between the Parties. Any remaining recovery amounts shall be credited or paid to Employer as described in the Administrative Services Agreement.

ARTICLE 10
TERMINATION

10.1 This Policy automatically terminates as follows:

10.1.1 At the end of each Policy Period unless the Policy is renewed pursuant to Article 8 of this Policy.

10.1.2 Upon the termination of the Administrative Services Agreement.

10.1.3 At the end of the month in which fewer than 100 Subscribers are covered under the Plan.

10.1.4 If Employer changes to a third party administrator other than Anthem for the Claims that are subject to this Policy.

Upon termination of this Policy, the Parties shall remain liable for all payments due under this Policy.

10.2 The Employer may terminate this Policy at any time other than at the end of a Policy Period by giving Anthem 90 days written notice of its intent to terminate.

10.3 Notwithstanding any other provision of this Article 10, this Policy automatically terminates, without further notice or action, if Employer fails to pay any premium amounts due under this Policy within 7 days of the date of Anthem’s notice to the Employer of a delinquent amount owed (“Grace Period”). Such termination shall be effective as of the last period for which full payment was made. During the Grace Period, the stop loss coverage will remain in effect provided the premium is paid before the end of the Grace Period. Any acceptance of a delinquent payment by Anthem shall not be deemed a waiver of this provision for termination of this Policy. Delivery of payment to Anthem or Anthem’s receipt and negotiation of a tendered payment through its automatic deposit procedures shall not be deemed acceptance or a waiver of such termination. If this Policy is terminated due to nonpayment of premium, Claims Run-out coverage, if any, will not apply.

10.4 Notwithstanding any other provision of this Policy, if Employer engages in fraudulent conduct or misrepresentation, Anthem may rescind, cancel, or terminate this Policy, effective on the date of the fraudulent conduct or misrepresentation regardless of the date Anthem's discovered such conduct. Employer shall be liable to Anthem for any and all payments made, as well as losses or damages sustained by Anthem arising as a result of such Employer conduct.

10.5 In the event that this Policy terminates or is terminated prior to the end of a Policy Period, the stop loss limits under this Policy shall not be prorated, and Anthem shall not reimburse Employer for any Paid Claims unless the Specific Stop Loss Limit and/or the Aggregate Stop Loss Limit or the Minimum Aggregate Stop Loss Limit, if greater, have been met. Only amounts accumulated towards any stop loss limits under this Policy through the date of termination will be used in the determination of whether such limits have been met. Anthem shall have no obligation to refund to Employer any stop loss premiums paid by Employer under this Policy.

If, based on the settlement calculation, Anthem must pay Employer an amount due under the terms of this Policy, Anthem shall pay Employer no later than 30 days after the settlement calculation subject to any right to offset any amounts owed to the Employer.

If, based on the settlement calculation Employer must pay Anthem an amount under the terms of this Policy, then Employer shall pay Anthem no later than 30 days following receipt of the invoice.
ARTICLE 11
NOTICES

11.1 Notices under this Policy shall be deemed sufficient when made in writing as follows: to Employer, by first class mail, personal delivery, electronic mail or overnight delivery with confirmation capability, to its principal office shown upon the records of Anthem; to Anthem, by first class mail, personal delivery, electronic mail or overnight delivery with confirmation capability, to the designated Anthem sales representative.

11.2 A notice or demand shall be deemed to have been given as of the date of deposit in the United States mail with postage prepaid or, in the case of delivery other than by mail, on the date of actual delivery at the appropriate address.

ARTICLE 12
GENERAL PROVISIONS

12.1 No failure or delay by either Party to exercise any right or to enforce any obligation herein and no course of dealing between Employer and Anthem shall operate as a waiver of such right or obligation or be construed as or constitute a waiver of the right to enforce or insist upon compliance with such right or obligation in the future. Any single or partial exercise of any right or failure to enforce any obligation shall not preclude any other or further exercise or the right to exercise any other right or enforce any other obligation.

12.2 Unless it has first obtained the written consent of an officer of the other Party, neither Party may assign this Policy to any other person. Notwithstanding the foregoing, Anthem may, with advance written notice to Employer, assign or otherwise transfer its rights and obligations hereunder, in whole or in part, to: (i) any affiliate of Anthem; or (ii) any entity surviving a transaction involving the merger, acquisition, consolidation, or reorganization of Anthem, or in which all or substantially all of Anthem’s assets are sold. Additionally, Employer may, with advance written notice to Anthem, assign, delegate, or otherwise transfer its rights and obligations hereunder, in whole, to (i) any affiliate of Employer; or (ii) any entity surviving a transaction involving the merger, acquisition, consolidation or reorganization of Employer, or in which all or substantially all of Employer’s assets are sold, provided that such affiliate or other assignee presents, in Anthem’s opinion, an equivalent or better financial status and credit risk. Either Party is required to provide advance written notice under this provision only to the extent permissible under applicable law and the reasonable terms of the agreement(s) governing such merger, acquisition, consolidation, reorganization, or asset sale. If advance written notice is not allowed, notice shall be provided as soon as practicable. Upon receipt of notice of an assignment of this Policy, the other Party may terminate this Policy by providing the assigning Party with 30 days advance written notice of termination. Any assignee of rights or benefits under this Policy shall be subject to all of the terms and provisions of this Policy. Either Party may subcontract any of its duties under this Policy without the prior written consent of other Party; however, the Party subcontracting the services shall remain responsible for fulfilling its obligations under this Policy.

12.3 The payment of amounts under this Policy will not include any taxes which might be paid or payable by Employer; or any tax liability, interest or penalty imposed by any regulatory or taxing authority. Employer agrees to pay Anthem for any tax liability assessed against Anthem on the basis of the stop loss coverage provided to Employer and shall reimburse Anthem for the amount of any such tax liability incurred by Anthem as the result of such tax assessment. Such reimbursement shall be due and payable when Employer receives Anthem’s notification that reimbursement is due.

12.4 No action by either Party alleging a breach of this Policy may be commenced after the expiration of 3 years from the date on which the claim arose.

12.5 Employer on behalf of itself and its participants, hereby expressly acknowledges its understanding that this Policy constitutes a contract solely between Employer and Anthem, that Anthem is an independent corporation operating under a license with the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, permitting Anthem to use the Blue Cross and Blue Shield Service Marks in the State of Connecticut and that Employer further acknowledges and agrees that it has not entered into this Policy based upon representations by any person other than Anthem and that no person, entity, or organization other than Anthem shall be held accountable or liable to it for any of Anthem’s obligations to Employer created under this Policy. This paragraph shall not create any additional obligations whatsoever on the part of Anthem other than those obligations created under other provisions of this Policy.
12.6 If there is a conflict between the terms and conditions of this Policy and the Administrative Services Agreement between the Parties, the terms and conditions of this Policy shall prevail.

12.7 Anthem agrees that it will not terminate this Policy during an Eligible Claim Date Period due to adverse claim experience of Member(s).

ARTICLE 13
ENTIRE AGREEMENT

13.1 The following documents will constitute the entire description of stop loss coverage between the Parties: this Policy, including any applications, amendments and Schedules thereto.

13.2 This Policy supersedes any and all prior agreements between the Parties, whether written or oral, and other documents, if any, addressing the subject matter contained in this Policy.

13.3 If any provision of this Policy is held to be invalid, illegal or unenforceable in any respect under applicable law, order, judgment or settlement, such provision shall be excluded from the Policy and the balance of this Policy shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

IN WITNESS WHEREOF, the Parties hereto have caused this Policy to be executed in duplicate by affixing the signatures of duly authorized officers.

Canton Town and Board of Education

By: [Signature]
Title: Chief Administrative Officer
Date: 12-3-12

Anthem Health Plans, Inc. d.b.a. Anthem Blue Cross and Blue Shield

By: [Signature]
Title: V.P.
Date: December 6, 2012
SCHEDULE A
to the
STOP LOSS POLICY with
CANTON TOWN AND BOARD OF EDUCATION

Section 1. Term
The Policy Period shall be from July 1, 2012 through June 30, 2013. For purposes of this Policy Period, this Schedule shall supplement and amend the Stop Loss Policy between the Parties.

Anthem shall provide an offer to renew this Policy at least 30 days prior to the end of a Policy Period.

Jurisdiction of this Policy shall be in the state of Connecticut.

Section 2. Eligible Claim Date Period
Claims under the Plan shall be covered by the Stop Loss Policy when Incurred and paid as follows:

- Incurred from July 1, 2009 through June 30, 2013 and
- Paid from July 1, 2012 through June 30, 2013

The Eligible Claim Date Period applies only to a full Policy Period.

Section 3. Member Excluded from Stop Loss Coverage
Not Applicable

Section 4. Specific Stop Loss Coverage
A. Application of Specific Stop Loss Coverage
Amounts accumulated toward the Specific Stop Loss Limit shall be calculated as follows:

Per Member

B. Lines of Coverage
The specific stop loss coverage shall apply to the following benefits under the Plan:

- Medical Only

C. Specific Stop Loss Coverage Limits
Specific Stop Loss Limit
$150,000.00

D. Premium Rates
The per Subscriber Premium Rates for the specific stop loss coverage shall be the following:

Medical Only
Composite $69.24 /mo.
E. Paid Claims

For purposes of specific stop loss coverage, Paid Claims shall not include the following:

Dental
Vision
Pharmacy Only
Comprehensive Health Solutions Program Fees
Claim surcharges to the extent that such surcharges are not included in the Paid Claim amount
Funds representing Employer allocation to Consumer Directed Health Plan accounts

Section 5. Aggregate Stop Loss Coverage

A. Lines of Coverage

The aggregate stop loss coverage shall apply to the following benefits under the Plan.

Medical & Rx

B. Aggregate Stop Loss Coverage Limits

Aggregate Stop Loss Amount. The aggregate stop loss amount used to determine the Aggregate Stop Loss Limit shall be calculated with the following:

Per Subscriber

Medical & Rx
Composite $1,482.82 per Subscriber per month

C. Premium Rates

The per Subscriber Premium Rates for the aggregate stop loss coverage shall be the following:

Medical & Rx
Composite $21.06 /mo.

D. Paid Claims

For purposes of aggregate stop loss coverage, Paid Claims does not include the following:

Dental
Vision
Comprehensive Health Solutions Program Fees
Claim surcharges to the extent that such surcharges are not included in the Paid Claim amount
Funds representing Employer allocation to Consumer Directed Health Plan accounts

Section 6. Payment

ACH Demand Debit Reimbursement. Anthem will initiate an ACH demand debit transaction that will withdraw the amount due from a designated Employer bank account no later than the next business day following the Invoice Due Date; however, if the Invoice Due Date falls on either a banking holiday, a Saturday or a Sunday, the withdrawal shall be made on the following banking day.

Section 7. Premium Credit

Anthem shall credit premium for each retroactive deletion up to a maximum of 60 days, and shall charge for each retroactive addition up to a maximum of 60 days.
Section 8. **Liability Maximum**

This Section has been intentionally omitted.

Section 9. **Other Amendments**

This Policy is otherwise amended as follows:

The following definition "**INVOICE DUE DATE**" is added:

**INVOICE DUE DATE.** The date on the invoice provided to Employer indicating when payment is due.

The following definition "**POLICY PERIOD**" is added:

**POLICY PERIOD.** The term defined in Section 1 of Schedule A.

Anthem Health Plans, Inc. d.b.a. Anthem Blue Cross and Blue Shield

By: Jim Auger

Title: V.P.

Date: December 6, 2012
ADMINISTRATIVE SERVICES AGREEMENT

This Administrative Services Agreement ("Agreement") is entered into by and between Canton Town and Board of Education ("Employer") and Anthem Health Plans, Inc. dba Anthem Blue Cross and Blue Shield ("Anthem") and is effective as of July 1, 2012 upon the following terms and conditions:

1. Employer is the sponsor of a self-funded Group Health Plan (as defined below) providing, among other things, health care benefits to certain eligible employees and their qualified dependents.

2. Employer desires to retain Anthem as an independent contractor to administer certain elements of Employer’s Group Health Plan.

3. Anthem desires to administer certain elements of Employer’s Group Health Plan pursuant to the terms of this Agreement.

In consideration of the promises and the mutual covenants contained in this Agreement, Anthem and Employer (the "Party" or "Parties" as appropriate) agree as follows:

ARTICLE 1 - DEFINITIONS

For purposes of this Agreement and any amendments, attachments or schedules to this Agreement, the following words and terms have the following meanings unless the context or use clearly indicates another meaning or intent:

ADMINISTRATIVE SERVICES FEE. The amount payable to Anthem in consideration of its administrative services and operating expenses as indicated in Section 3 of Schedule A, excluding any cost for stop loss insurance coverage or any other policy of insurance, if applicable. All additional charges not included in the Administrative Services Fee are specified elsewhere in this Agreement.

AGREEMENT PERIOD. The period of time indicated in Section 1 of Schedule A.

ANTHEM AFFILIATE. An entity controlling, under common control with or controlled by Anthem.

BENEFITS BOOKLET. A description of the portion of the health care benefits provided under the Plan that is administered by Anthem.

BILLED CHARGES. The amount that appears on a Member’s Claim form (or other written notification acceptable to Anthem that Covered Services have been provided) as the Provider’s charge for the services rendered to a Member, without any adjustment or reduction and irrespective of any applicable reimbursement arrangement with the Provider.

BLUE CROSS BLUE SHIELD ASSOCIATION (“BCBSA”). An association of independent Blue Cross and Blue Shield companies.

CLAIM. Written or electronic notice of a request for reimbursement of any health care service or supply on a form acceptable to Anthem.

CLAIMS RUNOUT SERVICES. Processing and payment of Claims that are incurred but unreported and/or unpaid as of the date this Agreement terminates.

COVERED SERVICE. Any health care service or supply rendered to Members for which benefits are eligible for reimbursement pursuant to the terms of the applicable Benefits Booklet.

GROUP HEALTH PLAN OR PLAN. An employee welfare benefit plan established by the Employer, in effect as of the Effective Date, as described in the Plan Documents, as they may be amended from time to time.

INTER-PLAN PROGRAMS. Blue Cross and Blue Shield Association programs, including the BlueCard Program, where Anthem can process certain Claims for Covered Services received by Members outside of Anthem’s service area, which may include accessing the reimbursement arrangement of a Provider that has contracted with another Blue Cross and/or Blue Shield plan.

INVOICE DUE DATE. The date on the invoice provided to Employer indicating when payment is due.
MEMBER. The individuals, including the Subscriber and his/her dependents, as defined in the Benefits Booklet, who have satisfied the Plan eligibility requirements of Employer, applied for coverage, and been enrolled for Plan benefits.

NETWORK PROVIDER. A physician, health professional, hospital, pharmacy, or other individual, organization and/or facility that has entered into a contract, either directly or indirectly, with Anthem to provide Covered Services to Members through negotiated reimbursement arrangements.

PAID CLAIM. The amount charged to Employer for Covered Services or services provided during the term of this Agreement. Paid Claims may also include any applicable interest and any surcharges assessed by a state or government agency. In addition, Paid Claims shall be determined as follows:

1. Provider and Vendor Claims. Except as otherwise provided in this Agreement, Paid Claims shall mean the amount Anthem actually pays the Provider or Vendor (without regard to whether Anthem reimburses such Provider or Vendor on a percentage of charges basis, a fixed payment basis, a global fee basis, single case rate, or other reimbursement methodology) or whether such amount is more or less than the Provider's or Vendor's actual Billed Charges for a particular service or supply.

2. Prescription Drug Claims. If applicable to the Plan benefits as indicated in Schedule B, Paid Claims for Prescription Drugs shall mean an amount that Anthem invoices Employer for Prescription Drugs dispensed to Members by pharmacies. Anthem shall retain the difference, if any, between the invoiced amount to Employer and the amount paid to the pharmacy benefit manager ("PBM") for Prescription Drugs dispensed to Members as a portion of Anthem's reasonable compensation for services under this Agreement.

3. Performance Payments. If a Provider or Vendor participates in any Anthem program in which performance incentives, rewards or bonuses ("Performance Payments") are paid based on the achievement of certain goals, outcomes or performance standards adopted by Anthem (collectively, "Performance Targets"), Paid Claims shall also include the amount of such Performance Payments. Such Performance Payments may be charged to Employer on a per claim, lump sum, per Subscriber, per Member, or a pro-rata apportionment basis. The amount charged to Employer may be greater than the amount actually paid to any one particular Provider or Vendor pursuant to the terms of the contract with such Provider or Vendor. Anthem shall retain the difference, if any, between the amount invoiced to Employer and the amount paid to any Provider or Vendor as a fee Anthem charges to oversee such programs. In no event shall the amount charged to Employer be greater than its proportionate share of total Performance Payments.

4. Fees Paid to Manage Care or Costs. Paid Claims may also include fees paid to Providers or Vendors for managing the care or cost of care for designated Members. In addition, Paid Claims may also include an amount Anthem charges to oversee programs and such program charges, if any, shall be provided in Section 4 of Schedule A.

5. Claims Payment Pursuant to any Judgment, Settlement, Legal or Administrative Proceeding. Paid Claims shall include any Claim amount paid as the result of a settlement, judgment, or legal, regulatory or administrative proceeding brought against the Plan and/or Anthem, or otherwise agreed to by Anthem, with respect to the decisions made by Anthem regarding the coverage of or amounts paid for services under the terms of the Plan. Paid Claims also includes any amount paid as a result of Anthem's billing dispute resolution procedures with a Provider or Vendor. Any Claims paid pursuant to this provision will count towards any stop loss accumulators under a stop loss agreement with Anthem.

6. Claims Payment Pursuant to Inter-Plan Programs and Other BCBSA Programs. Paid Claims shall include any amount paid for Covered Services incurred outside the geographical area that Anthem serves and that are processed through Inter-Plan Programs or for any amounts paid for Covered Services provided through another BCBSA program (e.g. BCBSA Blue Distinction Centers for Transplant). More Information about Inter-Plan Programs is found in Article 15 of this Agreement.

7. Claims Payment Pursuant to a Consumer Directed Health Plan Account. If applicable to Plan benefits and as indicated on Schedule B of this Agreement, Paid Claims shall include any amount actually paid by Anthem from a consumer directed health plan account, such as a health reimbursement account or a health incentive account.

PLAN DOCUMENTS. The documents that set forth the terms of the Plan, and which include the Benefits Booklet.
PRESCRIPTION DRUG. Insulin and those drugs and drug compounds that are included in the U.S. Pharmacopoeia and that are required to be dispensed pursuant to a prescription or that are otherwise included on Anthem's formulary (e.g., certain over-the-counter drugs).

PROPRIETARY INFORMATION AND CONFIDENTIAL INFORMATION. Employer Proprietary Information is the systems, procedures, methodologies and practices used by Employer to run its operations and the Plan and other non-public information about Employer. Anthem Proprietary Information is the systems, procedures, methodologies and practices used by Anthem in connection with its underwriting, Claims processing, Claims payment and health care management activities. Anthem Proprietary Information also includes Anthem’s Provider network, negotiated fees, terms and discounts with Providers, and other non-public information about Anthem. Anthem Confidential Information includes Provider tax identification numbers, social security numbers and drug enforcement administration (“DEA”) numbers or pharmacy numbers.

PROVIDER. A duly licensed physician, health professional, hospital, pharmacy or other individual, organization and/or facility that provides health services or supplies within the scope of an applicable license and/or certification and meets any other requirements set forth in the Benefits Booklet.

SUBSCRIBER. An employee or retiree of Employer or other eligible person (other than a dependent) who is enrolled in the Plan.

VENDOR. A person or entity other than a Provider, including an Anthem Affiliate, that provides services or supplies pursuant to a contract with Anthem.

ARTICLE 2 - ADMINISTRATIVE SERVICES PROVIDED BY ANTHEM

a. Anthem shall process the enrollment of eligible individuals and termination of Members as directed by the Employer subject to the provisions of this Agreement. Anthem shall, with the assistance of Employer, respond to direct routine inquiries made to it by employees and other persons concerning eligibility in the Plan.

b. Anthem shall perform the following Claims administrative services:

1. Process Claims with a Claims Incurred Date indicated in Section 1 of Schedule A and provide customer service at a level consistent with industry standards, including investigating and reviewing such Claims to determine what amount, if any, is due and payable according to the terms and conditions of the Benefits Booklet and this Agreement. Anthem shall perform coordination of benefits (“COB”) with other payors, including Medicare. In processing Claims, Anthem shall utilize Anthem’s medical policies and medical policy exception process, its definition of medical necessity, its precertification and/or preauthorization policies and applicable Claim timely filing limits. Notwithstanding any other provisions of this Agreement, Anthem will use good faith efforts to process Claims (whether submitted on paper or electronically) in accordance with the state prompt payment requirements for the state in which this Agreement is issued. However, if Anthem fails to meet any such state prompt pay requirements in processing Employer’s Claims no interest, penalty or other default shall accrue or be payable with respect to such Claims.

2. Disburse to the applicable individuals or entities (including Providers and Vendors) payments that it determines to be due according to the provisions of the Benefits Booklet.

3. Provide notice in writing when a Claim for benefits has been denied which notice shall set forth the reasons for the denial and the right to a full and fair review of the denial under the terms of the Benefits Booklet and shall otherwise satisfy applicable regulatory requirements governing the notice of a denied Claim.

c. Employer delegates to Anthem fiduciary authority to determine claims for benefits under the Plan as well as the authority to determine appeals of any adverse benefit determinations under the Plan. Anthem shall administer complaints, appeals and requests for independent review according to Anthem’s complaint and appeals policy, and any applicable law or regulation, unless otherwise provided in the Benefits Booklet. In carrying out this authority, Anthem is delegated full discretion to determine eligibility for benefits under the Plan and to interpret the terms of the Plan. Anthem shall be deemed to have properly exercised such authority unless a Member proves that Anthem has abused its discretion or that its decision is arbitrary and capricious. Anthem is a fiduciary of the Plan only to the extent necessary to perform its obligations and
d. Anthem shall have the authority, in its discretion, to institute from time to time, utilization management, case management, disease management or wellness pilot initiatives in certain designated geographic areas. These pilot initiatives are part of Anthem's ongoing effort to find innovative ways to make available high quality and more affordable healthcare and will apply equally to Members of both insured and self-funded plans. A pilot initiative may affect some, but not all Members under the Plan. These programs will not result in the payment of benefits which are not provided in the applicable Benefits Booklet, unless otherwise agreed to by the Employer. Anthem reserves the right to discontinue a pilot initiative at any time without advance notice to Employer.

e. Anthem shall perform recovery services as provided in Article 13.

f. Anthem shall issue identification cards to Subscribers and/or Members, as applicable, and the content and design of the identification cards shall comply with BCBSA regulations.

g. Anthem shall provide certificates of creditable coverage as required by the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") with respect to Members' participation in the Plan. Employer agrees to promptly provide Anthem with any information relating to a Subscriber's employment history as may be necessary for Anthem to provide the certificates of creditable coverage.

h. Anthem shall provide Members and potential Members access to an online directory of Providers contracted with Anthem ("Provider Directories"). Such Provider Directories shall also be available and distributed in booklet format upon Member request. Additionally, if applicable to Plan benefits, Anthem shall ensure that Members and potential Members have access to the BlueCard directory of Providers via a website sponsored by BCBSA.

i. Anthem reserves the right to make benefit payments to either Providers or Members at its discretion. Employer agrees that the terms of the Plan will include provisions for supporting such discretion in determining the direction of payment including, but not limited to, a provision prohibiting Members from assigning their rights to receive benefit payments, unless otherwise prohibited by applicable law.

j. If applicable to the Plan benefits and as indicated in Schedule B of this Agreement, Anthem may provide or arrange for the provision of the following managed care services:

1. Conduct medical necessity review, utilization review, and a referral process, which may include, but is not limited to: (a) preadmission review to evaluate and determine the medical necessity of an admission or procedure and the appropriate level of care, and for an inpatient admission, to authorize an initial length of stay; (b) concurrent review throughout the course of the inpatient admission for authorization of additional days of care as warranted by the patient's medical condition; (c) retrospective review; and (d) authorizing a referral to a non-Network Provider. Anthem shall have the authority to waive a requirement if, in Anthem's discretion, such exception is in the best interest of the Member or the Plan, or is in furtherance of the provision of cost effective services under this Agreement.

2. Perform case management to identify short and long term treatment programs in cases of severe or chronic illness or injury. Anthem may, but is not required to, customize benefits in limited circumstances by approving otherwise non-Covered Services if, in the discretion of Anthem, such exception is in the best interest of the Member and the Plan.

3. Provide access to a specialty network of Providers if the Plan includes a specialty network. Anthem reserves the right to establish specialty networks for certain specialty or referral care.

4. Provide any other managed care services incidental to or necessary for the performance of the services set forth in this Article 2.

k. Anthem shall offer programs to help Employer effectively manage the cost of care, and Employer shall pay fees for the programs selected by Employer only if such fees are indicated in Section 3(B) of Schedule A.
Employer shall abide by all applicable policies and procedures of the programs selected, which may require Employer to provide requested information prior to Anthem initiating the service.

l. On behalf of Employer, Anthem shall produce and maintain a master copy of the Benefits Booklet and make changes and amendments to the master copy of the Benefits Booklet and incorporate any approved changes or amendments pursuant to Article 18(a) of this Agreement. Employer shall determine, in its sole discretion, whether Anthem has accurately produced the Benefits Booklet and has fully implemented the approved changes or amendments. Until Employer has approved the Benefits Booklet, Anthem will administer the quoted benefits according to Anthem's most similar standard Benefits Booklet language.

m. Anthem will provide Employer with Plan data and assistance necessary for preparation of the Plan's information returns and forms required by federal or state laws. Anthem shall prepare and mail all IRS Form 1099's and any other similar form that is given to Providers or brokers.

n. Anthem shall administer unclaimed funds pursuant to unclaimed property or escheat laws and shall make any required payment and file any required reports under such laws.

o. Unless otherwise agreed to by the Parties and specified in the Benefits Booklet, Anthem's standard policies and procedures, as they may be amended from time-to-time, will be used in the provision of services specified in this Agreement. In the event of any conflict between this Agreement and any of Anthem's policies and procedures, this Agreement will govern.

p. If applicable to the Plan benefits as indicated in Schedule B, Anthem shall provide conversion rights to Members following termination of this Agreement, and Employer shall pay the fee indicated in Section 3(C) of Schedule A.

q. The Massachusetts Health Safety Net Trust Fund, the New York Health Care Reform Act, the Maine Dirigo Access Payment, and other similar state law requires Employers to finance health related initiatives through residency-based assessments and/or surcharges added to certain Paid Claims. After Employer completes the applicable forms, Anthem shall make all assessment and/or surcharge payments on behalf of Employer to the appropriate pools administered by the respective states, based primarily upon Anthem's Paid Claims information and Member information provided to Anthem by Employer.

r. Anthem shall provide required notices describing Member's rights under the Women’s Health and Cancer Rights Act (WHCRA) upon a Member's enrollment and at least annually thereafter.

s. Anthem shall have the authority to build and maintain its Provider network. Nothing in this Agreement shall be interpreted to require Anthem to maintain negotiated fees or reimbursement arrangements or other relationships with certain Providers or Vendors. Anthem will be solely responsible for acting as a liaison with Providers including, but not limited to, responding to Provider inquiries, negotiating rates with Providers or auditing Providers.

t. If a catastrophic event (whether weather-related, caused by a natural disaster, or caused by war, terrorism, or similar event) occurs that affects Members in one or more locations, and such catastrophic event prevents or interferes with Anthem's ability to conduct its normal business with respect to such Members or prevents or interferes with Members' ability to access their benefits, Anthem shall have the right, without first seeking consent from Employer, to take reasonable and necessary steps to process Claims and provide managed care services in a manner that may be inconsistent with the Benefits Booklet in order to minimize the effect such catastrophic event has on Members. As soon as practicable after a catastrophic event, Anthem shall report its actions to Employer. Employer shall reimburse Anthem for amounts paid in good faith under the circumstances and such amounts shall constitute Paid Claims, even if the charges incurred were not for services otherwise covered under the Benefits Booklet.

u. Anthem shall submit any claim that is required to be filed under any stop loss policy issued by Anthem or an Anthem Affiliate. Anthem shall have no obligation to prepare or file any claim for excess risk or stop loss coverage under a policy not issued by Anthem or an Anthem Affiliate. Anthem shall provide Employer with Claims data pursuant to Article 11 of this Agreement if Employer chooses to file a claim under a stop loss policy issued by an entity other than Anthem or an Anthem Affiliate. Anthem shall assume no liability or responsibility to Employer for inconsistencies between the determination of Covered Services under the Benefits Booklet and this Agreement and the determination of coverage by an unaffiliated stop loss carrier.
v. If applicable to Plan benefits as indicated on Schedule B to this Agreement, Anthem shall assist Employer in determining whether its Prescription Drug benefit constitutes "creditable prescription drug coverage" as that term is used under the Medicare Part D laws (specifically, 42 C.F.R. 423.55). Unless otherwise agreed to by the Parties, Employer shall be solely responsible for communicating with Members regarding creditable prescription drug coverage matters.

w. If a Member is a Massachusetts resident, Anthem shall mail the Member any notices required by the Massachusetts Health Care Reform Act ("HCRA") reflecting coverage during the current and prior Agreement Period. If a Member works in Massachusetts for Employer, but resides in another State, Anthem will only provide such notices if Employer notifies Anthem at least 60 days prior to any notice deadline imposed by HCRA that such Member requires the HCRA notices.

x. Anthem is the responsible reporting entity ("RRE") for the Plan as that term is defined pursuant to Section 111 of the Medicare, Medicaid and SCHIP Extension Act of 2007. In order to fulfill its RRE obligation, Anthem requires information from the Employer, including, but not limited to, Member Social Security Numbers. Employer shall cooperate with Anthem and timely respond to any request for information made by Anthem.

y. Anthem will provide Employer with Plan information and assistance necessary for the preparation of the Plan's Summary of Benefits and Coverage ("SBC") related to the elements of the Plan that Anthem administers. Employer is solely responsible for ensuring that the SBC accurately reflects the benefits Employer will offer and for finalizing and distributing the SBC to Subscribers. Notwithstanding the provisions in Article 18(a), if Employer's open enrollment period is at a time other than 30 days prior to the end of an Agreement Period, Employer agrees to provide Anthem with any changes to the benefits Anthem administers at least 60 days prior to the start of the open enrollment period.

ARTICLE 3 - OBLIGATIONS OF EMPLOYER

a. Employer shall furnish to Anthem initial eligibility information regarding Members. Employer is responsible for determining eligibility of individuals and advising Anthem in a timely manner, through a method agreed upon by the Parties, as to which employees, dependents, and other individuals are to be enrolled Members. Anthem reserves the right to limit the effective date of retroactive enrollment to a date not earlier than 60 days prior to the date notice is received. Such retroactive enrollments shall be subject to Anthem's receipt of any applicable Administrative Services Fees as indicated in Section 3(A) of Schedule A. Employer shall keep such records and furnish to Anthem such notification and other information as may be required by Anthem for the purpose of enrolling Members, processing terminations, effecting COBRA coverage elections, effecting changes in single or family coverage status, effecting changes due to a Member becoming eligible or ineligible for Medicare, effecting changes due to a leave of absence, or for any other purpose reasonably related to the administration of eligibility under this Agreement. Employer acknowledges that prompt and complete furnishing of the required eligibility information is essential to the timely, accurate, and efficient processing of Claims.

Employer shall notify Anthem monthly of the Subscribers, dependents, or other individuals that will be or have become ineligible for benefits under the Plan. Upon receipt of such notice, Anthem shall terminate coverage effective as of the date specified in the Benefits Booklet. Employer shall give Anthem advance notice, if possible, of any Member's expected termination and/or retirement. Anthem reserves the right to limit retroactive terminations to a maximum of 60 days prior to the date notice is received. Anthem shall credit Employer Administrative Services Fees for such retroactive terminations as indicated in Section 3(A) of Schedule A.

If Anthem has paid Claims for persons no longer eligible for reasons including, but not limited to, Anthem having been provided inaccurate eligibility information, or Anthem having received notice of a retroactive change to enrollment, then Employer shall reimburse Anthem for all unrecovered Paid Claim amounts to the extent that the amounts have not already been paid by Employer.

b. Employer has the discretionary authority and control over the management of the Plan, and all discretionary authority and responsibility for the administration of the Plan except as delegated to Anthem in Article 2(c) of this Agreement. Employer retains all final authority and responsibility for the Plan and its operation and Anthem is empowered to act on behalf of Employer in connection with the Plan only as expressly stated in this Agreement or as otherwise agreed to by the Parties in writing.
c. It is understood and agreed that the provision of any notice, election form, or communication and the collection of any applicable premium or fees required by or associated with Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), or any other applicable law governing continuation of health care coverage, shall be the sole responsibility of Employer and not Anthem, except as otherwise agreed to in a written agreement between the Parties.

d. Employer is solely responsible for compliance with the Family and Medical Leave Act ("FMLA").

e. Employer agrees to and shall collect those contributions from Subscribers that are required by Employer for participation in the Plan. If Employer elects Anthem's stop loss coverage, Employer shall abide by Anthem's participation and contribution guidelines.

f. Unless otherwise agreed to by the Parties in writing, Employer shall prepare and distribute all notices or summaries of changes or material modifications to the Plan. Employer shall ensure that if it creates any documents that refer to benefits offered under the Plan, the documents will accurately reflect the terms of the Benefits Booklet.

g. To the extent that Medicare, Medicaid, the Veterans Administration or any other federal or state agency or entity asserts a reimbursement right against Employer, the Plan, or Anthem pursuant to that agency's or entity's rights under applicable law with respect to Claims processed by Anthem under this Agreement, the Employer shall be responsible for reimbursing Anthem any such amounts determined to be owed.

h. Employer shall give notice to Anthem of the expected occurrence of any of the following events (including a description of the event), with such notice to be given at least 30 days prior to the effective date of the event, unless such advance notice is prohibited by law or contract in which case, notice will be provided as soon as practicable:

1. Change of Employer's name; or

2. Any insolvency, receivership or inability of Employer to pay its debts as they become due.

i. The Employer shall have the sole responsibility, in accordance with state or federal law, to develop procedures for determining whether a medical child support order is a "qualified" medical child support order. The Employer shall provide notice to Anthem once it has made such determination.

j. The Employer may request Anthem, on an exception basis, to process and pay Claims that were denied by Anthem or take other actions with respect to the Plan that are not specifically set forth in this Agreement or the Benefits Booklet. In such cases, any payments shall not count toward the stop loss accumulators under a stop loss agreement issued by Anthem, unless otherwise agreed to by Anthem. Anthem may charge Employer a processing fee that has been mutually agreed to by the Parties prior to the processing of the Claim. Anthem shall not be responsible for any liability associated with any act or omission undertaken at the direction of, or in accordance with, instructions received from the Employer under this provision.

**ARTICLE 4 - CLAIMS PAYMENT METHOD**

a. Employer shall pay or fund Paid Claims according to the Claims payment method described in Section 4 of Schedule A. Employer shall pay or fund such amounts by the Invoice Due Date. In addition, from time to time, the Parties acknowledge that Employer may request a review of the appropriateness of a Claim payment and, during the review period, Employer shall pay or fund such Claim.

b. The Parties acknowledge that, from time to time, a Claims adjustment may be necessary as a result of coordination of benefits, subrogation, workers' compensation, other third party recoveries, payment errors and the like, and that the adjustment will take the form of a debit (for an additional amount paid by Anthem) or a credit (for an amount refunded to Employer). The Parties agree that such Claims adjustment shall be treated as an adjustment to the Claims payment made in the billing period in which the adjustment occurs, rather than as a retroactive adjustment to the Claim in the billing period in which it was initially reported as paid. Any Claims credit may be reduced by a fee charged by Vendors as indicated in Article 13 of this Agreement. In addition, a credit shall not be provided to Employer for a recovery related to a Claim that was covered under stop loss coverage provided by Anthem.
ARTICLE 5 - ADMINISTRATIVE SERVICES FEE

During the term of this Agreement, Employer shall pay Anthem the Administrative Services Fee, described in Section 3 of Schedule A. Employer shall pay the Administrative Services Fee and other fees authorized under this Agreement by the applicable Invoice Due Date according to the payment method described in Section 5 of Schedule A.

ARTICLE 6 - RENEWAL SCHEDULES

If Anthem offers to renew this Agreement at the end of an Agreement Period, then Anthem shall provide Employer with the terms and conditions of the proposed renewal in writing within the time period provided in Section 1 of Schedule A. Employer shall notify Anthem in writing of its selection from the renewal options by indicating its selection and signing Anthem's designated renewal form. If Anthem does not receive a signed acceptance of the renewal from Employer prior to the start of the next Agreement Period, Employer's payment of the amounts set forth in the renewal shall constitute Employer's acceptance of the terms. Anthem shall provide a revised Schedule A that will become part of this Agreement without the necessity of securing Employer's signature.

ARTICLE 7 - CLAIMS RUNOUT SERVICES

a. Claims Runout Services shall be provided for the period of time provided in Section 6 of Schedule A (the "Claims Runout Period"), except such Claims Runout services shall not be provided in the event that termination is due to non-payment pursuant to Article 19(a) of this Agreement. During the Claims Runout Period, the terms of this Agreement shall continue to apply. Anthem shall have no obligation to process or pay any Claims or forward Claims to Employer beyond the Claims Runout Period. Any amounts recovered beyond the Claims Runout Period shall be retained by Anthem as reasonable compensation for services under this Agreement. Anthem shall, however, return any recoveries for which Anthem had received monies, but had not processed the recovery prior to the end of the Claims Runout Period. In addition, Employer shall have no obligation to reimburse Anthem for any amounts paid by Anthem due to adjustments to Claims after the end of the Claims Runout Period.

b. The Administrative Services Fee for the Claims Runout Period, if applicable, is provided in Section 6 of Schedule A. Paid Claims and the Administrative Services Fee shall be invoiced and paid in the same manner as provided in Sections 4 and 5 of Schedule A, unless otherwise provided or agreed to in writing by the Parties.

ARTICLE 8 - LATE PAYMENT PENALTY

If Employer fails to timely pay or fund any amount due to Anthem under this Agreement, Employer agrees to pay a late payment penalty for each day the payment is late. The late payment penalty shall be calculated at the rate of 12% simple interest per annum (365 days), and shall be included on a subsequent invoice and payable by the Invoice Due Date. If applicable, Employer agrees to reimburse Anthem for any expenses charged to Anthem by a financial institution, Provider or Vendor due to Employer's failure to maintain sufficient funds in a designated bank account. Any acceptance by Anthem of late payments shall not be deemed a waiver of its rights to terminate this Agreement for any future failure of Employer to make timely payments.

ARTICLE 9 - HIPAA

a. Anthem's duties and responsibilities in connection with the requirements imposed by the Health Insurance Portability and Accountability Act ("HIPAA") and the privacy and security regulations promulgated thereunder will be set forth in a separate business associate agreement between the Parties.

b. In the event the Plan submits Claims or eligibility inquiries or any other HIPAA covered transaction as defined in 45 CFR Part 160 and 162 to Anthem through electronic means, the Plan and Anthem shall comply with all applicable requirements of HIPAA and the Plan and Anthem shall require any of their respective agents or subcontractors to comply with all applicable requirements of HIPAA.
ARTICLE 10 - PROPRIETARY AND CONFIDENTIAL INFORMATION

a. Each Party agrees to treat the other Party's Proprietary Information and Confidential Information in strict confidence, and shall institute commercially reasonable safeguards to protect the Information.

b. Employer shall use and disclose Anthem's Proprietary Information and/or Confidential Information solely for the purpose of administering the Plan. Employer shall not use or disclose Anthem's Proprietary Information and/or Confidential Information, or reports or summaries thereof, for any other purpose, including, but not limited to: (1) combining Anthem's Proprietary Information and/or Confidential Information with other data to create or add to an existing aggregate database that will or could be made available to any entity other than the Employer; (2) combining Anthem's Proprietary Information and/or Confidential Information with any other data received from Anthem; or, (3) selling or disclosing Anthem's Proprietary Information and/or Confidential Information to any other person or entity.

c. Employer shall not disclose Anthem's Proprietary Information and/or Confidential Information to any other person or entity without Anthem's prior written consent. Employer may disclose Anthem's Proprietary Information and/or Confidential Information to other Employer subcontractors, stop loss carriers, consultants, agents or auditors who need to know such information in order to provide services to Employer, (e.g. Plan administration), provided that such third party signs a confidentiality agreement with Anthem prior to disclosure.

d. Upon termination of this Agreement, either Party may retain, return or destroy the other Party's Proprietary Information and Confidential Information; however, the Parties agree to continue to comply with the provisions as set forth in this Article 10 upon termination of this Agreement for as long as it retains the other Party's Proprietary Information and Confidential Information.

e. This Agreement shall not be construed to restrict the use or disclosure of information that: (1) is public knowledge other than as a result of a breach of this Agreement; (2) is independently developed by a Party not in violation of this Agreement; (3) is made available to a Party by any person other than Anthem or Employer; provided the source of such information is not subject to any confidentiality obligations with respect to it; or, (4) is required to be disclosed pursuant to law, order, regulation or judicial or administrative process, but only to the extent of such required disclosures and after reasonable notice to the other Party.

f. Notwithstanding any other provision of this Agreement, a Party may seek injunctive or other equitable relief from a court of competent jurisdiction against the non-compliant Party should there be any unauthorized use of Proprietary Information or Confidential Information.

ARTICLE 11 - DATA REPORTS

a. Upon Employer's request and only as permitted by the business associate agreement entered into between the Parties, Anthem will provide Anthem's standard account reporting package. Prior to Anthem providing data or reports to Employer, the Parties must mutually agree to the types, format, content and purpose of the reports requested. If Employer requests from Anthem information that is not part of Anthem's standard account reporting package, and such request is approved by Anthem, Employer agrees to pay a mutually agreed upon charge to Anthem for such additional reports.

b. Anthem and Anthem Affiliates shall have the right to use or disclose Claims data collected in the performance of services under this Agreement or any other agreement between the Parties, so long as: (i) the data is de-identified in a manner consistent with the requirements of HIPAA; or (ii) the data is used or disclosed for research, health oversight activities, or other purposes permitted by law; or (iii) a Member has consented to the release of his or her individually identifiable data. The data used or disclosed shall be used for a variety of lawful purposes including, but not limited to, research, monitoring, and benchmarking of industry and health care trends. Anthem may receive remuneration for the data only if permitted by HIPAA.

ARTICLE 12 - CLAIMS AUDIT

a. At Employer's expense, Employer shall have the right to audit Claims on Anthem's premises, during regular business hours and in accordance with Anthem's audit policy, which may be revised from time to time. A copy of the audit policy shall be made available to Employer upon request.
b. If Employer elects to utilize a third-party auditor to conduct an audit pursuant to this Agreement and Anthem's audit policy, such auditor must be mutually acceptable to Employer and Anthem. Anthem will only approve auditors that are independent and objective and will not approve auditors paid on a contingency fee or other similar basis. Anthem reserves the right to charge a fee to Employer for expenditure of time by Anthem's employees in completing any audit. An auditor or consultant must execute a confidentiality and indemnification agreement with Anthem pertaining to Anthem's Proprietary and Confidential Information prior to conducting an audit.

c. Employer may conduct an audit once each calendar year and the audit may only relate to Claims processed during the current year or immediately preceding calendar year (the "Audit Period") and neither Employer nor anyone acting on Employer's or the Plan's behalf, shall have a right to audit Claims processed prior to the Audit Period. The scope of the audit shall be agreed to in writing by the Parties prior to the commencement of the audit.

d. Employer shall provide to Anthem copies of all drafts, interim and/or final audit reports at such time as they are made available by the auditor or consultants to Employer. Any errors identified and/or amounts identified as owed to Employer as the result of the audit shall be subject to Anthem's review and approval prior to initiating any recoveries of Paid Claims pursuant to Article 13 of this Agreement. Anthem reserves the right to terminate any audit being performed by or for Employer if Anthem determines that the confidentiality of its information is not properly being maintained or if Anthem determines that the Employer or auditor is not following Anthem audit policy.

e. An audit performed pursuant to this Agreement shall be the final audit for the Audit Period and for any prior Audit Period unless otherwise agreed to in writing by the Parties; however, Claims may be re-audited if Employer is required to conduct the audit by a government agency with which it has a contractual arrangement.

ARTICLE 13 - RECOVERY SERVICES

a. Pursuant to the provisions of this Article 13, Anthem shall pursue recoveries related to Paid Claims processed under this Agreement, including during any Claims Runout Period. Anthem shall exercise discretion to determine which recoveries it will pursue and, in no event will Anthem pursue a recovery if the cost of the collection is likely to exceed the recovery amount or if the recovery is prohibited by law or an agreement with a Provider or Vendor. Anthem will not be liable for any amounts it does not successfully recover. If Anthem determines that there is a potential recovery opportunity, Employer grants Anthem the authority and discretion to do the following: (1) determine and take steps reasonably necessary and cost-effective to effect recovery; (2) select and retain outside counsel or other Vendors as appropriate; (3) reduce any recovery obtained on behalf of the Plan by its proportionate share of the outside counsel fees and costs incurred during litigation or settlement activities to obtain such recovery; and (4) negotiate and effect any settlement of the Employer's and Plan's rights by, among other things, executing a release waiving the Employer's and Plan's rights to take any action inconsistent with the settlement.

b. During the term of this Agreement and any applicable Claims Runout period, Anthem may pursue payments to Members by any other person, insurance company or other entity on account of any action, claim, request, demand, settlement, judgment, liability or expense that is related to a Claim for Covered Services ("Subrogation Services"). Anthem may charge Employer a fixed percentage fee up to 25% of gross subrogation recovery, or, if outside counsel is retained, 15% of net recovery after a deduction for outside counsel fees for Subrogation Services ("Subrogation Fee"). Any subrogation recoveries shall be net of the Subrogation Fee and shall be treated as an adjustment to the Claims payment in the billing period in which the adjustment occurs as described in Article 4 of this Agreement. Subrogation Fees will not be assessed on subrogation recoveries until they are received by Anthem and credited to Employer.

c. Notwithstanding any other provision of this Article 13, Anthem will periodically perform audits of Provider and Vendor contracts to determine if Claims were accurately paid under those Provider or Vendor contracts. Anthem shall have authority to enter into a settlement or compromise regarding enforcement of these contracts, including, but not limited to, the right to reduce future reimbursement to Provider or Vendor in lieu of a lump sum settlement. If Anthem conducts an audit and makes a recovery as a result of such audit of Claims accuracy, then Anthem shall provide Employer a credit, after a reduction of third party vendor fees or costs, if any. Anthem shall credit Employer a proportionate share of the net recovery equal to the ratio of (1) total Members' Paid Claims to such Provider or Vendor for the audit period, to (2) total
payments made to such Provider or Vendor for all of Anthem's business during the audit period. Notwithstanding the above, Anthem shall retain any recoveries made from a Provider or Vendor resulting from any audits if the cost to administer the refund is likely to exceed the total recovery from the Provider or Vendor.

d. Anthem shall credit Employer net recovery amounts after deduction of fees and costs as set forth in this Article 13 not later than 150 days following the receipt of such recovery amounts. If Anthem does not credit Employer within 150 days of its receipt of recovery amounts, Anthem shall pay Employer interest calculated at the Federal Reserve Funds Rate in effect at the time of the payment. Anthem may have contracts with Network Providers or Vendors or there may be judgments, orders, settlements, applicable laws or regulations that limit Anthem's right to make recoveries under certain circumstances. Employer agrees that Anthem shall not be responsible for any such amounts that it is unable to recover from such Providers or Vendors. Notwithstanding the provisions of this Article 13, Anthem may, but is not required to, re-adjudicate Claims or adjust Members' cost share payments related to the recoveries made from a Provider or a Vendor. In no event, however, will Anthem be liable to credit Employer for any recovery after the termination date of this Agreement and any Claims Runout Period, and the Employer acknowledges and agrees that such sums shall be retained by Anthem as reasonable compensation for recovery services provided by Anthem.

ARTICLE 14 - PHARMACY BENEFITS AND SERVICES

a. If applicable to Plan benefits and as indicated in Schedule B of this Agreement, Anthem, through PBM, shall provide the following Prescription Drug management services:

1. Anthem shall offer Employer access to a network of pharmacies that have entered into contractual arrangements with PBM under which such pharmacies agree to provide pharmacy services to Members and accept negotiated fees for such services ("Network Pharmacies"). Anthem shall determine, in its sole discretion, which pharmacies shall be Network Pharmacies, and the composition of Network Pharmacies may change from time to time.

2. Anthem will furnish and maintain a drug formulary for use with the Plan, and Anthem shall periodically review and update its formulary. The Employer shall adopt such formulary as part of the design of the Plan. Unless mutually agreed to in writing by the Parties, upon termination of the Agreement, the Employer shall cease adoption and use of Anthem's formulary as part of its Plan. The drug formulary will be made available to Members on Anthem's web site and upon request may be provided to Employer in a mutually acceptable format for Employer's distribution to Members.

3. Anthem shall offer Employer a mail order pharmacy program, through which Members may receive mail order prescription services. Additional fees for express mail, shipping or handling may be charged to Members. Anthem shall also offer Employer a specialty pharmacy program, through which Members may receive specialty pharmacy prescription services. Anthem shall provide all necessary information and forms to Members to obtain these services.

4. Anthem shall arrange for the processing of Prescription Drug Claims in accordance with the Benefits Booklet.

b. PBM has negotiated programs with pharmaceutical manufacturers under which rebates for certain Prescription Drugs dispensed to Members are made directly to PBM ("Drug Rebate Programs"). Such Drug Rebate Programs are not based on the drug utilization of any one Employer Plan, but rather are based on the drug utilization of all individuals enrolled in PBM managed programs. In many cases the rebates are conditioned on certain Prescription Drugs being included on the formulary that Anthem requires Employer to adopt as part of the Plan. PBM will pay Anthem a portion of the rebates it receives (such portion being referred to in this Agreement as "Drug Rebates"). Anthem shall pay Employer an amount attributable to its actual or estimated receipt of the Drug Rebates as described in Section 3(A) of Schedule A.
c. Anthem may receive and retain administrative fees from PBM or directly from pharmaceutical manufacturers. In addition, Anthem may receive and retain service fees from pharmaceutical manufacturers for providing services (e.g., Provider and Member education programs that promote clinically appropriate and safe dispensing and use of Prescription Drugs). For purposes of this Agreement, administrative fees and service fees received by Anthem or PBM shall not be considered Drug Rebates.

d. If Employer terminates the pharmacy benefits portion of its Plan with Anthem at any time, then Anthem shall have the right to amend the Administrative Services Fee indicated in Section 3(A) of Schedule A.

ARTICLE 15 - INTER-PLAN ARRANGEMENTS (THE LANGUAGE IN THIS ARTICLE IS REQUIRED BY BCBSA.)

a. Out of Area Services. Anthem has a variety of relationships with other Blue Cross and/or Blue Shield Licensees referred to generally as "Inter-Plan Programs." Claims for certain services may be processed through one of these Inter-Plan Programs and presented to Anthem for payment in accordance with the rules of the Inter-Plan Programs policies then in effect. The Inter-Plan Programs available to Members under this Agreement are described generally below. Typically, Members' Claims are processed through an Inter-Plan Program when Members obtain care from health care Providers that have a contractual agreement (i.e., are "Network Providers") with a local Blue Cross and/or Blue Shield Licensee ("Host Blue"). In some instances, Members may obtain care from non-Network Providers. Anthem's payment practices in both instances are described below.

b. BlueCard® Program. Under the BlueCard® Program, when Members access Covered Services within the geographic area served by a Host Blue, Anthem will remain responsible to Employer for fulfilling Anthem's contractual obligations. However, in accordance with applicable Inter-Plan Programs policies then in effect, the Host Blue will be responsible for providing such services as contracting and handling substantially all interactions with its Network Providers. The financial terms of the BlueCard Program are described generally below. Individual circumstances may arise that are not directly covered by this description; however, in those instances, Anthem's action will be consistent with the spirit of this description.

1. Liability Calculation Method Per Claim. The calculation of the Member liability on Claims for Covered Services processed through the BlueCard Program will be based on the lower of the Network Provider's Billed Charges or the negotiated price made available to Anthem by the Host Blue.

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 Anthem by the Host Blue. Sometimes, this negotiated price may be greater than Billed Charges if the Host Blue has negotiated with its Network Provider(s) an inclusive allowance (e.g., per case or per day amount) for specific health care services. Host Blues may use various methods to determine a negotiated price, depending on the terms of each Host Blue's health care Provider contracts. The negotiated price made available to Anthem by the Host Blue may represent a payment negotiated by a Host Blue with a health care Provider that is one of the following:

i. an actual price. An actual price is a negotiated payment without any other increases or decreases, or

ii. an estimated price. An estimated price is a negotiated payment 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 representing the aggregate payments negotiated by the Host Blue with all of its health care 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.

Host Blues using either an estimated price or an average price may, in accordance with Inter-Plan Programs policies, prospectively increase or reduce such prices to correct for over- or underestimation of past prices (i.e., prospective adjustments may mean that a current price reflects additional amounts or credits for Claims already paid to Providers or anticipated to be paid

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