



COMMISSIONERS COURT COMMUNICATION

AGENDA DATE: 12/3/2012

CONSENT OR REGULAR: Consent

CONTRACT REFERENCE NO
(IF APPLICABLE): 2012-0571

SUBJECT: Approve and authorize the County Judge to sign the proposed Second Amendment to the Integrated Prescription Drug Program Agreement between the County of El Paso and Medco Health Solutions for 2012/2013 plan year. The amendment was approved by the Risk Pool Board during their regular meeting on November 28, 2012.

BACKGROUND/DISCUSSION OF TOPIC:

The County of El Paso entered into an agreement with Medco Health Solutions to provide the prescription drug program administration for the County health benefits plan as of January 1, 2009. Approval of this amendment will renew the agreement between the County of El Paso and Medco Health Solutions for plan year 2012/2013. It will also authorize additional changes to the agreement including:

- 1) Definition of Average Wholesale Price (AWP) as set forth in the current price list in Medi-Span's Master Drug Database.
- 2) Participation in Medco's Preferred Prescriptions Formulary.
- 3) Program Pricing Terms as listed in attached Schedule A
- 4) Mail Order Pharmacy Program Claims
- 5) Administrative Services and Fees
- 6) Medco Pricing Guarantee

FISCAL IMPACT:

FY2011 \$3,534,515

FY 2012 \$3,627,122

FY 2013 – Costs to the Risk Pool Fund for FY 2013 are dependent on amount of claims submitted and a variety of variables that impact the overall cost of prescription drugs to the medical plan.

PRIOR COMMISSIONERS COURT ACTION:

April 12, 2010 Commissioners Court approved initial contract (2008-0455)

April 12, 2010 Commissioners Court approved Business Associate Agreement (2008-0461)

June 6, 2011 Commissioners Court approved Amendment #1 (2011-0176)

RECOMMENDATION:

Staff recommends for the Commissioners Court approve the Second Amendment to the Integrated Prescription Drug Program with Medco Health Solutions.

COUNTY ATTORNEY APPROVAL:

The amendment has been reviewed by the County Attorney's office. 2012-0571

SUBMITTED BY:	Sam Trujillo, Risk Manager Human Resources Department		
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SECOND AMENDMENT TO THE INTEGRATED PRESCRIPTION DRUG PROGRAM AGREEMENT

This SECOND AMENDMENT is entered into between Medco Health Solutions, Inc ("Medco"), through Systemed, a Medco business, located at 100 Parsons Pond Drive, Franklin Lakes, NJ 07417-2603 and County of El Paso ("SPONSOR"), located at 500 E. San Antonio, El Paso, TX 79901.

WHEREAS, SPONSOR and Medco through Systemed, L.L.C. entered into an Integrated Prescription Drug Program Agreement with an effective date of January 1, 2009 (the "Integrated Agreement"), as amended, to provide certain services with respect to the administration of prescription drug benefits; and

WHEREAS, the parties desire to amend the Integrated Agreement.

NOW, THEREFORE, in consideration of the foregoing, and of the mutual premises set forth herein, the parties agree as follows:

1. **DEFINITIONS** – Effective January 1, 2012, Sections 1.1 and 1.16 are hereby deleted and replaced with the new definitions set forth below:

1.1 "AWP" means the average wholesale price of the Covered Drug, as set forth in the current price list in Medi-Span's Master Drug Database (MDDB®) 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 each ingredient. 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.). Medco will use the manufacturer's full 11-digit NDC code to determine AWP based on AWP on the date the drug is dispensed. If Medi-Span or other applicable source changes the methodology for calculating AWP or ceases publishing or replaces AWP, or Medco utilizes another recognized pricing source or a pricing benchmark other than AWP, including prior to the Effective Date, in a way that 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 or other event.

1.16 "Minimum Enrollment" means an enrollment of not less than 2,400 Primary Eligible Participants under the Program.

2. **FORMULARY** – Effective January 1, 2012, Section 6 of the Integrated Agreement is hereby deleted and replaced with the following.

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. SPONSOR will provide Medco with advance notice of each Group that will participate in the Preferred Prescriptions Formulary.

6.1 Preferred Prescriptions Formulary - The Preferred Prescriptions Formulary is a prescription drug formulary administered by Medco which lists 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 Formulary Rebates 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 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.

6.2 **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 also receives additional rebates and/or fees from certain manufacturers for such products, which may take into account various factors, including the utilization of certain drugs within their respective therapeutic categories for Medco's book of business in aggregate as a result of various commitments and programs including, but not limited to, formularies ("Additional Rebates and Fees"). Formulary Rebates and Additional Rebates and Fees are jointly referred to as "Total Rebates." Total Rebates does not include payments for services rendered by Medco on behalf of or to pharmaceutical manufacturers, including, for example, adherence, compliance, nursing, and other patient support services; patient referral and assistance services; product launch and other support services; equipment replacement services; clinical and research studies, data and analytics; and services relating to high-risk biopharmaceuticals. Medco will provide SPONSOR with the greater of (i) 80% of the Total Rebates received by Medco based on the dispensing of each manufacturer's formulary drugs under SPONSOR's Program or (ii) the Guaranteed Rebates (as described in Section 5 of Schedule A). Total Rebates will be credited against future billings to SPONSOR under the Program one hundred eighty (180) days after the end of each calendar quarter, provided SPONSOR has executed this Agreement. Total Rebates due SPONSOR under this Agreement that are received by Medco within eighteen (18) months after termination or expiration of this Agreement will be paid to SPONSOR. Total Rebates received thereafter will be retained by Medco.

6.3 **Guaranteed Rebates** - After each Contract Year during the Initial Term that SPONSOR participates in the Formulary, Medco will calculate SPONSOR's Total Rebates during such Contract Year. Provided SPONSOR complies fully with the Formulary and with the Formulary management programs implemented by Medco, if SPONSOR'S percentage share of Total Rebates for any Contract Year during the Initial Term are less than the sum of (i) the sum set forth in Chart A, Section 5, Schedule A times the total number of Brand Name 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 forty-five (45) days' supply plus (ii) the sum set forth in Chart A, Section 5,

Schedule A times the total number of Brand Name Drug prescriptions billed and paid for under SPONSOR's Mail Order Pharmacy Program during the same Contract Year with forty-five (45) days' supply or greater (collectively the "Guaranteed Rebates"), Medco will credit such difference against future billings to SPONSOR under the Program one hundred eighty (180) days after the end of each Contract Year. The Guaranteed Formulary Rebates 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** 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 an adverse effect on the availability of Total Rebates or the Program Pricing Terms, Medco may modify, as applicable, the Total Rebates due SPONSOR or the Guaranteed Rebates or the Program Pricing Terms.
- 6.5** 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 Formulary Rebates and Additional Rebates and Fees. Calculations and guarantees under Sections 6.2 and 6.3 will not include prescriptions dispensed for any such lines of business or Groups claims for drugs purchased by a pharmacy pursuant to the 340B program, and government subrogation claims.
- 6.6** Preferred Drug Step Therapy Program – SPONSOR's plan administered by Medco shall include the Preferred Drug Step Therapy Program. The Preferred Drug Step Therapy Program is a formulary based coverage review process that promotes therapeutically equivalent generic or preferred brand name drugs over non-formulary drugs unless and to the extent the treating physician provides clinical support for the non-preferred drug.

- 3. TERM** – Effective January 1, 2012, the Initial Term set forth in Section 10.1 of the Integrated Agreement is hereby extended through and including December 31, 2013.
- 4. PROGRAM PRICING** – Effective January 1, 2012, Schedule A to the Integrated Agreement is hereby deleted and replaced with the new Schedule A attached hereto.

Except as amended herein, the Integrated Agreement shall remain in full force and effect without modification. In the event of an inconsistency between the terms of the Integrated Agreement and the Amendment, the terms of the Amendment shall govern. Capitalized terms used and not otherwise defined herein shall have the meaning set forth in the Integrated Agreement.

EXECUTION COPY

IN WITNESS WHEREOF, the parties have executed this Second Amendment on the date indicated below.

MEDCO HEALTH SOLUTIONS, INC. COUNTY OF EL PASO

BY: _____
(signature)
NAME: _____
TITLE: _____
DATE: _____

BY: _____
(signature)
NAME: _____
(type or print name)
TITLE: _____
DATE: _____

483411.2 (12/21/11)efs
59121.1 (6/8/06) efs



SCHEDULE A PROGRAM PRICING TERMS

SPONSOR will pay Medco for services provided under the Program as follows:

1. **RETAIL PHARMACY PROGRAM CLAIMS**

SPONSOR will pay Medco for Covered Drugs dispensed and submitted by Participating Pharmacies under the Retail Pharmacy Program in an amount equal to the lowest of (i) the pharmacy's usual and customary price, as submitted ("U&C") plus applicable taxes, (ii) the maximum allowable cost ("MAC"), where applicable, plus the Dispensing Fee, or (iii) Discounted AWP and Dispensing Fee plus applicable taxes. Payment by SPONSOR is subject to the applicable Copayment/Coinsurance amount set forth below:

- 1.1. **Copayment/Coinsurance** - The Copayment/Coinsurance amount for each prescription or refill dispensed by a Participating Pharmacy under the Retail Pharmacy Program will be as designated for each Group in the applicable Plan Design(s).
- 1.2. **Direct Claims** - The reimbursement terms applicable to direct reimbursement claims submitted by Eligible Persons under the Retail Pharmacy Program will be the same as the terms set forth in this Section 1, unless otherwise provided in writing by SPONSOR to Medco.

2. **MAIL ORDER PHARMACY PROGRAM CLAIMS**

SPONSOR will pay Medco for Covered Drugs dispensed by a Medco mail order pharmacy under the Mail Order Pharmacy Program in an amount equal to an Ingredient Cost plus Dispensing Fee for each Covered Drug dispensed, less the applicable Copayment/Coinsurance amount, as such terms are defined below:

- 2.1. **Ingredient Cost** - The Ingredient Cost is the lower of MAC or discounted AWP for Brand Name Drugs and Generic Drugs for prescriptions with a forty-five (45) days' supply or greater. For prescriptions with less than a forty-five (45) days' supply, the pricing set forth in Section **Error! Reference source not found.** of this Schedule A will apply.
- 2.2. **Dispensing Fee** - The Dispensing Fee per prescription or authorized refill is \$0.00 and as set forth in Section 1 of this Schedule A for prescriptions with less than forty-five (45) days' supply. Dispensing Fees are inclusive of postage. If postage rates (i.e., U.S. mail and/or applicable commercial courier services) increase during the term of this Agreement, the pricing will be increased to reflect such increase(s).
- 2.3. **Copayment/Coinsurance** - The Copayment/Coinsurance amount for each prescription or refill dispensed by a Medco mail order pharmacy under the Mail Order Pharmacy Program shall be as designated for each Group in the applicable Plan Design(s). If the amount of the applicable Copayment/Coinsurance paid by an Eligible Person for a prescription or refill dispensed by Medco exceeds the Ingredient Cost (as defined in 2.1 above) plus Dispensing Fee (as defined in Section 2.2 above) plus any applicable taxes, then Medco shall return to the Eligible Person an amount equal to the Copayment/Coinsurance amount, less the sum of the applicable Ingredient Cost plus Dispensing Fee plus any applicable taxes, for the prescription or refill. Eligible Persons must pay the applicable Copayment or Coinsurance amount to Medco for each prescription or authorized refill under the Mail Order Pharmacy Program. Medco may suspend Mail Order Pharmacy Program services to an Eligible Person who is in default of any Copayment or Coinsurance amount due Medco. SPONSOR will be responsible for any unpaid Eligible Person Copayment or Coinsurance amounts, in accordance with Medco's standard credit policy, if payment has not been received from the Eligible Person within one hundred twenty (120) days of dispensing.

SPONSOR will be billed following the one hundred twenty (120) day collection period, with payment due in accordance with the payment terms set forth in Section 7.2 of this Agreement.

3. SPECIALTY PHARMACY PROGRAM

Notwithstanding anything to the contrary in Sections 1 and 2 above and elsewhere in the Agreement, effective January 1, 2012, SPONSOR will pay Medco for those Covered Drugs designated as Specialty Drugs under the Mail Order Pharmacy Program on a separate ingredient cost basis plus applicable Dispensing Fee, subject to the Copayment/Coinsurance in the applicable Plan Design.

Under the Retail Pharmacy Program, SPONSOR will pay Medco for Specialty Drugs on a separate ingredient cost basis plus applicable Dispensing Fee subject to the Copayment/Coinsurance in the applicable Plan Design. For a Specialty Drug that has limited or exclusive distribution through specific retail pharmacies ("Limited Distribution Specialty Drug"), SPONSOR will pay Medco for the Limited Distribution Specialty Drugs in the same amount that Medco reimburses the retail pharmacy for the drug, including Ingredient Cost and Dispensing Fee.

Medco will be the exclusive administrator of Specialty Drugs to SPONSOR while this Agreement is in effect. Specialty Drugs may be provided by Medco or other third-party specialty pharmacy that has a written arrangement with Medco. Medco may add or delete products, or modify pricing terms on written notice to SPONSOR. Specialty Drugs are excluded from calculations, guarantees, credits and payments regarding Total Rebates under the Mail Order Pharmacy Program and the Retail Pharmacy Program set forth in this Agreement. The terms and pricing set forth in this Section 3 apply only to SPONSOR's pharmacy benefit and not to SPONSOR's medical benefit. Medco will provide a current list of Specialty Drugs and associated prices upon SPONSOR's written request.

Medco guarantees that the overall annual Net Effective Discount for the products listed on the Specialty Price List that were dispensed through the mail order channel will be at least AWP minus 13.50% for **SPONSOR**. Within 180 days following the end of each contract year Medco will calculate the actual net effective discount for the products listed on the Specialty Price List that were dispensed through the mail order channel to determine if the guarantee has been met. If the actual overall Net Effective Discount is less than the guaranteed Net Effective Discount Medco will reimburse SPONSOR the full dollar amount of the difference between the actual and guaranteed Net Effective Discounts. SPONSOR will retain any amount that the actual Net Effective Discount exceeds the guaranteed Net Effective Discount. The calculation for the actual Net Effective Discount will be as follows: [(Total Ingredient Cost for the products listed on the Specialty Price List) divided by (Total AWP for the products listed on the Specialty Price List)] minus 1.

Services for Specialty Drugs under the Mail Order Pharmacy Program consist of:

- Clinical support that provides, according to Medco's procedures:
 - Eligible Person tele-counseling from specially trained pharmacists and nurses
 - Care management, including information and support directly to the Eligible Person
 - Coordination of care with the Eligible Persons case manager and/or home care agency
- Specialty Drug educational materials and product information
 - Standard communications notifying Eligible Persons of changes in plan coverage
 - Personalized mailings and outbound phone calls by Medco Special Care Pharmacy to Eligible Persons purchasing, at retail pharmacies, Specialty Drugs that are clinically appropriate for maintenance use
- Toll-free telephone line for Eligible Persons using Specialty Drugs
- Express delivery to physician's office or Eligible Person's home
 - Standard two (2) day delivery
 - Overnight delivery as physician required (excluding Sundays)
- Logistics coordination of delivery to Eligible Person's home or physician's office

- Analysis of integrated pharmacy and medical claims databases to identify utilizers, if applicable and agreed upon
- Ancillary supplies provided with each self-injectable medication
- Drug Utilization Review applied to specialty pharmacy related prescription claims and, when available from Medco, medical claims
- Enhanced Physician services, consisting of communication materials, forms and informational hotline

Additional communications to Eligible Persons or physicians beyond these listed above will be quoted upon request.

4. **ADMINISTRATIVE SERVICES AND FEES**

4.1. SPONSOR will pay to Medco a Base Administrative Fee in the amount of \$0.00 per paid claim processed by Medco under the Retail Pharmacy Program. for the following Base Administrative Services, as applicable. Notwithstanding anything herein to the contrary, prescriptions filled under the Mail Order Pharmacy Program for less than a forty-five (45) day supply shall be considered to be Retail Pharmacy program claims for purposes of calculating administrative fees under this Section 4.

Eligibility

- Administration of eligibility submitted via tape or telecommunication in a Medco standard format
- Eligibility maintenance (minimum of weekly updates)
- Dependent Eligibility Certification System (DECS)
- Medco's client support system (e-SD) via the client website for on-line access to current eligibility (equipment, installation and Internet access are responsibility of SPONSOR)¹

Claim Adjudication

- Administration of SPONSOR's Plan Design
- In-network claims adjudication via TelePAID on-line claims adjudication system
- Primary Coordination of Benefits (when flagged on eligibility records)
- Twelve (12) months on-line claims history retention (for use in claims processing)
- Processing associated with Medco by Mail Pharmacy Program prescriptions

Member Communication Materials

- Medco Welcome Package for new designated Eligible Persons, consisting of:
 - Announcement letter(not to exceed one page)
 - Medco descriptive brochure (not to exceed eight pages)
 - Pre-addressed Mail Order form/envelope
 - Patient health profile questionnaire
 - One Medco Identification Card per Primary Eligible Participant (two per family)
 - Information on access to major Participating Pharmacy network chains
- Other available standard Medco materials, consisting of:
 - Direct reimbursement claim form (also available via www.medco.com)
 - Coordination of Benefits (COB) claim form
- TDD-TTY services for hearing impaired to access Member Service Department

¹ SPONSOR may be granted access to Medco systems and applications, in some cases requiring the grant of access to SPONSOR employees and/or representatives, including e-SD and Client Website. SPONSOR's use of such systems and applications is governed by this Agreement and the Terms of Use and privacy policies for the respective systems and applications. Medco will grant access to SPONSOR employees and/or representatives only at the discretion of SPONSOR, as provided in Medco's operating procedures, and SPONSOR will be responsible for those individuals' compliance with the terms of this Agreement and the applicable Terms of Use and privacy policies.

- Health Stage Patient Engagement Information

Clinical Programs

- Access capabilities to e-SD via the Client Website to support SPONSOR coverage authorization activities

Reporting

- Medco's Prescription Drug Plan Report Package available through the Information Services Report Manager tool on the Client Website²
- Information Services reporting tool available through the Client Website² with the following capabilities:
 - Ad Hoc Query (powered by EXPERxT) for sophisticated analysis on detailed claims data
 - Report Manager for access to Medco's Prescription Drug Plan Report Package
 - Alerts Monitoring (powered by EXPERxT) for monitoring prescriber and pharmacy behavior and compliance
 - Inquiry access to Coverage Management WorkStation to view Medco managed coverage review cases
- Medco's Claims Detail Layout (CDL) file every two (2) weeks

Retail Pharmacy Network

- Establish, maintain, credential, and contract an adequate panel of Participating Pharmacies
- Development and distribution of communication materials to Participating Pharmacies regarding the Program
- Toll-free access to Help Desk for eligibility/claims processing assistance
- Toll-free access for Participating Pharmacies to obtain DUR assistance
- Monitor Participating Pharmacy performance and compliance, including generic substitution rates, formulary program conformance, and DUR intervention conformance through Retail Network Management initiatives and reporting
- Toll-free telephone access to voice response unit for location of Participating Pharmacies in zip code area
- Medco Pharmacy Audit Program³

Member Service

- Toll-free telephone access to Member Service for the Program for use by Eligible Persons, SPONSOR benefits personnel, and physicians
- Gatekeeper Program – Medco's assistance program for older adults
- 24-hour access to a Medco pharmacist via toll-free telephone service

medco.com

- Standard Medco website capabilities, including:
 - online prescription ordering and status
 - prescription pricing information
 - coverage and benefit plan information
 - health news information

² Includes Report Manager for up to four user IDs for SPONSOR personnel only. Additional SPONSOR user IDs may be set up at a charge of \$250/user per month. External claims integration charge is separate and quoted upon request. Equipment, installation, and Internet access charges are the responsibility of SPONSOR. Specifically assigned user IDs may not be exchanged with, or used by, third parties (e.g., consultants) or other SPONSOR personnel. Third parties desiring access must be approved by Medco and must sign Medco's Third-Party Access agreement, accompanied by SPONSOR's letter of authorization.

³ Medco will credit SPONSOR with 85% of all audit recoveries that Medco's Pharmacy Audit Program recovers on behalf of SPONSOR. Medco will retain 15% of the total recoveries to defray administrative costs of Medco's Pharmacy Audit Program.

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Account Management

- Clinical and plan consulting, analysis, and cost projections
- Annual analysis of Program utilization, impact of Plan Design changes, and intervention programs

4.2. SPONSOR will also pay for Additional Administrative Services requested or used by SPONSOR and provided by Medco under the Program as follows:

<u>Eligibility</u>	
• Hard copy eligibility submission	Data entry charges
<u>Claim Adjudication</u>	
• Direct reimbursement/out-of-network claims adjudication (including check and EOB to Eligible Person)	\$1.75 per claim
• Coordination of Benefits <ul style="list-style-type: none">- Secondary Coordination of Benefits<ul style="list-style-type: none">▪ Eligible Person-submitted paper claim▪ Retail Pharmacy-submitted electronic claim- Adjudication of government subrogation claims (unless responsibility is otherwise assigned by SPONSOR)	\$2.50 per claim \$1.00 per claim \$3.00 per paid claim
• On-line claims history retention (for use in claims processing) in excess of twelve (12) months	\$0.05 per claim
<u>Drug Utilization Review/Clinical/Formulary Programs</u>	
• Set-up and load of historical records from prior vendor, supplied in Medco format	\$0.07 per claim ⁴
<u>Reviews and Appeals Management</u>	
• Reviews and Appeals Management – Plan Design <ul style="list-style-type: none">- Medco handles all initial determinations and first-level appeals	\$55.00 per case
• Second-level and urgent appeals <ul style="list-style-type: none">- Coverage Authorization requests	\$10.00 per case (incremental to Utilization Management Program fee)
<u>Reporting</u>	
• Additional Ad-hoc report production, reprogramming, and testing of non-standard SPONSOR requirements	Quoted upon request
• SPONSOR's requests for claims data, Plan Design information, or production files for itself or its designees (subject to execution of Medco's confidentiality agreement) <ul style="list-style-type: none">- Requests for multiple data feeds- Data feeds to third-party vendors on CD-ROM	Quoted upon request Additional fees per file, per cycle – quoted upon request Additional fees per file, per cycle – quoted upon request
<u>Member Communication Materials</u>	
• Replacement of any Member Communication materials, Formulary materials, or Identification Cards upon an Eligible Person's request	Quoted upon request
• Customization, re-issuance, or replacement of Member Communication materials, Formulary materials, or Identification Cards on a Group or SPONSOR-wide basis, if requested by SPONSOR	Quoted upon request
• Prescription Drug Benefit Statement: <ul style="list-style-type: none">- Statement to Eligible Persons providing prescription history along with specific recommended actions and related savings. Quarterly summary reporting to SPONSOR.	\$1.50 per statement plus actual postage charges
• Eligible Person communications describing the benefit or changes to the	Quoted upon request

⁴ Fee waived for six months of claims data if SPONSOR implements Retrospective DUR at \$0.10 per claim on the Effective Date.

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benefit, except for initial Welcome Package for new designated Eligible Persons	
• Customized, targeted Eligible Person mailings for closed/custom formulary	Quoted upon request
• Retail Refill Allowance Program Member Communications Materials	\$2.50 per Primary Eligible Participant plus postage costs on reminder letters
• Mailings direct to Eligible Persons, physicians, or SPONSOR location	Postage charges
Physician Communications	
• Charges by physicians or medical practices for the completion of prior authorization forms, clarification of prescriptions, or other requests for information relating to coverage authorization or a prescribed medication	Amount Medco is required to pay physician or medical practice
medco.com	
• SPONSOR customization of medco.com	Quoted upon request
Audit Support	
• Data in excess of a rolling twenty-four (24) months	Quoted upon request
• Medco support of additional client audits	\$35,000 per audit

Note: Charge for additional services not listed above will be determined by Medco and quoted upon request.

5. MEDCO PRICING GUARANTEE

5.1 Within 180 days after the end of each Contract Year during the Initial Term, Medco will calculate and report the actual ingredient cost discounts for Brand Name Drugs and Generic Drugs respectively, as billed to SPONSOR for the Contract Year. If the actual ingredient cost discounts, dispensing fees, guaranteed rebates or any components of the Medco Pricing Guarantee are less than the guaranteed targets described below, Medco will make up the shortfall on a dollar-for-dollar basis. Any available surplus from individually guaranteed components of any part of the Medco Pricing Guarantee may be used to offset any shortfall in another guaranteed component. The guarantees set forth herein exclude Specialty Drugs, and claims dispensed and submitted by non-traditional providers such as Long-Term Care, Home Infusion, Skilled Nursing Facility, Veteran, Military, and I/T/U (Indian/Tribal/Indian Urban) providers.

CHART A

Retail Network (Broad National Network)	
Brand Pricing	AWP minus (-) 15.50%
Generic Pricing⁵	The guaranteed generic discount will be equal to AWP minus (-) 71%
Dispensing Fees	Guaranteed brand and generic drugs = \$1.20
Mail Order Pharmacy Program (forty-five (45) days' supply or greater)⁶	
Brand Pricing	AWP minus (-) 23%
Generic Pricing⁵	The guaranteed generic discount will be equal to AWP minus (-) 75%

⁵ The guarantee will apply to existing generics as well as new generics that come to the market during the term of this agreement that have more than two manufacturers. The Brand discount guarantee will include all claims not included in the Generic discount guarantee.

⁶ The guarantees and rebates will apply to those Mail Order prescriptions with forty-five (45) days' supply or greater. For those prescriptions with less than forty-five (45) day's supply, the retail guarantees and rebates will apply.

Formulary Management Program – Preferred Prescriptions® Formulary	
Per Brand Name Drug Prescription	
Retail	\$15.36
Mail Order	\$56.96

The Ingredient Cost discounts are calculated by measuring the incremental values of the billed retail and mail order network discounts, MAC pricing, and U&C pricing, against the AWP of all prescriptions dispensed and submitted under the Program by Participating Pharmacies and mail order pharmacies in the aggregate. In the event of a material Plan Design modification, an increase or decrease in the total number of Participating Pharmacies by five (5%) percent or more, or a change in ownership of five (5%) percent or more of Participating Pharmacies, Medco may modify the Guaranteed Retail Ingredient Cost Discounts and Guaranteed Retail Dispensing Fee on an equitable basis.

4.2 So long as the guarantee set forth in this Section 5 is in effect, Medco will have no separate liability for the pricing set forth in this Agreement.

6. MAIL ORDER INCENTIVE

The baseline mail penetration will be January 1, 2012. For each 10% increase in mail penetration, Medco will improve the mail generic discount by 0.75%. For example, if the mail penetration increased 20% in 2013 from the baseline mail penetration from January 1, 2012, Medco will improve the mail generic discount by 1.5%. The calculation for determining the Mail Penetration increase will be as follows: AWP Discounted Mail Drug Spend divided by AWP Discounted Overall Drug spend (Mail and Retail combined).