medco

Medco Health Solutions, Inc.
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Franklin Lakes, NJ 07417

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www.medco.com

Shelby County Government
160 N. Main Street, Suite 949
Memphis, TN 38103

Attention: Jim Martin

Re: Integrated Prescription Drug Program Master Agreement
Effective Date: May 1, 2008

Dear Mr. Martin:

Welcome to Medco Health Solutions! We are pleased that you have chosen Medco to be your pharmacy benefit manager and thank you for your confidence in our services and value.

We are looking forward to the opportunity to manage your organization's pharmacy benefit, starting on May 1, 2008. In order for Medco to be able to commence services and implement your prescription drug benefits on a timely basis, Medco requires written confirmation from you on the terms of our arrangement.

We have included with this letter our proposed pharmacy benefit management services agreement, which outlines, among other things, the financial terms of our arrangement. (Most of the financial terms are in Schedule A). Medco will begin to administer your plan benefits in accordance with the attached agreement. We ask that you sign one original of this letter so that we are able to commence services by the effective date. However, both parties agree to work in good faith to discuss and negotiate the attached document in the event you believe changes are necessary.

Please confirm your acceptance of these terms by having an appropriate representative sign and return one original of this letter to Medco Health Solutions, Inc., 100 Parsons Pond Drive, Franklin Lakes, NJ 07417 Mailstop F3-18.

We strongly encourage you to sign this letter and return it to us as soon as possible. However, please note that in light of the fast-approaching effective date, if we do not receive the signed letter, Medco will proceed to implement your program in accordance with the attached terms.

Medco Health Solutions looks forward to a strong partnership with you in successfully managing your pharmacy benefit. If you have any questions, please direct them to George Pittas at george_pittas@medco.com

Sincerely,

Michael J Romanzo

Michael Romanzo
Group President
Systemed Group
Medco Health Solutions

Agreed to this date:
Company:
Printed Name:
Title:
Signature:

Enclosure: 78821.1 (1/24/08)

EXECUTION COPY

Systemed Rx
a Medco business

INTEGRATED PRESCRIPTION DRUG PROGRAM AGREEMENT

THIS AGREEMENT is entered into as of the 1st day of May, 2008 (the "Effective Date") between Medco Health Solutions, Inc. ("Medco"), located at 100 Parsons Pond Drive, Franklin Lakes, New Jersey 07417, through Systemed, a Medco business, and Shelby County Government ("SPONSOR"), located at 160 N. Main Street, Suite 949, Memphis, TN 38103.

WHEREAS, SPONSOR provides for the payment of prescription drugs and related services for persons eligible to receive such benefits through affiliation with a group that has a contract or other arrangement in effect with SPONSOR; and

WHEREAS, Medco, provides prescription drug benefits programs and, in connection therewith, has established networks of participating retail pharmacies and operates a system for the processing, fulfillment and payment of claims for prescription drugs furnished by such pharmacies; and

WHEREAS, Medco's Medco By Mail mail order pharmacy affiliates are licensed pharmacies which provide prescription drugs via a mail order service; and

WHEREAS, SPONSOR desires to engage Medco and its subsidiaries and affiliates, including Medco Health, L.L.C., which holds Third Party Administrator ("TPA") licenses in certain states, as applicable, to perform prescription benefit management services and to provide a prescription drug benefit program (the "Program") including, but not limited to, retail pharmacy and mail order pharmacy and specialty drug pharmacy services for eligible persons, point-of-care, physician office communications and cost containment initiatives developed and implemented by Medco, which may include communications with prescribers, patients and/or participating pharmacies, and financial incentives to participating pharmacies for their participation in such initiatives collectively referred to as Prescription Benefit Management Services ("PBM Services").

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

1. DEFINITIONS

1.1. **"AWP"** means the average wholesale price of the Covered Drug, as set forth in the current price list in recognized sources such as First DataBank's National Drug Data File if available, or other nationally recognized source determined by Medco. Under the Retail Pharmacy Program, AWP is based on the package size submitted, and for Compound Prescriptions is 1.25 times the AWP of the submitted Covered Drug. Under the Mail Order Pharmacy Program, AWP is based on package sizes of 100 units for capsules and tablets, 16 oz. quantities for liquids, and the manufacturer's smallest available package size for injectable Covered Drugs (or the next closest package size if such quantities or sizes are not available), and all other Covered Drugs will be priced as individual units or smallest package size available (e.g., per vial, per suppository, etc.). If First DataBank or other applicable source changes the methodology for calculating AWP or pricing for Covered Drugs in a way that materially changes the economics of the Program, the parties agree to modify the Program Pricing Terms to preserve the parties' relative economics before such changed methodology.

1.2. **"Brand Name Drugs"** means all single-sourced drugs, multisource brand drugs and drugs not defined as a Generic Drug, as set forth in First Databank's National Drug Data File (or such other nationally recognized source, as reasonably determined by Medco).

1.3. **"Business Days" or "business days"** means all days except Saturdays, Sundays, and federal holidays. All references to "day(s)" are to calendar days unless "business day" is specified.

1.4. **"Compound Prescription"** means a prescription that meets the following criteria: two or more solid, semi-solid or liquid ingredients, at least one of which is a Covered Drug, that are weighed or measured then prepared according to the prescriber's order and the pharmacist's art.

1.5. **"Contract Quarter"** means the full five (5) month period commencing on the Effective Date, and each full consecutive three (3) month period thereafter that this Agreement remains in effect.

1.6. **"Contract Year"** means the full fourteen (14) month period commencing on the Effective Date, and each full consecutive twelve (12) month period thereafter that this Agreement remains in effect.

1.7. **"Copayment" and/or "Coinsurance"** means the amount to be paid by an Eligible Person for each prescription or authorized refill as determined in accordance with the Plan Design(s).

1.8. **"Covered Drugs"** means drugs which, under state or federal law, require a prescription, including Compound prescriptions. Excluded from Covered Drugs are (i) cosmetic drugs, (ii) appliances, devices, bandages, heat lamps, braces, splints, and artificial appliances, (iii) health and beauty aids, cosmetics and dietary supplements and (iv) OTC products ("Exclusions"). Additional Covered Drugs and/or Exclusions applicable to any individual Group will be designated by SPONSOR in the applicable Plan Design.

1.9. **"Dispensing Fee"** means the amount payable by SPONSOR pursuant to Sections 1, 2, or 3 of Schedule A of this Agreement for a Participating Pharmacy or Medco to dispense a prescription or authorized refill to an Eligible Person.

1.10. **"Eligible Person"** means each person who, through affiliation with a Group, is eligible for prescription drug benefits pursuant to this Agreement, and such person's qualified dependents.

1.11. **"Generic Drug"** means a multisource generic drug set forth in First Databank's National Drug Data File, or such other nationally recognized source. Generic drugs are those drug products for which there is an approved application under section 505(j) of the Federal Food, Drug and Cosmetic Act (21 USC 355(j)).

1.12. **"Group"** means a group of Eligible Persons that have the same Plan Design as designated by SPONSOR.

1.13. **"Integrated Program"** means a program in which Eligible Persons enrolled in such program may have prescriptions dispensed either (i) by a Participating Pharmacy under the Retail Pharmacy Program or (ii) by Medco under the Mail Order Pharmacy Program. Reference to the Retail Pharmacy Program and/or Mail Order Pharmacy Program herein will include services performed by Medco for Eligible Persons enrolled in the Integrated Program.

1.14. **"MAC" or the "Maximum Allowable Cost"** consists of a list of off-patent drugs subject to maximum allowable cost payment schedules developed or selected by Medco. The MAC includes multi-brand name drugs for the equivalent generic drug listed and all generic drugs for the equivalent multi-source brand name drug listed. The payment schedules specify the maximum unit ingredient cost payable by SPONSOR for drugs on the MAC list. The MAC list and payment schedules are frequently updated. All applicable MAC list(s) (excluding pricing) will be provided to SPONSOR upon request and will be titled "SHELBY COUNTY CUSTOM MAC".

1.15. **"Mail Order Pharmacy Program"** means the program described in Section 4 in which Eligible Persons may submit a prescription along with the applicable Copayment/Coinsurance to Medco for dispensing via mail order.

1.16. **"Minimum Enrollment"** means an enrollment of not less than 6,000 Primary Eligible Participants under the Program.

1.17. **"Participating Pharmacy"** means a retail pharmacy that has entered into an arrangement with Medco that specifies the terms and conditions of the pharmacy's participation, including the rates that Medco will pay the pharmacy to participate in Medco's retail network(s) servicing SPONSOR's Program including the rates that Medco will pay the pharmacy.

1.18. **"Plan Design"** means Program drug coverage, days supply limitation, Copayment/Coinsurance, Formulary (including Formulary drug selection and relative cost indication) and other Program specifications applicable to the Program designated by SPONSOR as set forth in this Agreement or otherwise documented between the parties.

1.19. **"Primary Eligible Participant"** means each Eligible Person, excluding Eligible Persons who are qualified dependents.

1.20. **"Program Pricing Terms"** means the (i) financial or pricing terms, allowances and guarantees set forth in this Agreement, (ii) performance standards and penalties set forth in Section 5 of this Agreement, and (iii) the Formulary Rebate Payment set forth in Section 6 of this Agreement.

1.21. **"Retail Pharmacy Program"** means the program described in Section 3 in which Eligible Persons may purchase Covered Drugs from a Participating Pharmacy upon verification of Program eligibility and payment of the applicable Copayment/Coinsurance, and the claim is submitted by the Participating Pharmacy to Medco for payment in accordance with this Agreement and the applicable Medco Participating Pharmacy agreement.

1.22. **"Specialty Drugs"** means pharmaceutical products that are generally biotechnological in nature, with many requiring injection or non-oral methods of administration, and that may have special shipping or handling requirements. Some of the disease categories currently in Medco's specialty pharmacy programs include cancer, multiple sclerosis, Hepatitis C, rheumatoid arthritis, cystic fibrosis, infertility, RSV prophylaxis, Gaucher disease, growth hormone deficiency, hemophilia and immune deficiency.

1.23. **"TelePAID® System" or "TelePAID®"** means Medco's real time, on-line system for adjudicating prescription drug claims submitted by retail pharmacies.

2. SPONSOR FURNISHED INFORMATION

SPONSOR will promptly furnish, in a format acceptable to Medco, all information necessary for Medco to render the services set forth herein. Such information will include, but is not limited to:

2.1. A file of Eligible Persons, and subsequent timely additions and deletions to such file as changes occur. SPONSOR will pay for any Covered Drug dispensed to a person reported by SPONSOR as no longer an Eligible Person, if such notification is not received by Medco at least five (5) full business days prior to the dispensing date of such prescription.

2.2. Designation, in writing, of those Plan Design features to be determined by SPONSOR.

2.3. The reimbursement terms applicable to direct reimbursement claims submitted by Eligible Persons under the Retail Pharmacy Program.

2.4. The type, number, and description of Medco identification cards ("Identification Cards") required under the Retail Pharmacy Program.

3. RETAIL PHARMACY PROGRAM

The specific features of the Retail Pharmacy Program are as follows:

3.1. **Program Coverage** - The Program coverage (Covered Drugs/Exclusions) and days supply limitation covered under the Retail Pharmacy Program will be as designated by SPONSOR. Up to a thirty (30) day supply, or such other day supply limit agreed to the parties, of Covered Drugs per prescription or refill may be dispensed under the Retail Pharmacy Program.

3.2. **Participating Pharmacy Networks** - Medco will maintain a Participating Pharmacy Network reasonably necessary to provide services under the Retail Pharmacy Program. Medco will have the responsibility to contract with Participating Pharmacies. Medco will be responsible for any amounts that it owes to Participating Pharmacies that exceeds the reimbursement it receives from SPONSOR as specified in Section 1 of Schedule A. Medco will retain any reimbursement that it receives from SPONSOR as specified in Section 1 of Schedule A that is in excess of the amounts it is obligated to pay to Participating Pharmacies.

3.3. **Identification Cards** - Medco will (i) produce Identification Cards for those Eligible Persons designated by SPONSOR, with an accompanying explanatory brochure, and (ii) make direct reimbursement claim forms available through the www.medco.com internet site for use by Eligible Persons who have not received their Identification Cards, or have had them lost or stolen. Medco will distribute Identification Cards and claim forms to the designated Eligible Persons unless otherwise designated by the SPONSOR. All costs associated with distributing and/or mailing such materials are the responsibility of SPONSOR.

3.4. **Claim Adjudication** - Medco will adjudicate claims for prescription drug benefits in accordance with Medco's TelePAID System and the applicable Plan Design. Disapproved claims will be transmitted via TelePAID to the submitting pharmacy with a brief explanation of the cause or causes for disapproval. Should SPONSOR determine that a previously disapproved claim should be approved, and so direct Medco, adjudication of the claim will be accomplished promptly by Medco. Medco is obligated to pay Participating Pharmacies for all claims adjudicated through the TelePAID System. SPONSOR will pay Medco for these claims pursuant to Schedule A, Section 1. Medco will promptly refer to SPONSOR all non-routine inquiries by insurance departments, attorneys, claimants, or other persons following the denial of any claims.

3.5. **Administrative Services** – Medco will provide, as applicable, the Base Administrative Services and the Additional Administrative Services set forth in Schedule A.

3.6. **Pricing** - The Program Pricing Terms applicable to the Retail Pharmacy Program are set forth in Schedule A, in addition to the performance standards and penalties set forth in Section 5, and the Formulary Program as set forth in Section 6.

4. MAIL ORDER PHARMACY PROGRAM

4.1. Program Coverage

4.1.1. The Program coverage (Covered Drugs/Exclusions) and days supply limitation under the Mail Order Pharmacy Program will be as designated by SPONSOR in the applicable Plan Design.

4.1.2. Medco's mail order pharmacies will not be required to dispense prescriptions for greater than a ninety (90) day supply of Covered Drugs per prescription or refill, subject to the professional judgment of the dispensing pharmacist, limitations imposed on controlled substances and manufacturer's recommendations; but may dispense up to a ninety (90) days' supply. Prescriptions may be refilled providing the prescription so states. Prescriptions will not be filled (i) more than twelve (12) months after issuance, (ii) more than six (6) months after issuance for controlled drug substances, or (iii) if prohibited by applicable law or regulation.

4.2. Dispensing Procedures

4.2.1. Medco's mail order pharmacies will dispense Covered Drugs to Eligible Persons, and dispense generic drugs when authorized, in accordance with (i) applicable law and regulations in the state in which Medco's mail order pharmacy is located, and (ii) the terms of this Agreement and Plan Design(s). Any prescriptions that are not dispensed will be returned to the applicable Eligible Person with an explanation as to why it could not be dispensed in accordance with Medco's standard operating procedures.

4.2.2. All matters pertaining to the dispensing of Covered Drugs or the practice of pharmacy in general are subject to the professional judgment of the dispensing pharmacist.

4.2.3. Any drug which cannot be dispensed in accordance with Medco's mail order pharmacy dispensing protocols, or which requires special record-keeping procedures, may not be dispensed by mail upon notification to SPONSOR.

4.3. **Claim Adjudication** - Medco will adjudicate and pay approved claims for prescription drug benefits in accordance with Medco's TelePAID System and the applicable Plan Design. Should SPONSOR determine that a previously disapproved claim should be approved, and so direct Medco, adjudication of the claim will be accomplished promptly by Medco. SPONSOR will pay Medco for claims adjudicated through the TelePAID System, pursuant to Schedule A, Section 2. Medco will promptly refer to SPONSOR all non-routine inquiries by insurance departments, attorneys, claimants, or other persons following the denial of any claims.

4.4. **Pricing** - The Program Pricing Terms applicable to the Mail Order Pharmacy Program are set forth in Schedule A, in addition to the performance standards and penalties set forth in Section 5 and the Formulary Program set forth in Section 6. Medco will have the responsibility to contract with drug wholesalers and manufacturers regarding Medco's purchase of drugs that are dispensed by it under the Mail Order Pharmacy Program. Medco will be responsible for any amounts that it owes drug wholesalers or manufacturers that exceeds the amounts it charges and receives from SPONSOR or Eligible Persons, as specified in Section 2 of Schedule A. Medco will retain any payment that it receives from SPONSOR or Eligible Persons as specified in Section 2 of Schedule A that is in excess of the amounts it is obligated to pay to drug wholesalers or manufacturers for the purchase of such drugs that are dispensed under the Mail Order Pharmacy Program.

5. PERFORMANCE STANDARDS AND PENALTIES

5.1. The following performance standards will apply during the Initial Term of this Agreement. Medco and the SPONSOR agree that Medco's maximum liability under this Section 5 for the Initial Term of this Agreement will not exceed $15.00 per household as measured by taking the average number of households enrolled during the Contract Year (the "Maximum Liability"). SPONSOR can choose to distribute the penalties across any of the categories named in Sections 5.1.1 through 5.1.14 with no more than 25% of the Maximum Liability for any individual performance guarantee allocated to one performance standard.

5.1.1. The TelePAID System Availability Rate for each Contract Year will be 99.5% or greater. SPONSOR may assess a penalty against Medco in the amount of 3.5% of the total amount at risk for each Contract Year that the TelePAID System Availability Rate averages less than 99.5% for a Contract Year. "TelePAID System Availability Rate" means the percentage of normal operating hours that the TelePAID System is operational, excluding scheduled maintenance time, measured on an annual basis.

5.1.2. The Dispensing Accuracy Rate for each Contract Year will be 99.99% or greater. SPONSOR may assess a penalty against Medco in the amount of 3.5% of the total amount at risk for each Contract Year that the Dispensing Accuracy Rate is less than 99.99% for a Contract Year. "Dispensing Accuracy Rate" means (i) the number of all mail order pharmacy prescriptions dispensed by Medco in a Contract Year less the number of those prescriptions dispensed by Medco in such Contract Year which are reported to Medco and verified by Medco as having been dispensed with the incorrect drug or strength, divided by (ii) the number of all mail order pharmacy prescriptions dispensed by Medco in such Contract Year.

5.1.3. Medco will dispense all Non-Protocol Prescriptions received each Contract Year under the Mail Order Pharmacy Program within an average of two (2) business days following receipt. All other Mail Order Pharmacy Program prescriptions received each Contract Year will be dispensed within an average of four (4) business days following receipt by Medco. SPONSOR may assess a penalty against Medco in the amount of 11.5% of the total amount at risk for each Contract Year that Medco fails to meet either one of these dispensing time period standards. This Section 5.1.3 is subject to a maximum penalty of 11.5% of the total amount at risk per Contract Year. "Non-Protocol Prescriptions" means Mail Order Pharmacy Program prescriptions for Covered Drugs received by Medco that are in stock and which do not require physician or patient contact or other non-standard procedures prior to dispensing by Medco.

5.1.4. Prescription Drug Plan reporting package will be made available online to SPONSOR within thirty (30) business days of the end of the billing cycle that includes the last calendar day of the reporting quarter for quarterly reports. SPONSOR may assess a penalty against Medco in the amount of 6.5% of the total amount at risk for each report series which is not made available within the applicable time periods, subject to a maximum penalty of 6.5% of the total amount at risk per Contract Year.

5.1.5. At least 98% of all Maintenance Identification Cards issued by Medco each Contract Year will be mailed within an average of four (4) business days following Medco 's receipt and update of a processable eligibility tape or transmission identifying the applicable Eligible Person(s). SPONSOR may assess a penalty against Medco in the amount of 6.5% of the total amount at risk for each Contract Year that this standard is not met measured on a Contract Year basis. "Maintenance Identification Cards" means new Identification Cards issued to individuals who first become Eligible Persons after the

Effective Date (exclusive of new Groups or Group re-enrollments) and replacement Identification Cards for Eligible Persons who have lost or had their Identification Cards stolen.

5.1.6. Processable maintenance eligibility transactions received by Medco via host to host, tape or floppy disc before 12:00 p.m. E.T. on any business day will be processed by Medco within an average of two (2) business days of receipt each Contract Year. SPONSOR may assess a penalty against Medco in the amount of $100 for each processable host to host, tape or floppy disc not processed by Medco within this time period, subject to a maximum penalty of 11.5% of the total amount at risk per Contract Year.

5.1.7. Medco will respond to at least 95% of written inquiries received each Contract Year from an Eligible Person which requires a response (excluding appeals under Section 14.8) within an average of five (5) business days following receipt. SPONSOR may assess a penalty against Medco in the amount of 6.5% of the total amount at risk for each Contract Year that this standard is not met measured on a Contract Year basis.

5.1.8. Medco will make available a toll-free member service telephone line for use by Eligible Persons. The target Average Speed of Answer ("ASA") of the member service telephone line each Contract Year will be thirty (30) seconds or less from the time the Eligible Person selects either the IVRU (Interactive Voice Response Unit) option or Member Service Representative option. This ASA standard excludes calls to the toll-free telephone line separately established for Specialty Drugs. SPONSOR may assess a penalty against Medco for failure to meet this standard in the amount of 6.5% of the total amount at risk for each Contract Year that this standard is not met measured on a Contract Year basis.

5.1.9. The Telephone Abandonment Rate of the member service telephone line will be 5% or less of all incoming calls received during each Contract Year. This standard excludes calls to the toll-free telephone line separately established for Specialty Drugs. SPONSOR may assess a penalty against Medco in the amount of 6.5% of the total amount at risk for each Contract Year that this standard is not met measured on a Contract Year basis. "Telephone Abandonment Rate" means (i) the number of incoming telephone calls received by the customer service telephone line during a Contract Year which are abandoned by the caller after a selection is made either to the IVRU (Interactive Voice Response Unit) system or a Member Services Representative, divided by (ii) the total number of incoming telephone calls received by the customer service telephone line during such Contract Year.

5.1.10. Medco will respond to (process a check or reject notice) at least 97% of direct reimbursement paper claims received at the address designated by Medco for such claims each Contract Year from Eligible Persons within an average of five (5) business days following receipt, and all claims will be responded to within ten (10) business days (response means either a check or reject notice has been mailed). SPONSOR may assess a penalty against Medco in the amount of 6.5% of the total amount at risk for each Contract Year that this rate is not met measured on a Contract Year basis. This Section 5.1.10 is subject to a maximum penalty of 6.5% of the total amount at risk per Contract Year.

5.1.11. The Claims Adjudication Accuracy Rate for each Contract Year will be 98.5% or greater. SPONSOR may assess a penalty against Medco in the amount of 11.5% of the total amount at risk for each Contract Year that this standard is not met measured on a Contract Year basis. "Claims Adjudication Accuracy Rate" means (i) the number of retail claims, mail order claims and directly submitted paper claims, adjudicated by

Medco in a Contract Year that do not contain a material adjudication error, divided by (ii) the number of all such claims adjudicated by Medco in such Contract Year.

5.1.12. The Member Satisfaction Rate for each Contract Year will be 90% or greater. A penalty of 6.5% of the total amount at risk per Contract Year may be assessed against Medco for failure to meet this standard. "Member Satisfaction Rate" means (i) the number of Eligible Persons responding to Medco's annual standard Patient Satisfaction Survey as being satisfied with the overall performance under the Integrated Program divided by (ii) the number of Eligible Persons responding to such annual Patient Satisfaction Survey; SPONSOR must provide timely approvals and responses, and a minimum of 20% of surveys must be returned for the performance standard in this Section 5.1.12 to be applicable.

5.1.13. SPONSOR may assess a penalty in the amount of 6.5% of the total amount at risk if, three (3) months after the Effective Date, those SPONSOR employees who are members of the SPONSOR Program implementation team do not rate Medco's performance in implementing the Program an average of 3 or better on a scale of 1 to 5 (5 being the best), provided SPONSOR and any applicable third party has fully complied with all SPONSOR implementation requirements established pursuant to this Section 5.1.13.

5.1.14. SPONSOR may assess a penalty in the amount of 6.5% of the total amount at risk per Contract Year if, after the first Contract Year and each successive Contract Year, those SPONSOR employees who are members of the SPONSOR benefits staff do not rate the Medco account team's performance for such Contract Year an average of 3 or better on a scale of 1 to 5 (5 being the best) based on a range of performance criteria agreed to between SPONSOR and Medco at the beginning of such Contract Year. Additional SPONSOR staff members may be included in the survey at the request of Medco.

5.2. SPONSOR will give Medco written notice pursuant to Section 14.4 of the Agreement of any facts giving rise to SPONSOR's right to assess a penalty against Medco pursuant to Section 5.1 above, within ten (10) business days after SPONSOR becomes aware of such fact, and within thirty (30) days thereafter, of SPONSOR's election to assess such penalty against Medco. Any penalties assessed against Medco pursuant to this Agreement, will be credited against future billings to SPONSOR under the SPONSOR Program in accordance with Medco's standard procedures.

6. FORMULARY

SPONSOR will be a participating plan sponsor in Medco's Preferred Prescriptions® Formulary as set forth below for the term of this Agreement.

6.1. **Formulary** - The Preferred Prescriptions® Formulary is a prescription drug formulary administered by Medco which lists Food and Drug Administration ("FDA") approved drugs that have been evaluated for inclusion on the Preferred Prescriptions® Formulary. The drugs included on the Preferred Prescriptions® Formulary will be modified by Medco from time to time as a result of factors including, but not limited to, medical appropriateness, manufacturer rebate arrangements, and patent expirations. Medco will implement Medco's formulary management programs, which may include cost containment initiatives, therapeutic interchange programs, communications with Eligible Persons, Participating Pharmacies and/or physicians (including communications regarding generic substitution programs), and financial incentives to Participating Pharmacies for their participation. Compliance with the Preferred Prescriptions Formulary and Medco's Formulary management program will result in the Formulary Rebate Payment as set forth below. Medco reserves the right to modify or replace the Preferred Prescriptions® Formulary (including any modification or replacement, the "Formulary") and formulary

compliance methods and cost containment initiatives consistent with good pharmacy practice. SPONSOR agrees that Medco will be the exclusive formulary administrator for SPONSOR's prescription drug benefit programs for Groups enrolled under this Agreement during the term of the Agreement. SPONSOR is authorized to use the Formulary only for its own Eligible Persons and only as long as the Program is in effect and administered by Medco. Medco will not conduct low to high therapeutic interchanges based on AWP cost.

6.2. **Formulary Rebates** - Medco and its subsidiaries receive formulary rebates from certain drug manufacturers as a result of the inclusion of those manufacturers' branded products on the Formulary ("Formulary Rebates"). Medco will provide SPONSOR with a Formulary Rebate Payment as set forth in Section 6.3 below based on each manufacturer's Formulary drugs dispensed under SPONSOR's Program, with Medco retaining any remaining amounts. Medco also receives and retains additional rebates and/or fees from certain manufacturers which may take into account various factors, including dispensing, shipping, or other operational costs, and the utilization of certain drugs within their respective therapeutic categories for Medco's book of business in aggregate as a result of various commitments, services, and programs including, but not limited to, formularies.

6.3. **Formulary Rebate Payment** - For SPONSOR's participation in the Formulary, and provided SPONSOR complies fully with the Formulary and with the Formulary management programs implemented by Medco, Medco will pay SPONSOR, within one hundred eighty (180) days following the end of each calendar quarter during the Initial Term, the sum of (i) $3.75 times the total number of Covered Drug prescriptions billed and paid for under SPONSOR's Retail Pharmacy Program, as well as such prescriptions under the Mail Order Pharmacy Program for less than a forty-five (45) days' supply plus (ii) $13.60 times the total number of Covered Drug prescriptions billed and paid for under SPONSOR's Mail Order Pharmacy Program for forty-five (45) days' supply or greater during such calendar quarter (collectively, the "Formulary Rebate Payment"). The Formulary Rebate Payments are contingent upon SPONSOR implementing a three tier formulary whose differential in copayment or its reasonably equivalent value for coinsurance between formulary and non-formulary drugs is not less than $15.00.

6.4. The Formulary Rebates is conditioned upon SPONSOR's Plan Design yielding an average day's supply of Covered Drugs dispensed under the Retail Pharmacy Program of greater than thirty (30) days and under the Mail Order Pharmacy Program of greater than ninety (90) days in each Contract Quarter. If SPONSOR's actual average day's supply fails to meet either, or both, anticipated yield(s) in any Contract Quarter, Medco may revise the Formulary Rebates upon written notice to SPONSOR.

6.5. If a government action, change in law or regulation, change in the interpretation of law or regulation, or action by any drug manufacturer or by SPONSOR has a material adverse effect on the Program Pricing Terms, Medco may modify the Program Pricing Terms to maintain the relative economics of the deal, upon notice to SPONSOR.

6.6. Any lines of SPONSOR's business, or any Group of Eligible Persons, for which SPONSOR funds less than 50% of the costs of Covered Drugs under the Plan Design will not be entitled to the Formulary Rebate Payment. Calculations and payments under Sections 6.2 and 6.3 will not include prescriptions dispensed for any such lines of business or Groups.

7. BILLING/PAYMENT

7.1. Medco will provide SPONSOR with a bi-weekly consolidated invoice for services provided by Medco under the Program, in accordance with the Program Pricing set forth in Schedule A. All

invoices will be paid in full by SPONSOR within seven (7) business days of receipt by wire transfer, electronic debit, or other method approved by Medco in writing.

7.2. SPONSOR will pay Medco for administrative products and services provided by Medco under the Program in accordance with the Administrative Fee provisions set forth in Schedule A. Medco will provide SPONSOR with an Administrative Fee invoice in accordance with Medco's four (4) week Administrative Fee cycle. SPONSOR will pay Administrative Fee invoices in full within thirty (30) days of the invoice date.

7.3. If SPONSOR disputes all or a portion of any invoice, SPONSOR will pay the invoice in full and notify Medco, in writing, of the specific reason and amount of any dispute. Medco and SPONSOR will work together, in good faith, to review any dispute within 72 hours, and Medco will refund promptly to SPONSOR the amount, if any, as the parties agree based on the resolution.

7.4. Subject to whether payments due to Participating Pharmacies for Covered Drugs under this Agreement become subject to prompt payment related legislation or regulation, SPONSOR may be required to pay a deposit in an amount to be reasonably determined by Medco, which amount may be periodically modified by Medco based on SPONSOR's actual claims experience and enrollment. This deposit may be used by Medco to offset the failure by SPONSOR, for any reason, to make any payments pursuant to the terms of this Agreement and/or to make payments due in accordance with prompt payment legislation or regulation prior to Medco's billing and receipt of SPONSOR's payment due under Section 7.1, and does not, in any way, limit other remedies available to Medco. The deposit, to the extent not utilized to offset any payment default by SPONSOR under this Agreement, will be returned, without interest, to SPONSOR within the greater of one hundred eighty (180) days following termination of this Agreement or following any agreed upon date for extended services.

7.5. Failure by SPONSOR to make any payments in accordance with the terms of this Agreement will constitute a payment default. Notwithstanding Section 10.2 of this Agreement, if SPONSOR fails to cure any such payment default within two (2) days, in addition to other available remedies, Medco may cease performing any or all of its obligations under, or may terminate this Agreement upon notice to SPONSOR. After the two (2) day grace period, and subject to all applicable laws, there will be a late payment fee of 1% per month on the balance due, accruing as of the due date. SPONSOR will reimburse Medco for all collection costs incurred by Medco as a result of any payment default by SPONSOR under this Agreement.

8. RECORDS

8.1. Medco will maintain all claims records relating to services performed under this Agreement as required by applicable law. Such claims records will be in their original form, on microfilm, microfiche or other form determined by Medco. SPONSOR claims records may be audited by SPONSOR or its representative as agreed to by the parties, subject to execution of a confidentiality agreement, for a maximum period of twenty-four (24) months prior to the agreed upon audit date, subject to applicable confidentiality provisions and legal requirements. Any audit by SPONSOR may be conducted once annually from January through September upon adequate prior written notice, and during regular business hours. Subject to Section 9.3, Medco may retain copies of such claims records for its own use.

8.2. Medco's agreements with pharmaceutical manufacturers are subject to confidentiality agreements. Any audits conducted pursuant to Section 8.1 above will not include any portion of such pharmaceutical manufacturer agreements.

8.3. Any auditor performing an audit under Section 8.1 above will be required to warrant and represent that it is not providing services to any person, company, or other entity (such as plan sponsors and law firms) in connection with any lawsuit, investigation, or other proceeding that is currently pending or contemplated against Medco. Such services include, but are not limited to (a) examining pharmacy claims or any other data, documents, information or materials or (b) providing advice, analysis, assessments, and/or opinions as a disclosed or undisclosed expert or consultant (collectively "Litigation Services"), in connection with any lawsuit, investigation, or other proceeding pending or contemplated against Medco. The auditor must agree that, for a period of one (1) year after completion of the audit, it will not provide Litigation Services in any lawsuit, investigation, or other proceeding brought against Medco, except for Litigation Services to SPONSOR in any proceeding against Medco.

8.4. Upon request, SPONSOR will furnish its most recent audited financial statement to Medco.

9. CONFIDENTIAL INFORMATION

9.1. Except as required by law or regulation, the Confidential Information of a party (the "disclosing party") which is disclosed to the other party (the "receiving party") will be held by the receiving party in strictest confidence at all times and will not be used by the receiving party (or its affiliates, employees, officers, directors or limited liability company managers ("Representatives")) for any purpose not previously authorized by the disclosing party, except as necessary for Medco to perform the services under this Agreement. The Confidential Information of the disclosing party will not be disclosed or divulged by the receiving party to anyone, except with the prior written permission of the disclosing party and on the condition that the party to whom the Confidential Information is disclosed agrees in writing in advance to be bound by these terms and conditions. The receiving party may disclose the Confidential Information to those of its Representatives who need to review the Confidential Information for the purposes authorized by the disclosing party but only after the receiving party has informed them of the confidential nature of the Confidential Information and directs them to treat the Confidential Information in accordance with the terms of this Agreement. The disclosing party retains all right, title and interest in and to its Confidential Information.

The term "Confidential Information " includes, but is not limited to, any information of either the receiving or disclosing party (whether oral, written, visual or fixed in any tangible medium of expression), relating to either party's services, operations, systems, programs, inventions, techniques, suppliers, customers and prospective customers, contractors, cost and pricing data, trade secrets, know-how, processes, plans, reports, designs and any other information of or relating to either party's business, including its therapeutic and disease management programs, but does not include information which (a) was known to the receiving party before it was disclosed to the receiving party by the disclosing party, (b) was or becomes available to the receiving party from a source other than the disclosing party, provided such fact is evidenced in writing and the source is not bound by a confidentiality obligation to the disclosing party, or (c) is developed by the receiving party independently of the disclosing party's Confidential Information, provided that such fact can be documented. Each party will also keep the terms of this Agreement confidential as Confidential Information, except as required by law or regulation.

If the receiving party is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand, any informal or formal investigation by any government or governmental agency or authority, law or regulation, or otherwise) to disclose any of the Confidential Information, the receiving party will notify the disclosing party promptly in writing so that the disclosing party may seek a protective order or other appropriate remedy or, in its sole discretion, waive compliance with the terms of this Agreement. The receiving party agrees not to oppose any action by the disclosing party to obtain