



JOHN TECKLENBURG
MAYOR

City of Charleston
South Carolina

KAY CROSS
DIRECTOR, HROD

Human Resources and Organizational Development

AGENDA

HUMAN RESOURCES COMMITTEE

AUGUST 20, 2020

Place: Conference Call #1-929-205-6099, Access Code: 92223627947

Time: 3:00 pm

1. Open with prayer
2. Approval of minutes for April 23, 2020
3. New Business
 - A. Review and Approval of 2021 Healthcare Budget and contract renewals
 - BCBS South Carolina – Medical and RX
 - Premiums
 - B. Defer - Stop Loss Agreement-request to take straight to Ways and Means
 - C. COVID19 update
 - D. Employee Survey
 - E. Report from Women's Commission
4. Old Business
5. Other Business
6. Adjournment

Cc: Councilmember Carol Jackson, Chair
Councilmember Karl Brady
Councilmember Marie Delcioppo
Councilmember William Dudley Gregorie
Councilmember Kevin Shealy, Vice Chair
Mayor John Tecklenburg
Amy Wharton, CFO
Joleen Deames, ACFO
Kay Cross, Director of HROD
Heather Pope, Deputy Director of HROD

**City of Charleston
Healthcare Budget**

	2020		2021	
	Budget	1620	Budget	1600
Enrollment				
Medical costs	17,400,000		19,000,000	
Dental costs	1,000,000		1,100,000	
RX Rebates	(1,000,000)		(1,000,000)	
Fully Insured vision plan	133,637		135,563	
Plan design changes	41,242		-	
Administration costs	911,816		902,999	
Stop Loss Fees	1,350,000		1,550,000	
HSA contribution	56,700		78,400	
HRA contribution	1,352,150		1,326,750	23,093,713 8.7%
Flexible Spending Administration	15,360		19,200	
COBRA and Retiree Administration	16,260		15,960	
Wellness Program	53,500		43,500	
Fitbits	28,000		28,000	
Exercise Program	4,800		4,800	
Diabetes Program	(128,240)		(128,240)	
Vaccines	11,500		47,500	
Other Wellness Programs	10,250		10,250	
Well Check program	116,750		98,750	
Weight Loss Program	11,600		11,600	
Firefighters Mental Health coverage	36,000		36,000	
Affordable Healthcare Act PCORI fee (due 7/31/XX)	8,250		7,000	
	<u>21,429,575</u>		<u>23,288,033</u>	1,858,458
Cost per enrollee	13,228		14,555	
	1.1%		10.0%	
Estimated Contributions				
Employees	3,400,343		3,524,143	
Retirees	580,069		652,790	
Museum	298,026		247,727	
Cobra	81,847		69,302	
	<u>4,360,285</u>		<u>4,493,962</u>	
	20%		19%	
Net Budgeted Cost	<u>17,069,290</u>		<u>18,794,071</u>	1,724,781
	253,334		1,724,781	
	1.5%		10.1%	
				Change

NOTES:

To be finalized in October
 City contributions \$350/\$700
 City Contribution \$600/\$1250
 500 enrollees/\$3.20 per enrollee per month

Includes health fair (\$3.5k) and gym reimbursement (\$40k)
 up to 250 participants plus corporate membership
 Net cost of onsite fitness/yoga classes
 80 participants (per ROI report)
 \$25 for 500 people (flu) and \$35 for 1000 people (COVID19)
 Wellness programs, Stress program, testing supplies, etc.
 Wellness contributions to HRA or HSA
 All in for Ten weight contest and weight loss classes
 Based upon the IRS calculation

See summary for 2021 premiums
 Retiree premiums includes 4% increase to city's contribution
 100% of costs, enrollment is down
 102% of costs, enrollment is down

**City of Charleston
Administrative Fee**

	<u>2020</u>	<u>2021</u>	Increase
<u>Blue Cross Blue Shield of South Carolina</u>			
Admin Fee (rate lock thru 2023)	33.50	33.50	0%
My Health Essentials Suite Referral Mgmt.	4.40	4.40	0%
HRA	0.55	0.55	0%
RX admin fee	3.50	3.50	0%
<u>United Concordia</u>	1.55	1.55	0%
Dental Fee (rate locked thru 2022)	1.50	1.50	0%
<u>ConnectYourCare (rate lock thru 2021)</u>			
Cobra and Retiree billing (included in separate line)	2.50	2.50	0%
FSA (included in a separate line)	3.20	3.20	0%
HSA fee	2.35	2.35	0%
<u>Benefitfocus</u>			
Enrollment Platform	2.10	2.10	0%

Third Party Administrative cost

	911,816	902,999
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Blue Cross Blue Shield of South Carolina

Specific Stop Loss Limit	250,000	300,000	
784 Single	29.19	37.95	30%
816 Family	87.44	113.67	30%
1600	1,125,955	1,470,082	31%
Aggregate	60,000	60,000	0%

Total Stop Loss cost

	1,185,955	1,530,082
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Total Administrative cost

	2,097,771	2,433,081
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7%

	2020 Rate	Increase	2021 Rate	Annual Contribution	Total Annual EE Contribution	Annual Increase
Medical Premiums						
<u>Health Savings Acct.</u>						
Employee	19.50	0.75	20.25	526.50	6,950	19.50
Employee + Spouse	108.25	4.00	112.25	2,918.50	4,203	104.00
Employee + Children	76.00	3.00	79.00	2,054.00	4,930	78.00
Family	135.50	5.00	140.50	3,653.00	10,959	130.00
<u>Health Savings Acct. with a non-s</u>						
Employee	13.75	0.75	14.50	377.00	36,494	19.50
Employee + Spouse	75.75	3.00	78.75	2,047.50	21,622	78.00
Employee + Children	53.50	2.00	55.50	1,443.00	25,397	52.00
Family	95.00	4.00	99.00	2,574.00	56,628	104.00
<u>HRA Rates</u>						
Employee	37.75	2.00	39.75	1,033.50	72,180	52.00
Employee + Spouse	158.50	11.00	169.50	4,407.00	93,076	286.00
Employee + Children	120.25	8.00	128.25	3,334.50	56,820	208.00
Family	191.00	13.00	204.00	5,304.00	234,225	338.00
<u>HRA Rates with a non-smoker dis</u>						
Employee	26.50	2.00	28.50	741.00	379,511	52.00
Employee + Spouse	114.50	8.00	122.50	3,185.00	493,293	208.00
Employee + Children	85.50	6.00	91.50	2,379.00	297,280	156.00
Family	138.00	9.00	147.00	3,822.00	1,237,716	234.00
					<u>3,031,281</u> medical	
Vision Premiums						
Employee	1.00	-	1.00	26.00	17,810	-
Employee + Spouse	2.00	0.25	2.25	52.00	10,140	6.50
Employee + Children	1.50	0.25	1.75	39.00	5,655	6.50
Family	2.50	0.50	3.00	65.00	26,000	13.00
					<u>59,605</u> vision	
Dental Premiums						
Employee	3.75	-	3.75	97.50	72,638	-
Employee + Spouse	16.25	0.25	16.50	429.00	85,800	6.50
Employee + Children	12.00	0.25	12.25	318.50	50,960	6.50
Family	20.00	0.50	20.50	533.00	223,860	13.00
					<u>433,258</u> dental	
					<u>3,524,143</u>	
					3,327,182	
					196,961	

If no increase in premiums

Total increase

AMENDMENT TO ADMINISTRATIVE SERVICES AGREEMENT

This Amendment to Administrative Services Agreement (“Amendment”) amends the Administrative Services Agreement (“Agreement”), effective January 1, 2019 entered into between City of Charleston (“Purchaser”) and Blue Cross and Blue Shield of South Carolina (“BCBSSC”). This Amendment is effective January 1, 2021.

WHEREAS, Purchaser and BCBSSC have entered into the Agreement (as amended from time to time) whereby BCBSSC provides certain Services for Purchaser; and

WHEREAS, Purchaser and BCBSSC desire to enter into this Amendment to the Agreement.

NOW, THEREFORE, Purchaser and BCBSSC hereby agree that the Agreement is hereby amended:

by deleting Schedule A in its entirety and replacing it with the attached Schedule A, “Effective Date: (Contract Year) of this Schedule A: January 1, 2021 through December 31, 2021”; and

EXCEPT as otherwise set further herein, all other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, BCBSSC and Purchaser have caused their names to be signed hereto by their respective officers.

**BLUE CROSS AND BLUE SHIELD
OF SOUTH CAROLINA**
An Independent Licensee of the Blue Cross
and Blue Shield Association

By: _____

Title: Vice President – Major Group Sales
Blue Cross and Blue Shield Division

PURCHASER

By: _____

Witness _____

Its: _____

Date _____

(Signature and Title)

Blue Cross and Blue Shield of South Carolina Schedule A

Purchaser Name: City of Charleston

Purchaser Base Number (s): 03-57596

Effective Date: (Contract Year) of this Schedule A: January 1, 2021 through December 31, 2021

Administrative Charges:	
January 1, 2019 through December 31, 2023	\$33.50 per Employee per month (PEPM)
Inter-Plan Arrangements Fees:	
BlueCard Program Fees:	
Access Fees:	Up to 3.79% of network savings, but not to exceed \$2,000.00 per claim. Note: Access Fees will apply when Members receive services outside of the service area in which they reside. (The access fee percentage will be up to the currently allowable BlueCard Program rate based on account size. Rates are subject to annual revision.)
Administrative Expense Allowances (AEAs):	Up to \$5.00 per claim professional and \$11.00 per claim institutional. (This fee may include Non-Participating Provider Claim fees) additional Blue Cross Blue Shield Global Core AEA fees may apply.
Other BlueCard Program Fee:	
Other Fees:	
Claim Amount Account Funding Method:	By the deadline set forth in Article V of this Agreement.
Late Charge:	1% per month or such other maximum amount allowed by law
Retention Services Fee:	7.5% of the claims processed for twelve months from the date of termination.
Coordination of Benefits (Powered by Rawlings) Recovery Fee:	30% of all recoveries
Rawlings Mass Tort Services (Group Litigation) Recovery Fee:	30% of all recoveries
Subrogation Services Recovery Fees:	30% of all recoveries
Health Care Services Product Fees:	**Please refer to the Pharmacy Benefit Manager ("PMB") Addendum for fees related to PMB services**
Health Reimbursement Account (HRA) / Health Incentive Account (HIA):	\$3.50 per Employee per month (PEPM) (Applies only to sub-groups: 06-09,25,27,30-33 and 38-40)
Telehealth American Well BCOD:	No additional fee
Engagement Suite Standard Programs:	\$4.40 per Employee per month (PEPM) Suite Includes: Health Coaching – Chronic Condition and Lifestyle, Essential Advocate, Rally- Wellness Engagement
Onsite Comprehensive Care Management:	\$700 for Home Visit, then Monthly Case Rate of \$750
Radiology Management (NIA):	\$0.55 per Employee per month (PEPM)

Blue Cross and Blue Shield of South Carolina
Schedule A

IN WITNESS WHEREOF, BCSSC and Purchaser have caused their names to be signed hereto by their respective officers.

BLUE CROSS AND BLUE SHIELD OF SOUTH CAROLINA
An Independent Licensee of the Blue Cross and Blue Shield Association



By: _____
Title: President
Blue Cross and Blue Shield Division

PURCHASER
City of Charleston

By: _____

Witness _____

Its: _____

Date _____

(Signature and Title)

PHARMACY BENEFIT MANAGEMENT SERVICES ADDENDUM TO ADMINISTRATIVE SERVICES AGREEMENT

This Addendum (“**Addendum**”) to the Administrative Services Agreement dated as of the 1st day of January, 2020 entered into between Blue Cross and Blue Shield of South Carolina (“**BCBSSC**”) and **City of Charleston** on behalf of itself and its Group Health Plan(s) (collectively “**Purchaser**”) (the “**Agreement**”) shall be effective on the 1st day of January , 2020 (the “**Addendum Effective Date**”). The terms and conditions of this Addendum are incorporated by reference into and made a part of the Agreement.

RECITALS

WHEREAS, Purchaser has established a Group Health Plan for Members; and

WHEREAS, BCBSSC and Purchaser have entered into the Agreement (as amended from time to time) whereby BCBSSC provides certain services for the Group Health Plan established by Purchaser, including, but not limited to pharmacy benefit management services; and

WHEREAS, BCBSSC has contracted with a PBM to provide prescription benefit management and/or specialty pharmacy services to Members; and

WHEREAS, the parties desire to enter into this Addendum to govern the provision of PBM Services.

NOW, THEREFORE, in consideration of the mutual promises contained herein, Purchaser and BCBSSC hereby agree as follows:

- 1. Definitions.** All terms in this Addendum, shall have the meaning assigned to it in either the Schedule of Definitions attached as **Exhibit A** or as otherwise defined herein. Terms not defined in this **Exhibit A** or otherwise in this Addendum shall have the meaning ascribed to them in the Agreement and the corresponding Plan of Benefits. In the event of a conflict between the terms of this Addendum and the Agreement, the terms of this Addendum shall control with respect to PBM Services.
- 2. PBM Services.** Purchaser desires to engage BCBSSC as its exclusive provider of the prescription drug benefit services specified in **Exhibit B (“PBM Services”)** to support Purchaser’s Benefit Plans. Purchaser and BCBSSC agree to comply with the terms and conditions specified in this Addendum, including the exhibits, with respect to provision of the PBM Services.
- 3. Term and Termination**
 - a. Term.** For purposes of this Addendum, the term and conditions shall commence on the Addendum Effective Date and shall continue for a period of twenty-four (24) months (“**Initial Term**”). Upon expiration of the Initial Term, this Addendum will automatically renew for additional twelve (12) month periods (each a “**Renewal Term**”) unless either party provides the other party with written notice of non-renewal no later than ninety (90) days before the end of the Initial Term or a Renewal Term, such non-renewal to be effective at the expiration of the Initial Term or Renewal Term as applicable. The Initial Term and Renewal Term(s) may be collectively referenced herein as the “**Term.**”
 - b. Termination.** This Addendum may be terminated as follows:
 - i.** Either party may terminate this Addendum following written notice of breach of material obligations (including failure to pay any Administrative Fee identified herein or other fees, charges or non-Claim amounts due under the terms of this

Addendum) under this Addendum has been given by one party to the other; provided that such breach has not been cured within ten (10) days of the notice. Notwithstanding the foregoing, Purchaser's default in any payment of Claim amounts under this Addendum shall be subject to immediate termination under Section 3.b.ii. below.

- ii. If Purchaser fails to make payment for any Claims amounts as required under this Addendum and payment remains outstanding for three (3) days from the due date, BCBSSC may immediately terminate this Addendum.
 - iii. In the event the Agreement is terminated for any reason, this Addendum shall terminate concurrent with the Agreement's termination date.
 - iv. If a Force Majeure Event, as specified in Section 7 of this Addendum, exceeds thirty (30) days, the other party may terminate this Addendum upon notice.
 - v. If Purchaser provides a self-certification that it is an eligible organization as described in Section 1.1.3 of Exhibit B, BCBSSC may terminate this Addendum upon notice to Purchaser effective on or after the date of the Contraceptive Coverage (as defined in Section 1.1.3 of Exhibit B), even if the date is retroactive.
- c. **Effect of Termination.** Termination of this Addendum for any reason will not affect the rights and obligations of the parties arising out of any transactions occurring before the effective date of the termination, except as follows: (i) BCBSSC will have no obligation under any guarantees under this Addendum for the contract year (i.e., each twelve (12)-month period measured from the Addendum Effective Date or an anniversary of the Addendum Effective Date) in which this Addendum terminates, if the portion of the contract year before the effective date of termination is less than 12 full months; or (ii) as otherwise specified in this Addendum. Termination of this Addendum shall not impact the Agreement, the terms of which shall remain in full force and effect.
- d. **PBM Transition Assistance.** Upon termination of this Addendum for any reason, BCBSSC will, as directed by Purchaser, instruct the PBM to provide Purchaser the following files to the extent applicable: (i) existing Home Delivery or Specialty Pharmacy open refill transfer files for Members, as based upon Purchaser's most current eligibility files; (ii) Purchaser's claims history file; (iii) Purchaser's prior authorization files; and (iv) Purchaser accumulator files. Each file will be in BCBSSC's standard format and delivered using a media agreed to by the parties. BCBSSC's PBM shall be solely responsible to process only those Claims that are for prescriptions dispensed before the termination date and received by the PBM from Network Pharmacies no later than thirty (30) days after the termination date and from Members no later than sixty (60) days after the termination date. Purchaser shall be responsible for any and all fees billed to BCBSSC by PBM for such files.

4. Financial Terms.

- a. **Rates and Fees.** The parties agree to the rates, fees, reimbursements, credits and guarantees set forth on Exhibit C ("Financial Terms") for the PBM Services. Except as set forth in Section 4.c. and Section 4.e. below, the Financial Terms are effective for the Initial Term of this Addendum.

- b. **Payment Terms.** Purchaser agrees to make payment of amounts due under this Addendum as set forth in the payment terms section(s) of the Agreement. All payment terms set forth in the payment terms section of the Agreement shall apply to Purchaser's payment obligations hereunder, unless expressly stated otherwise in this Addendum.
 - c. **Reservation of Rights.** BCBSSC reserves the right to modify or amend the Financial Terms in Exhibit C of this Addendum and/or the financial exhibit(s) of the Agreement if any of the following occur:
 - i. any government-imposed change in federal, state or local laws or BCBSSC's interpretation thereof or industry-wide change that makes BCBSSC's or its PBM's performance of its duties hereunder more burdensome or expensive, including a change resulting from the elimination or material modification of historic Drug Manufacturer Rebate pricing models or changes made to the AWP benchmark or methodology; or
 - ii. the unexpected movement of a Brand Drug to off-patent or where there are Generic Drugs, authorized Generic Drugs, low priced Brand Drugs or over-the-counter substitutes available; or
 - iii. a change in the scope of PBM Services to be performed or Benefit Plan design upon which the financial provisions included in this Addendum are based; or
 - iv. a reduction of greater than 10% in the total number of Members as compared to the total Members identified in the data provided by Purchaser or its representative at the time the final quote sheet was prepared, upon which the Financial Terms are based; or
 - v. the addition of, or growth in, one hundred percent (100%) Member paid plans or consumer directed health plans (e.g., high deductible plans); or
 - vi. any substantive change in Formulary, which may impact Rebates.
 - d. **Renewal Term.** BCBSSC may modify the Financial Terms in Exhibit C upon expiration of the Initial Term or on each twelve (12) month anniversary of the Renewal Term. BCBSSC will provide Purchaser with one-hundred and twenty (120) days' prior notice of the revised Financial Terms applicable to the Renewal Term. The change in the Financial Terms will become effective on the later of the first day of the Renewal Term or ninety (90) days after BCBSSC provides Purchaser with notice of the change. This Addendum will automatically be amended to replace Exhibit C, accordingly.
5. **Data Sharing.** Upon Purchaser's written request, BCBSSC or the PBM may provide up to two (2) standard electronic claims files to Purchaser's third party service provider, subject to the third party's execution of BCBSSC's form confidentiality agreement. Data Sharing fees apply to file requests which exceed the aforementioned two (2) in a given year and will be quoted upon request.

- 6. Audit Rights.** On an annual basis during the Term of this Addendum and for a period of six (6) months following its termination, Purchaser, at its sole expense, may conduct an audit of Plan Specifications and Financial Terms specified in this Addendum. The audit may be performed by an independent auditor with pharmacy management knowledge, subject to the prior approval of BCBSSC and its PBM. The mutually-agreed upon auditor will execute a confidentiality and non-disclosure agreement with BCBSSC, PBM and Purchaser prior to conducting an audit. Audits require: (a) ninety (90) days prior written notice, (b) receipt of a fully-executed confidentiality and non-disclosure agreement, (c) a detailed audit scope document, and (d) a complete statistically valid Claims sample, if applicable. In the event on-site audit support is requested during an audit, such on-site support shall only be provided during normal business hours, following thirty (30) days written notice, and without undue interference to BCBSSC business activity. All audits shall be limited to information relating to the calendar year in which the audit is conducted and/or the immediately preceding calendar year. Notwithstanding the foregoing, no audits of any type will be initiated or conducted during the months of December and January. In no event will an audit include a review of the Pharmacy Benefit Management Services Agreement between PBM and BCBSSC nor any Drug Manufacturer agreements held by the PBM on behalf of BCBSSC. The parties agree that Purchaser shall not hire a third party to conduct a contingent fee audit, where the third party's compensation is based on a percentage of errors (or savings, or "uncovered recoveries", etc.), which may be found by the third party in its audit. Should Purchaser so contract with a third party to perform such contingent fee audit, BCBSSC has no obligation under the terms of this Agreement to cooperate with said third party in the conduct of such contingent fee audit.
- 7. Force Majeure.** Except for payment obligations of Purchaser as set forth in this Addendum, the obligations of the parties hereunder shall be suspended to the extent that all or part of this Addendum cannot be performed due to causes which are outside the reasonable control of a party, could not be avoided by the exercise of due care, and are not the result of the fault or negligence of such party, including, but not limited to acts of God, fire, flood, earthquake, riots, acts of terrorism, whether applicable to BCBSSC, the PBM or Purchaser (a "Force Majeure Event"), provided such party gives reasonably prompt notice to the other party of the Force Majeure Event and related conditions and uses reasonable efforts to rectify such conditions. If the Force Majeure Event exceeds thirty (30) days, the unaffected party may terminate this Addendum upon notice.
- 8. Ratification.** Except as specifically set forth herein, the terms and conditions of the Agreement (as amended) remain in full force and effect. In the event of a conflict between the terms of this Addendum and the Agreement, the terms of this Addendum shall control with respect to the subject matter herein.
- 9. Entire Agreement.** Purchaser and BCBSSC acknowledge and agree that this Addendum, together with all Exhibits, contains the entire agreement between the parties with respect to the PBM Services provided herein and further agree that it shall supersede any offer including a Pharmacy Benefit Management Services Addendum that may have been made effective on a date prior to the Addendum Effective Date. Except as otherwise provided herein, this Addendum can only be modified by mutual written agreement of the parties.

In Witness Whereof, Purchaser and BCBSSC have read this Addendum and agree to be bound by it and therefore have caused it to be executed by their duly authorized representatives.

City of Charleston

BLUE CROSS BLUE SHIELD OF SOUTH CAROLINA

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Exhibit A
Definitions

340B Claims means Claims submitted by 340B pharmacies that price at a 340B price.

Average Wholesale Price or "AWP" means the average wholesale price, as reflected on the Pricing Source, for the Prescription Drug or other pharmaceutical products or supplies for the product dispensed on the date dispensed based on the actual 11-digit NDC reported by the Network Pharmacy.

Benefit Plan means the benefit plan(s) established and/or sponsored by Purchaser under which Purchaser is obligated to provide Covered Prescription Services.

Brand Drug means those Prescription Drugs identified by Medi-Span as having a multisource code of "M" (a branded drug product that is co-branded and not considered generic, nor is available as a generic), "N" (a single-source brand name drug product available from one manufacturer), "O" (an original branded drug product available from one or more manufacturers as a generic product), and/or with a Trademark Code of "T". The parties agree that when a drug is identified as a Brand Drug, it shall be considered a Brand Drug for all purposes under this Addendum.

Claim means each prescription or refill thereof ordered and issued by a Provider and submitted to PBM by a Member or a Network Pharmacy for adjudication.

Clean Claim means a Claim prepared in accordance with the NCPDP-promulgated standard format that contains all information necessary for processing for a Claim and submitted by Network Pharmacies for payment no later than one hundred eighty (180) days after the date of service, or a longer period of time if required by Laws. Member submitted Claims will be submitted within the timeframes specified in the applicable Plan of Benefits.

Compound Prescription Drug means a Prescription Drug that is prepared by a pharmacist who mixes or adjusts one or more Prescription Drugs to customize a medication to meet a Member's individual medical needs. Purchaser's payment to BCBSA for providing a Compound Prescription Drug to a Member will include the Network Pharmacy contracted rate for each Prescription Drug included in the medication and one contracted dispensing fee minus any Cost-Sharing amount plus the applicable level of effort fee payable to the Network Pharmacy.

Cost-Sharing Amount means the coinsurance, copay, deductible or other cost sharing amount, either a specified dollar amount or a percentage of eligible expenses, that a Network Pharmacy may collect from a Member for Covered Prescription Services in accordance with the Member's Benefit Plan.

Covered Prescription Services means Prescription Drugs or other pharmaceutical products, services, devices, or supplies dispensed by a Network Pharmacy to a Member for which coverage is provided in accordance with the Member's Benefit Plan.

Dispensing Fee means the portion of the Claim cost attributable to payment to a Network Pharmacy for professional services to dispense a prescription or authorized refill in an amount set forth in Exhibit C.

Drug Manufacturer means an entity that manufactures, sells, markets or distributes Prescription Drugs; provided "Drug Manufacturer" shall not include wholesalers engaged in the sale and distribution of Prescription Drugs.

FDA means the United States Food and Drug Administration.

Formulary means the list of Prescription Drugs covered by the applicable Benefit Plan as developed by BCBS or its PBM and approved and adopted by Purchaser for use with the Benefit Plans.

Generic Drug means a non-patent drug identified by Medi-Span as having a multisource code of "Y" (a generic drug product available from one or more manufacturers), and/or with a Trademark Code of "B" or "G". Medi-Span shall be the sole basis of drug classifications for all purposes in regard to this Addendum. The parties agree that when a drug is defined as a Generic Drug, it shall be considered a Generic Drug for all purposes under this Addendum.

Governmental Authority means the Federal government, any state, county, municipal or local government or any governmental department, political subdivision, agency, bureau, commission, authority, body, instrumentality, or court that regulates the applicable party's activities or operations.

Home Delivery Pharmacy means a facility that is duly licensed to operate as a pharmacy at its location and to dispense Prescription Drugs via postal or commercial courier delivery to individuals, including Members. Home Delivery Pharmacy includes pharmacies that PBM owns or operates.

Laws means all applicable common laws and any and all state, Federal or local statutes (including, without limitation ERISA (the Employee Retirement Income Security Act of 1974)), ordinances, codes, rules, regulations, restrictions, orders, procedures, standards, directives, guidelines, instructions, bulletins, policies or requirements enacted, adopted, promulgated, applied, followed or imposed by any Governmental Authority, as amended, modified, revised or replaced, interpreted or enforced by any Governmental Authority, as applicable to each respective party.

Limited Distribution Drugs means Specialty Drugs which are distributed to either one or a very limited number of pharmacies, distributors or wholesalers as determined by the Drug Manufacturer.

Manufacturer Administrative Fees means the administrative fees paid by Drug Manufacturers to PBM for PBM's provision of Rebate administration services.

NCPDP means that National Council for Prescription Drug Programs.

NDC means the National Drug Code that is the identifying Prescription Drug number maintained by the FDA.

Net Paid Claim means all Clean Claims approved for payment minus reversals for a single prescription fill.

Network Pharmacy means a retail pharmacy, Home Delivery Pharmacy, Specialty Pharmacy, third-party pharmacy or other facility that (i) is duly licensed to operate as a pharmacy at its location and to dispense Prescription Drugs to individuals, including Members, and (ii) has entered into a Network Pharmacy Agreement.

Network Pharmacy Agreement means the agreement between a Network Pharmacy and PBM or BCBS to provide Covered Prescription Services.

Pharmacy & Therapeutics Committee means the committee formed by BCBSSC and/or PBM that reviews the clinical effectiveness of a legend drug for inclusion on the Formulary and creates criteria, policies and procedure for such inclusion including, but not limited to, clinically-appropriate quantity restrictions, step therapies and prior authorizations.

PBM means the pharmacy benefit manager with whom BCBSSC contracts to perform certain PBM Services as agreed to between BCBSSC and the PBM.

Plan Specifications means information provided by the Purchaser which BCBSSC and PBM reasonably need to perform the PBM Services, as further specified in **Exhibit B**.

Prescription Drug means a Generic Drug or Brand Drug that is approved by the FDA and required under Laws to be dispensed only as authorized by a written or oral order to dispense a Prescription Drug by an appropriately licensed and qualified health care professional in accordance with Laws.

Pricing Source means the Medi-Span Prescription Pricing Guide (with supplements) or another nationally recognized pricing source determined by PBM and BCBSSC.

Rebates means any discount, rebate, price protection amount or Manufacturer Administrative Fee that BCBSSC receives from Drug Manufacturers and/or its PBM that is contingent upon and related directly to Member use of a Prescription Drug during the Term. "Rebate" does not include any discount, price concession or other direct or indirect compensation received by the PBM or BCBSSC for the purchase of a Prescription Drug or for the provision of any product or service.

Specialty Drug means the Prescription Drugs that include at least one or more of the following: (a) biotechnology drugs; (b) orphan drugs used to treat rare diseases; (c) typically high-cost drugs; (d) drugs administered by oral or injectable routes, including infusions in any outpatient setting; (e) drugs requiring on-going frequent patient management or monitoring or focused, in-depth Member education; (f) drugs that require specialized coordination, handling and distribution services for appropriate medication administration; (g) infusion or health care injectable professionally administered by a healthcare professional or in a healthcare setting (but excluding supplies or the cost of administration); or (h) therapy requiring management and/or care coordination by a healthcare provider specializing in the Member's condition. Specialty Drugs shall not include any Prescription Drugs that: (x) require nuclear pharmacy sourcing; (y) are preventive immunizations; or (z) are administered only in the inpatient setting, as identified by BCBSSC.

Specialty Pharmacy means a facility that is duly licensed, credentialed, and accredited to operate as a pharmacy at its location and to dispense Specialty Drugs to individuals, including Members. Specialty Pharmacy includes pharmacies that PBM owns or operates.

U&C means the Network Pharmacy's usual non-covered customer selling price for a drug if the product were not eligible for coverage by a third party as reported by the Network Pharmacy. Claims that pay at U&C are not subject to a Dispensing Fee.

Exhibit B
Pharmacy Management Services

BCBSSC and its PBM will provide the PBM Services, including administrative, management, consultative, claims processing and other general pharmacy benefit management support services outlined herein in conjunction with administration and operation of the pharmacy benefits provided under the Benefit Plan(s).

1. SERVICES

1.1 Administrative Support

1.1.1 General. BCBSSC and its PBM will provide PBM Services in accordance with the most current Plan Specifications that Purchaser has provided to BCBSSC and which has been approved by BCBSSC.

1.1.2 Benefit Plan Responsibility. Although BCBSSC will perform PBM Services under this Addendum to support the Benefit Plans, with respect to pharmacy Claims: (i) Purchaser retains complete and exclusive discretionary authority over the Benefit Plans, and is the “administrator” (as defined in 29 U.S.C. § 1002(16)) of the Benefit Plans and (ii) Purchaser will comply fully with all applicable federal and state laws with respect to the Benefit Plans and is responsible ultimately for administering, managing and operating the Benefit Plans, adopting the Formulary and utilization management programs specified in this Exhibit B, controlling or directing appeals conducted by an independent outside party or independent review organization (“IRO”) and determining, interpreting and amending all Benefit Plan structures and terms. Purchaser is at all times liable for Claims amounts under this Addendum. The parties specifically agree that, with respect to pharmacy Claims related to PBM Services, (a) neither BCBSSC nor its PBM nor any of their affiliates is acting on behalf of any “employee welfare benefit plan” (as defined in 29 U.S.C. § 1002(1)) or participants or beneficiaries in any such plan, or on behalf of a “fiduciary” (as defined in 29 U.S.C. § 1002(21)(A)) of any such plan under this Addendum; (b) Purchaser will not name or deem PBM or BCBSSC as a fiduciary for any purpose under this Addendum; (c) BCBSSC’s and the PBM’s role in all respects under this Addendum will be limited to that of a provider of “ministerial functions” (as described in 29 C.F.R. § 2509.75-8, D-2) and will be performed within the framework of policies and interpretations established by Purchaser, such that the PBM Services under this Addendum will not include the power to exercise discretionary authority over any Benefit Plan’s management or operations or plan assets (if any); (d) Purchaser has selected and is solely responsible for each Benefit Plan’s benefits and design; and (e) Purchaser retains all discretionary authority for each Benefit Plan, Benefit Plan assets (if any) and administration of each Benefit Plan. Purchaser acknowledges that changes in Benefit Plan benefits and designs or enrollment may result in a change to the Financial Terms, as set forth in Section 4.c. of the Addendum.

1.1.3 Contraceptive Coverage. Despite any contrary provisions in this Addendum or the Agreement, Purchaser represents that it is not an eligible organization with respect to contraceptive coverage under Public Health Service Act section 2713 and any related regulations or similar Laws (“Contraceptive Coverage”), and that it will be responsible for providing any Contraceptive Coverage and will not provide a self-certification that Purchaser is an eligible organization with respect to Contraceptive Coverage during the Term of the Addendum. The PBM Services set forth in this Addendum do not include PBM providing Contraceptive Coverage if Purchaser self-certifies as an eligible organization. BCBSSC may terminate this Addendum effective on or after the date of the Contraceptive Coverage,

even if the date is retroactive, upon notice to Purchaser, if Purchaser provides a self-certification that it is an eligible organization.

1.1.4 Benefit Plan Eligibility Data. Purchaser shall furnish to BCBSSC all of the Member's eligibility information pursuant to the terms of the Agreement. BCBSSC will provide the PBM with the electronic eligibility information (as well as Member personal address, phone number and email and work email, if available), for all Members who are entitled to Covered Prescription Services under the Benefit Plans. BCBSSC and its PBM will rely on the accuracy and completeness of the Member eligibility data supplied by Purchaser. Purchaser will be solely responsible for any errors in Member eligibility data that BCBSSC furnishes to PBM.

1.1.5 Member Notification. BCBSSC will make available electronically and/or via a BCBSSC website, a list of Network Pharmacies, Home Delivery Pharmacy information, the Formulary and other pharmacy benefit related information to Members, providers and other appropriate third parties. BCBSSC will distribute, as appropriate, ID cards to Members.

1.1.6 Plan Specifications. Purchaser will provide BCBSSC with the information regarding the Benefit Plan(s) BCBSSC and its PBM reasonably need to perform the PBM Services, including, but not limited to benefit definitions, Formulary, Pharmacy Networks, utilization management programs, applicable Cost-Sharing Amounts, number of days' supply for acute and maintenance medications, dispensing and other limitations, manuals and other Benefit Plan or Member information (collectively, "**Plan Specifications**"), as reflected in the Benefits Checklist. Purchaser will provide BCBSSC with the Plan Specifications no later than ninety (90) days before the PBM Services start date identified by the parties, unless the parties otherwise agree. Plan Specifications must be approved by BCBSSC in writing prior to the PBM Services being rendered. Purchaser must submit any changes to the Plan Specifications in writing to BCBSSC at least ninety (90) days prior to the desired implementation date for BCBSSC's review and approval. The parties acknowledge and agree that email confirmation by the parties of the change request and approval are sufficient under this provision. If a Governmental Authority requires changes to the Plan Specifications, such Plan Specifications will automatically be amended to comply with such requirement. Purchaser's failure to provide the Plan Specifications or changes to the Plan Specifications within the time periods stated in this section may delay implementation of the PBM Services and guarantees, and implementation of the requested changes. Purchaser is responsible for the accuracy, completeness and timeliness of all Plan Specifications, and acknowledges BCBSSC's reliance on, the Plan Specifications. The initial Plan Specifications, as well as any subsequent updates, will be maintained by BCBSSC in the benefit detail report.

1.2 Pharmacy Network Administration

1.2.1 Pharmacy Network. BCBSSC will provide Members access to a network of pharmacies ("**Pharmacy Network**"). Upon request, BCBSSC will make available to Purchaser a current list of Network Pharmacies in the Pharmacy Network. Purchaser acknowledges that BCBSSC and/or its PBM may add or remove Network Pharmacies from the Pharmacy Network.

1.2.2 Pharmacy Network Rates and Payments. Pharmacy rates may vary and the proposed network rates in Exhibit C do not necessarily reflect the actual contracted rate between the PBM and the Network Pharmacy. Purchaser acknowledges that the amount paid to the Network Pharmacy may not be equal to the amount billed to Purchaser by BCBSSC. Purchaser acknowledges PBM and BCBSSC will retain any such difference as compensation for PBM Services.

1.2.3 Standard Pharmacy Audit Services. BCBSBC will instruct its PBM, in accordance with the PBM's standard audit program and as required by Laws, to conduct real-time and retrospective desk audits and selected on-site audits of the Network Pharmacies to determine whether the Network Pharmacies are submitting appropriate billings for payment by Purchaser or Members. BCBSBC will apply as a credit to invoices payable by Purchaser to BCBSBC, the amounts recovered from these audits which are applicable to Purchaser's Benefit Plan. Purchaser will be financially responsible for all expenses incurred in connection with audits of Network Pharmacies requested by Purchaser that are not required by Laws. BCBSBC and its PBM will use commercially reasonable efforts to collect amounts owing as a result of these standard pharmacy audits, provided that neither BCBSBC nor its PBM shall be required to initiate court proceedings to comply with this Section 1.2.3.

1.3 Claims Processing and Adjudication. PBM will adjudicate, process or pay Claims for Covered Prescription Services in accordance with the Plan Specifications. PBM will pay in accordance with Plan Specifications and applicable Laws, only Clean Claims (a) submitted by the Network Pharmacies in a timely manner through PBM's point-of-service system in accordance with NCPDP guidelines, and (b) properly submitted by Members as requests for reimbursement for Covered Prescription Services.

1.4 Benefits Administration and Support

1.4.1 Utilization Management Program

1.4.1.1. Development and Support. Purchaser will implement for the Benefit Plans, BCBSBC's standard utilization management programs designed to promote cost-effective drug utilization management and to discourage Prescription Drug over and under-utilization. BCBSBC or its PBM may, on behalf of Purchaser, (a) communicate with Members to describe health-related products or services (or payment for the products or services) provided by or included in the Benefit Plan through the PBM Services, including communications about Network Pharmacies, and health-related products or services available only to Members that add value to and are not part of the Benefit Plan; (b) conduct population-based activities relating to improving the health of Members and reducing their healthcare costs; and (c) contact Members with health education information and information about Prescription Drugs, treatment alternatives, and related functions.

1.4.1.2. Prior Authorization Services. BCBSBC or its PBM will conduct prior authorizations as specified herein and will approve or deny the Claim, as applicable, for the fees set forth in **Exhibit C**. BCBSBC and its PBM will respond to properly submitted prior authorization requests from Providers or Members using utilization management standards and guidelines established in accordance with Section 1.4.1.1 of this **Exhibit B**. Purchaser retains complete and exclusive discretionary authority over approval of prior authorization requests, including Benefit Plan overrides (subject to the professional judgement of the dispensing pharmacist); however, to the extent that Purchaser-directed overrides impact BCBSBC's (a) compensation, (b) cost to provide PBM Services or (c) ability to satisfy a guarantee under this Addendum, BCBSBC may amend the Financial Terms in **Exhibit C** to the extent needed to compensate BCBSBC for the effect of such overrides.

1.4.2 Quality Assurance Program. The PBM will implement its standard quality assurance program for the Benefit Plan(s) that includes quality measures and reporting systems targeted at reducing medical errors and adverse drug interactions. In addition, PBM will develop and implement systems or require Network Pharmacies to implement systems to: (a) offer Member counseling, when appropriate; (b)

identify and reduce internal medication errors; and (c) maintain up-to-date Member quality assurance and patient safety program information.

1.4.3 Administrative Grievances and Appeals. At Purchaser's request, and subject to Section 1.1.2 of this **Exhibit B**, BCBSSC will process initial Benefit Plan coverage determinations and exception requests and support Purchaser in connection with Benefit Plan appeals and grievances, as mutually agreed upon, and in accordance with Plan Specifications, this Section 1.4.3, and to the extent required by Laws.

1.4.4 Changes Due to Shortages, Recall or Public Health and Safety Concern. In the event of a Prescription Drug shortage or recall or public health and/or other material safety concerns impacting or related to the distribution or dispensing of Prescription Drugs, Purchaser acknowledges and agrees that BCBSSC may make temporary clinically appropriate changes to the Formulary status and/or tiering of Prescription Drugs, days' supply limitations, Pharmacy Network access, utilization management programs or similar programs or initiatives to address such concerns. Prescriptions Drugs impacted by such changes shall be excluded from all financial and performance guarantees.

1.4.5 Other Clinical Services. Upon Purchaser's request and for an additional charge to Purchaser, BCBSSC will help Purchaser develop and implement additional quality initiatives, intervention programs or other clinical services.

1.5 Formulary

1.5.1 Formulary Adoption. Purchaser will adopt as the Formulary one or more of the formularies offered by BCBSSC that are developed and maintained by the Pharmacy & Therapeutics Committee, as described in Section 1.5.4 of this **Exhibit B**.

1.5.2 Formulary Management. BCBSSC will make the Formulary available to Purchaser, plan providers or other appropriate parties via the applicable BCBSSC website. Except as provided in this Addendum, Purchaser will not copy, distribute, sell or otherwise provide the Formulary, to another party without BCBSSC's prior written approval.

1.5.3 Formulary Changes. Purchaser acknowledges and agrees that BCBSSC may include in the Formulary new FDA-approved medications according to the following schedule: (a) if an open formulary, all new covered FDA-approved medications (formulary and non-formulary) will be included in the Formulary upon publication in the Pricing Source pricing index and loading into PBM's systems or (b) if a closed formulary, all new covered FDA-approved medications (formulary only) may be included in the Formulary after review and addition to the Formulary by the Pharmacy & Therapeutics Committee. Following changes to the Formulary, BCBSSC will provide or make available appropriate notifications of Formulary changes to Purchaser, Members and prescribing physicians as required by Laws or as agreed to by the parties.

1.5.4 Pharmaceutical and Therapeutics Committee. The Pharmacy & Therapeutics Committees will develop and maintain the formularies offered by BCBSSC by: (a) selecting Prescription Drugs to include in formularies; (b) periodically reviewing the formularies, evaluating new and therapeutically equivalent Prescription Drugs for inclusion in the formularies; (c) establishing programs and procedures to address cost-effective drug therapy; (d) reviewing requests to include non-formulary Prescription Drugs in formularies; (e) implementing educational programs; (f) advising BCBSSC on other matters about the use of Prescription Drugs; (g) overseeing drug utilization review programs or quality

assurance programs or auditing and reviewing the programs' results; and (h) reviewing adverse drug reactions and making recommendations to minimize their occurrence. The Pharmacy & Therapeutics Committee's functions, deliberations and results, including development and maintenance of the formularies, constitute opinions only of the Pharmacy & Therapeutics Committee and will not bind BCBSSC, BCBSSC or its PBM.

1.5.5 No Endorsement. The development and maintenance of the formularies offered by BCBSSC will not be construed as an endorsement of any Prescription Drug product or drug manufacturer. Neither BCBSSC nor its PBM will be responsible for any actions or omissions of the Pharmacy & Therapeutics Committee or any adverse consequences that may relate, directly or indirectly, to Purchaser's or a Member's reliance on the Pharmacy & Therapeutics Committee.

1.6 Rebate Management

1.6.1 Rebate Eligibility. Purchaser acknowledges and agrees that BCBSSC may contract with a PBM and/or Drug Manufacturers for Rebates during the Term of this Addendum. BCBSSC will remit Rebates to Purchaser if: (a) **Exhibit C** specifies that Purchaser will be eligible for Rebates; (b) Purchaser satisfies the minimum Rebate contract criteria specified in Section 1.E. of **Exhibit C**; and (c) PBM has received Rebates resulting directly from Purchaser's satisfaction of the foregoing clause (b). PBM, in its sole and absolute discretion, may enter into agreements for Rebates concerning Prescription Drugs on the formularies offered pursuant to this Addendum. Rebates are negotiated based upon PBM's book of business rather than a Purchaser-specific basis. Purchaser acknowledges that many factors affect the amount of Rebates, including benefit design, arrangements with Drug Manufacturers, volume of Claims, formulary structure, patent expiration, and PBM's overall business strategy. Purchaser understands that not all Brand Drugs and not all Prescription Drugs are eligible for Rebates, and BCBSSC and its PBM are not obligated to submit for Rebates Claims that it does not believe are eligible to receive Rebates. Claims that may not be eligible to receive Rebates include Claims: (a) with invalid service provider identification or prescription numbers; (b) paid one hundred percent (100%) by a Member as a result of Purchaser's implementation or addition of a Benefit Plan requirement for any category of Claims (except specific items excluded from coverage); (c) for devices without a Prescription Drug component or claims that are not for Prescription Drugs (except for insulins or diabetic test strips); (d) that are re-packaged NDCs; (e) over one hundred eighty (180) days old; (f) for compounds; (g) Claims under section 340B of the Public Health Service Act which typically receive a discount or rebate directly from Drug Manufacturers; (h) from entities eligible for federal supply schedule prices (e.g., Department of Veterans Affairs, U.S. Public Health Service, Department of Defense); (i) for long term care facility; (j) vaccines; (k) for Medicaid Managed Care in states where the state law prohibits PBM from collecting supplemental rebates; or (l) for utilization pursuant to a consumer card or discount card program where the Benefit Plan had no cost liability on the claim or the Claims are otherwise not eligible for Rebates under a rebate agreement with the applicable Drug Manufacturer.

1.6.2 Rebate Guarantees. Except for any Rebate amounts described in **Exhibit C**, BCBSSC has no obligation to obtain any particular Rebates for Purchaser. Rebate guarantees are subject to Purchaser's eligibility for Rebates and the Rebate guarantee contingencies under this Addendum, including the requirements and contingencies described in this Section and in Section 1.E. of **Exhibit C**.

1.6.3 Collection. To the extent of any overpayment or erroneous payment to Purchaser by BCBSSC, Purchaser will immediately refund such payment or permit BCBSSC to recover such amount via offset from other sums due to Purchaser under the Agreement or this Addendum.

1.6.4 Disbursement. Provided Purchaser is in compliance with the terms of this Addendum, BCBSSC will reconcile, allocate and credit or disburse all Rebates based upon the provisions set forth in this Addendum. Purchaser does not have a right to interest on any Rebate payments received by BCBSSC or PBM.

1.6.5 Other Relationships. Purchaser acknowledges and agrees that BCBSSC may receive and retain credits, payments, or other amounts from its PBM, Drug Manufacturers, or other third parties, and unless otherwise expressly set forth in this Addendum, such amounts are not payable to Purchaser or Members and BCBSSC will retain these payments to help stabilize overall rates and offset expenses. Amounts paid to Network Pharmacies, or discounted prices charged at Network Pharmacies, are not affected by these retained amounts. Any Cost-Sharing Amount that a Member must pay for Covered Prescription Services does not change due to receipt or retention of any such amounts by BCBSSC.

1.7 Purchaser Incentives and Purchase Discounts. If Purchaser, or its affiliates, contracts with another party, including a Drug Manufacturer, for a discount, utilization limit, rebate or other incentive associated with the utilization of a Prescription Drug, Purchaser will be in breach of this Addendum, and BCBSSC, in addition to any other remedies available to it under this Addendum or in law or equity, may determine in its sole discretion that Purchaser will not be eligible for any applicable Rebates and adjust any Financial Terms described in Exhibit C of this Addendum and/or the financial exhibit(s) of the Agreement. Purchaser will accept only amounts due under this Addendum applicable to eligible Members. Upon request, Purchaser will cooperate fully with BCBSSC, PBM or a Drug Manufacturer to verify Purchaser's participation in any Rebate program and that all Rebate-related payments were made solely for Covered Prescription Services to eligible Members.

1.8 E-Prescribing. PBM will provide prescribers with electronic access to Benefit Plan information, including: (a) Member eligibility status; (b) Member medication history; (c) Formulary status of the Prescription Drug being prescribed; (d) listing of Generic Drug or Brand Drug Formulary alternative medications; (e) Member coverage information where applicable; (f) applicable Cost-Sharing Amount; and (g) drug classification information required by the Centers for Medicare & Medicaid Services or successor Governmental Authority.

2. HOME DELIVERY PHARMACY SERVICES

2.1 Home Delivery Services. Home Delivery Pharmacies will provide Home Delivery Pharmacy Covered Prescription Services to Members in accordance with the Plan Specifications. Once a prescription for a Covered Prescription Service has been transmitted to a Home Delivery Pharmacy in accordance with Laws, such Home Delivery Pharmacy will promptly prepare, package and ship the applicable Covered Prescription Service to the Member or other authorized person or entity. Home Delivery Pharmacies will provide customer service support for Members who use Home Delivery Pharmacy Services. BCBSSC will make available to Members Home Delivery Pharmacy information via the applicable BCBSSC website.

2.2 Control by PBM. PBM will solely and exclusively control and supervise the operation and maintenance of PBM's Home Delivery Pharmacies and their respective facilities and equipment and provision of Home Delivery Pharmacy Covered Prescription Services. All decisions respecting the provision of Home Delivery Pharmacy Covered Prescription Services by PBM's Home Delivery Pharmacies will be made solely by PBM's Home Delivery Pharmacy and its duly authorized personnel, and not by Purchaser. The relationship between a Member and a Home Delivery Pharmacy will be subject to the rules, limitations and privileges incident to

the pharmacist-patient relationship. PBM may exclude from coverage by a Home Delivery Pharmacy under this Addendum a Prescription Drug that cannot be dispensed under PBM's Home Delivery pharmacy dispensing protocols or requires special record-keeping procedures.

2.3 Home Delivery Rates. Prices for Covered Prescription Services dispensed by the Home Delivery Pharmacy are specified in **Exhibit C**. Specialty Drugs are not available at Home Delivery Pharmacy rates, even if dispensed by a Home Delivery Pharmacy. If Member requests or requires expedited or alternative shipping methods other than PBM's standard method, Member will be solely responsible for those costs.

3. SPECIALTY PHARMACY SERVICES

3.1 Specialty Services. PBM will provide Specialty Drug Covered Prescription Services as follows: Purchaser will receive Specialty Drug Covered Prescription Services exclusively from PBM's Specialty Pharmacy and not from any other retail, mail, specialty or other pharmacy, including a Network Pharmacy, provided that Limited Distribution Drugs not dispensed by PBM's Specialty Pharmacy are excluded from the Specialty Services and excluded from any Specialty Drug pricing guarantees.

3.2 Specialty Drugs. On a periodic basis, BCBSSC will review the Specialty Drugs covered under this Addendum. BCBSSC will make available to Purchaser the list of Specialty Drugs electronically or via an applicable BCBSSC website.

3.3 Control by PBM. PBM will solely and exclusively control and supervise the operation and maintenance of PBM's Specialty Pharmacies and their respective facilities and equipment and provision of Covered Prescription Services. All decisions respecting the provision of Covered Prescription Services by PBM's Specialty Pharmacies will be made solely by PBM and its duly authorized personnel, and not by Purchaser. The relationship between a Member and a Specialty Pharmacy will be subject to the rules, limitations and privileges incident to the pharmacist-patient relationship.

Exhibit C
Financial Terms

- I. **Pricing Terms and Conditions**
- A. **Base Administrative Fees.** The Base Administrative Fee is the amount Per Employee Per Month (PEPM) payable to BCBSSC for the performance of PBM Services under this Addendum as set forth in this Exhibit C.
- B. **Pharmacy Pricing Definitions.** In addition to the defined terms set forth in Exhibit A, the following definitions shall apply with respect to pharmacy pricing:
 1. **“Qualified Claims”** mean all Net Paid Claims for the applicable measurement period except Excluded Claims. For avoidance of doubt, the following Claims are “Qualified Claims” and are included in the pricing guarantee calculations: U&C Claims; Claims paid 100% through Member Cost-Sharing Amounts; Specialty Drug Claims, and over the counter Covered Prescription Service Claims.
 2. **“Excluded Claims”** mean Compound Prescription Drug Claims, direct Member submitted Claims, secondary payer COB Claims, 340B Claims, ITU Claims, LTC Claims, HIF Claims, vaccine Claims, in-house/direct pharmacy Claims, Claims filled outside of the Pharmacy Network, and Specialty Drug Claims filled at retail.
 3. **“Pricing Component”** means, each individually: (i) Minimum Brand Effective Rate Guarantee; (ii) Minimum Generic Effective Rate Guarantee; (iii) Maximum Brand Aggregate Dispensing Fee; (iv) Maximum Generic Aggregate Dispensing Fee.
 4. **“Maximum Allowable Cost (MAC)”** means the proprietary unit price that has been established by the PBM and BCBSSC for a multisource drug included on the BCBSSC MAC list. The MAC may be adjusted from time to time by BCBSSC in order to perform its obligations under this Addendum.
 5. **“Maximum Brand Aggregate Dispensing Fee Guarantee”** means the following:
 - a. The formula for this guarantee will be Total Dispensing Fees of Brand Drug Qualified Claims/Total number of Brand Drug Qualified Claims.
 - b. **“Total Dispensing Fees”** mean the total of all Brand Drug Dispensing Fees charged on Brand Drug Qualified Claims before the application of Cost-Sharing Amount.
 6. **“Maximum Generic Aggregate Dispensing Fee Guarantee”** means the following:
 - a. The formula for this guarantee will be Total Dispensing Fees of Generic Drug Qualified Claims/Total number of Generic Drug Qualified Claims.
 - b. **“Total Dispensing Fees”** mean the total of all Dispensing Fees charged on Generic Drug Qualified Claims before the application of Cost-Sharing Amount.

7. **“Minimum Brand Effective Rate Guarantees”** means the following:
- a. The formula for this guarantee will be $1 - (\text{Total Discounted Ingredient Cost} / \text{Total Undiscounted AWP})$.
 - b. Total Discounted Ingredient Cost before the application of Cost-Sharing Amount will be used in this calculation.
 - c. Dispensing Fees and taxes will not be included in the Total Discounted Ingredient Cost.
 - d. Both the Total Discounted Ingredient Cost and Total Undiscounted AWP will be based on the date of dispensing (meaning delivered to the Member or his/her representative) for each Qualified Claim.
 - e. “Total Undiscounted AWP” means the AWP of the 11-digit NDC of the Covered Prescription Service dispensed, and in no event shall average AWP or average of averages of AWP be used.
 - f. All single source and all multi-source Brand Drug Qualified Claims will be included in the calculation with the exception of DAW5 Claims.
8. **“Minimum Generic Effective Rate Guarantees”** means the following:
- a. The formula for this guarantee will be $1 - (\text{Total Discounted Ingredient Cost} / \text{Total Undiscounted AWP})$.
 - b. Total Discounted Ingredient Cost before the application of Cost-Sharing Amount will be used in this calculation.
 - c. Dispensing Fees and taxes will not be included in the Total Discounted Ingredient Cost.
 - d. Both the Total Discounted Ingredient Cost and Total Undiscounted AWP will be based on the date of dispensing (meaning delivered to the Member or his/her representative) for each Qualified Claim.
 - e. “Total Undiscounted AWP” means the AWP of the 11-digit NDC of the Covered Prescription Service dispensed, and in no event shall average AWP or average of averages of AWP be used.
 - f. All single source Generic Drug Claims, multi-source Generic Drug Claims, authorized Generic Drug Claims, Generic Drugs with patent litigation, house Generic Drugs, Generic Drugs available in limited supply, and Claims that process with a DAW5 code that are Qualified Claims will be included in the calculation.

C. Pricing Terms and Conditions.

1. **Pharmacy Network Pricing Reporting, Reconciliation, and Payments.** On an annual basis within one hundred and twenty (120) days after the close of the calendar year, BCBSSC will provide to Purchaser a report setting forth the pricing achieved for each Pricing Component set forth this Exhibit C in accordance with the definitions set forth herein. Pharmacy pricing commitments and guarantees are measured on a Pricing Component basis and will be aggregated annually. Any dollar savings generated in excess of any Pricing Component may be used to offset a short fall for any other Pricing Component. Within sixty (60) days after the guarantees are measured and reconciled, BCBSSC shall pay to Purchaser the amount equal to any shortfall between the actual result and the minimum pricing commitment / guarantee on a dollar-for-dollar basis.
2. **“Lesser Of” Pricing.** Purchaser and/or Members will always pay the lesser of (i) AWP less the applicable percentage discount plus the applicable Dispensing Fee plus applicable tax, (ii) the MAC List price plus applicable Dispensing Fee plus applicable tax, (iii) (excluding Home Delivery Pharmacies and Specialty Pharmacies) the Network Pharmacy’s U&C charge plus applicable tax, or (iv) the Network Pharmacy submitted cost, and (iv) for Members, or the applicable Cost-Sharing Amount.
3. **No Minimum Charge.** No minimum charge shall apply for any Home Delivery Pharmacy orders or Specialty Pharmacy orders.

D. Specialty Drug Pricing

Exclusive Specialty Pharmacy Program. Purchaser represents and warrants, to the extent that is allowed by Law, PBM’s Specialty Pharmacies will be the exclusive Specialty Pharmacy provider under this Addendum. Such network exclusivity shall not apply to Specialty Drugs that PBM’s Specialty Pharmacy does not distribute and cannot access.

E. Rebate Guarantees. For purposes of the Rebate Guarantees: (i) “Retail Pharmacy” includes Rebates on Claims (excluding Specialty Drugs) dispensed from retail pharmacies, LTC pharmacies, ITU pharmacies, HIF pharmacies, and in-house/direct pharmacies (regardless of days’ supply or network), (ii) “Retail Maintenance” includes Rebates on Claims (excluding Specialty Drugs) dispensed from Retail 90 pharmacies, (iii) “Home Delivery” includes Rebates on Claims (excluding Specialty Drugs) dispensed from Home Delivery Pharmacies; and (iii) “Specialty” includes Rebates on Specialty Drug Claims regardless of dispensing pharmacy (e.g., includes Specialty Drugs dispensed from retail pharmacies, Retail 90 pharmacies, Home Delivery Pharmacies, Specialty Pharmacies, in-house/direct pharmacies, or any other Network Pharmacy).

1. **Rebate Guarantee Payment and Reconciliation.** BCBSSC will remit to Purchaser the Rebates set forth herein with respect to Claims related to Members under this Addendum. Rebate Guarantees do not assume or require a minimum average day supply.
2. **Rebate Payments.** Rebate payments due to Purchaser shall be calculated ninety (90) days after the end of the calendar quarter and paid and reported within thirty (30) days after that.

F. Pharmacy Pricing and Rebate Guarantee Periods

Year 1: January 1, 2020 through December 31, 2020

Year 2: January 1, 2021 through December 31, 2021

Retail Pharmacy Network Offerings

Broad Retail Pharmacy Network		
	Year 1	Year 2
Minimum Brand Effective Rate Guarantee	AWP - 18.00%	AWP - 18.10
Minimum Generic Effective Rate Guarantee	AWP - 81.20%	AWP - 81.30%
Maximum Brand Aggregate Dispensing Fee Guarantee	\$0.90 PNPC	\$0.90 PNPC
Maximum Generic Aggregate Dispensing Fee Guarantee	\$0.90 PNPC	\$0.90 PNPC

Retail 90 Broad Pharmacy Network		
	Year 1	Year 2
Minimum Brand Effective Rate Guarantee	AWP - 20.00%	AWP - 20.10%
Minimum Generic Effective Rate Guarantee	AWP - 82.00%	AWP - 82.10%
Maximum Brand Aggregate Dispensing Fee Guarantee	\$0.90 PNPC	\$0.90 PNPC
Maximum Generic Aggregate Dispensing Fee Guarantee	\$0.90 PNPC	\$0.90 PNPC

Mail Service Network Offerings

Mail Service/Home Delivery Pharmacy		
	Year 1	Year 2
Minimum Brand Effective Rate Guarantee	AWP - 25.85%	AWP - 25.95%
Minimum Generic Effective Rate Guarantee	AWP - 85.90%	AWP - 86.00%
Maximum Brand Aggregate Dispensing Fee Guarantee	\$0.00 PNPC	\$0.00 PNPC
Maximum Generic Aggregate Dispensing Fee Guarantee	\$0.00 PNPC	\$0.00 PNPC

Specialty Network

PBM Specialty Pharmacy Exclusive		
	Year 1	Year 2
Minimum Brand Effective Rate Guarantee	AWP - 18.50%	AWP - 18.60%
Minimum Generic Effective Rate Guarantee	AWP - 18.50%	AWP - 18.60%
Specialty Drug Dispensing Fee	\$0.00 PNPC	\$0.00 PNPC

PNPC= per Net Paid Claim

II. Rebates

Rebate Management – BlueCross Lowest Net Cost Formulary		
Fixed Rebates	Year 1	Year 2
Retail Pharmacy - PNPB	\$ 120.00	\$ 130.00
Retail Maintenance - PNPB	\$ 360.00	\$ 380.00
Home Delivery – PNPB	\$ 400.00	\$ 410.00
Specialty – PNPB	\$1,100.00	\$1,200.00

PNPB = per Net Paid Brand Drug Claim

BlueCross Lowest Net Cost Formulary: The BlueCross Lowest Net Cost Formulary is managed by the Pharmacy and Therapeutics Committee. This formulary is designed to promote the use of generics and over-the-counter products, as well as clinically appropriate, cost-effective brand drugs. Rebate guarantees associated with the BlueCross Lowest Net Cost Formulary are contingent upon full alignment with this formulary and implementation of the corresponding prior authorization program and a qualifying plan design. In addition, the mail order plan design must also include an average ninety (90) days' supply via mail.

III. Administrative Fees

Administrative Fee	
	Administrative Fee
Base Administrative Fee	\$0.00 PEPM
Clinical Program Admin Fee	\$1.55 PEPM

Clinical Program Administration Fee includes the following programs:

- **Prior Authorization**
The prior authorization program is a quality and safety program that includes both Specialty and non-Specialty drugs and requires providers to document Medical Necessity before drugs in the program will be covered.
- **Quantity Management**
This quality and safety program limits the amount of certain Prescription Drugs which will be covered in a given period of time. Members can get a prescription filled for up to the allowed limit, but the program requires the Member's provider to document Medical Necessity before quantities above the limit will be covered.
- **Step Therapy**
The step therapy program requires the use of certain "first choice" medications before "second choice" medications will be covered. The claims system automatically searches for evidence of first choice

drugs in the Member's prescription history. If none is found, the provider can request coverage for a particular drug, based on Medical Necessity.

- **Opioid Risk Management Solution**

In keeping with the national effort to stem the tide of this epidemic, the opioid management program confronts all aspects of the opioid epidemic by addressing clinical opportunities and engaging consumers, prescribers and pharmacies across the entire care continuum and/or life count. The program consists of prevention and education, daily quantity limits specific to each covered opioid drug and prior authorization requirements for certain prescribing situations.

- **Safety Management**

This is a retrospective DUR program that delivers prescription savings by targeting unsafe and clinically inappropriate therapy utilization. Advanced analytics conduct medication evaluation of every claim for all Members to alert physicians to potentially severe drug therapy issues.

- **Retrospective Gaps in Care**

The retrospective DUR program delivers incremental health care savings by closing gaps in medication therapy for treating chronic disease. Advanced analytics conduct medication evaluation of every claim to alert physicians to potential gaps in care.

- **Medication Adherence Program**

The medication adherence program leverages analytics and timely interventions to improve adherence. It supports outreach to the right Members at the right time using the right approach: Identification of Members who are at risk of poor adherence such as low-adherence rates and providing targeted timely interventions such as physician notifications.

- **Specialty Medical Benefit Management**

The specialty medical benefit management suite includes prior authorization, site of care steerage and channel management for drugs that are administered by a health care provider and billed under the medical benefit. The prior authorization component seeks to apply consistency under the medical and pharmacy benefit, in prior authorization of certain Specialty Drugs across the benefit spectrum. The prior authorization process is also used to steer Members on certain specialty drugs to appropriate, lower-cost sites of care such as infusion centers or the Member's home. The program also works to steer certain self-administered Specialty Drugs from the provider setting to the pharmacy benefit.

City of Charleston Commission on Women

August 10, 2020

The Honorable Carol Jackson
Chair, Human Resources Committee
City of Charleston

Dear Council Member Jackson,

The City of Charleston Commission on Women would like to make three recommendations to the Human Resources Department. The Commission has voted to send them on to you as Chair.

I have attached three memos outlining what the Commission would like to see the city adopt.

The first is a request to ban the salary history question from the city job application. The second outlines a range of best practices to consider when adapting the city telecommuting policies to the Covid disruption.

The third is a paid leave policy that would be introduced in January 2021. It would allow city employees to initially take 4 weeks of paid leave for the covered reasons and be adopted in stages there after in 6 month increments so as to have a 12 week policy in place by December 2023.

The Commission members would appreciate you bringing these memos to the HR Committee for their consideration.

Many thanks.

Best,

Jennet Robinson Alterman, Chair
City of Charleston Commission on Women

City of Charleston Commission on Women

MEMO

To: City Human Resources Committee

From: City Commission on Women

Subject: Ban on salary history

Date: August 6, 2020

The Charleston Commission on Women recommends that the city no longer include salary history on job applications.

The rising tide of support for a ban on salary history is largely due to concerns about gender- and race-based wage discrimination. The law is designed to prevent employers from using past compensation as a basis for current salary and benefits negotiations with job applicants. So, if a person were underpaid in a previous job, a potential employer couldn't ask about salary history and use the low pay to influence the salary offer.

Most jurisdictions apply the law banning the salary history question to both government and private-sector employers of any size. The law in California, effective on January 1, 2018, has a special provision that requires employers, if asked, to provide applicants the potential pay scale for the position.

In New York City, the law went into effect at the end of October 2017 and is being enforced by the NYC Commission on Human Rights. On its website the Commission noted, "Inquiring about salary history during the hiring process often creates a cycle of inequity and discrimination in the workplace, which perpetuates lower salaries, specifically for women and people of color."

City of Charleston Commission on Women

To: City Human Resources Committee

From: Charleston Commission on Women

Subject: Remote work best practices and employment law compliance.

Date: August 6, 2020

Overall nationally, the workplace has been reluctant to embrace telecommuting/working from home. However, since March, more businesses and industries have been adapting to this trend in response to Covid 19.

Women with children/families benefit the most from having the option of telecommuting.

Higher earners are more likely to work from home.

There has been tremendous growth in the technology needed for remote working from 2015-present. However, the pros and cons are still being measured.

The Commission on Women recommends that the city HR Committee consider the following best practices with regard to developing a new remote work policy. Jonathan Segal contributed the following to Forbes Magazine which we have reviewed.

(Segal is a partner in the Employment Group of Duane Morris LLP, who has worked on crisis management in general and public health crises for more than 20 years. He describes his practice as “maximizing compliance and minimizing legal risk, always keeping an eye on culture and employee relationships.”)

1. Payment of employees who work remotely: In employment law, a main distinction is made in payment obligations between exempt and nonexempt workers (excluding workers covered by a labor contract or employment agreement). The same distinction applies to remote workers. Exempt employees need to be paid in full for any week in which they perform any work remotely. Nonexempt employees generally are entitled to pay only for time actually worked remotely, whether a full or a partial day. Segal notes that there are exceptions (some nonexempt foreign nationals, nonexempt workers working under a fluctuating work week plan), but in the main, the payment rule applies.

Segal advises that employers in establishing a remote work plan set out guidance to nonexempt workers in setting a schedule and tracking hours. On the one side, setting a schedule helps

employers to avoid overtime claims that might arise from unstructured remote work. On the other side, it assures nonexempt workers that they are not expected to be on call at all times.

Tracking of hours can be done through several means, including log-in and log-out processes. Can someone log in and then go to the park for 4 hours? Yes, Segal notes. But tracking of hours, like so much of the employment relation, rests on trust. "I've had employers who try to avoid misuse of remote time by suggesting that they are suspicious of employees working remotely. That's exactly the wrong way to set up a remote work plan. Instead, the employer will want to indicate the importance of tracking time, but also that they trust the employee to be honest," explains Segal.

2. A safe and secure work environment: Employers have obligations under federal and state safety laws to provide a safe and secure work environment for employees. This extends to remote work. The remote workspace is treated as an extension to the regular workforce for safety requirements.

Segal notes that it is neither feasible nor desirable for employers to go to the homes of their employees and inspect them. What they can do to avoid unexpected safety claims is address safety in their remote work plan, and ensure employees are aware of safety requirements. Employers should also clearly convey that any injuries during worktime should be reported to the company so that it can file a claim with the company's workers' compensation carrier.

3. Control of additional costs incurred by workers for working remotely: Employers also will want to avoid unexpected claims down the line from workers at home who purchase additional equipment (higher-grade printers, additional desk) in order to work at home at the employer's direction. Segal advises that employers should clarify at the start that any additional equipment or services charges (or any above a certain price) need to be approved by a supervisor.

4. Control of a fair "reasonable accommodation" policy: Like other employment laws, the employment provisions of the Americans with Disabilities Act (ADA), while bringing benefits to employers and employees, have been subject to misuse. An employer does not want remote work today to establish precedent that it is presumptively a reasonable accommodation in the future.

Segal suggests something as simple as “during this pandemic, we will allow employees to work from home even where this would not be permitted in the ordinary course.” Segal refers to this as a “simple placeholder” in case of a future claim.

5. Maintaining information security: Segal notes that remote work can give rise to information security breaches, however inadvertent and even with family members. Segal recommends several actions, the main one being “require that employees log in and out when they are not using their computer. If an employee leaves the computer on, a family member with no bad intent may see what he or she should not or might send a message that causes a data breach with the consequent notification requirements.”

Underlying all of these guidelines are Segal’s ideas, developed over the past 20 years, on the central role of employer-employee trust. There are no fail-proof measures in the regular workplace to prevent misuse of time, and this is even more so with remote work. An employer needs to set structures addressing the issues above, but not in a tone of suspicion or anger. Segal emphasizes, “In a time of crisis, we need to focus on the vast majority of employees who do the right thing, and give ourselves the time and perspective to focus on the bigger-picture business continuity planning.”

City of Charleston Commission on Women

To: City of Charleston HR Committee
From: City of Charleston Commission on Women
Subject: Paid Leave Program
Date: July 23, 2020

The Commission on Women has unanimously voted to recommend the following City Paid Leave program to be adopted and go into effect Jan. 1, 2021.

FY2021

Jan 1- Jun 30

Maternity/Parental - 4 Weeks	\$	14,534
Caregiver - 2 Weeks	\$	3,127

Jul 1 - Dec 31

Maternity/Parental - 6 weeks	\$	36,262
Caregiver - 4 weeks	\$	43,872

FY Total \$ **97,794**

FY2022

Jan 1- Jun 30

Maternity/Parental - 8 Weeks	\$	112,944
Caregiver - 6 Weeks	\$	79,991

Jul 1 - Dec 31

Maternity/Parental - 10 weeks	\$	194,573
Caregiver - 8 weeks	\$	117,158

FY Total \$ **504,665**

FY2023

Jan 1- Jun 30

Maternity/Parental - 12 Weeks	\$	276,203
Caregiver - 10 Weeks	\$	154,324

Jul 1 - Dec 31

Maternity/Parental - 12 weeks	\$	276,203
Caregiver - 12 weeks	\$	191,490

FY Total \$ **898,220**