

City of Hartford

FY2019

Monthly Financial Report to the Municipal Accountability Review Board



April 4, 2019

City of Hartford
Budget and Financial Report
to the Municipal Accountability Review Board

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City of Hartford - FY2019 General Fund Financial Report & Projection

MARB 4/4/19

Revenue Category	FY2018 AUDITED ACTUAL	FY2019 ADOPTED BUDGET	FY2019 REVISED BUDGET	FY2018 ACTUAL (FEB)	FY2019 ACTUAL (FEB)	FY2019 PROJECTION	VARIANCE	% COLL.
41 General Property Taxes ¹	(282,456,413)	(284,111,323)	(284,111,323)	(269,576,064)	(265,986,290)	(283,111,323)	1,000,000	94%
42 Licenses & Permits ²	(6,065,824)	(5,671,406)	(5,671,406)	(3,800,047)	(4,408,693)	(5,771,406)	(100,000)	78%
43 Fines Forfeits & Penalties ³	(149,601)	(190,000)	(190,000)	(97,981)	(161,464)	(190,000)	-	85%
44 Revenue from Money & Property ⁴	(2,382,396)	(1,313,149)	(1,313,149)	(1,414,980)	(2,759,933)	(4,563,149)	(3,250,000)	210%
45 Intergovernmental Revenues ^{5 16}	(292,903,825)	(258,950,890)	(259,548,586)	(155,071,144)	(155,667,987)	(259,548,586)	-	60%
46 Charges For Services ⁶	(3,647,518)	(2,929,483)	(2,929,483)	(2,455,983)	(2,641,092)	(2,854,483)	75,000	90%
47 Reimbursements ⁷	(134,317)	(152,840)	(152,840)	(71,662)	(75,031)	(132,840)	20,000	49%
48 Other Revenues ⁸	(1,313,009)	(238,650)	(238,650)	(776,529)	(386,507)	(400,000)	(161,350)	162%
53 Other Financing Sources ⁹	(5,543,864)	(16,483,365)	(16,483,365)	(2,114,302)	(2,272,745)	(8,816,698)	7,666,667	14%
Total Revenues¹⁷	(594,596,768)	(570,041,106)	(570,638,802)	(435,378,691)	(434,359,742)	(565,388,485)	5,250,317	76%

MARB 4/4/19

Expenditure Category	FY2018 AUDITED ACTUAL	FY2019 ADOPTED BUDGET	FY2019 REVISED BUDGET	FY2018 ACTUAL (FEB)	FY2019 ACTUAL (FEB)	FY2019 PROJECTION	VARIANCE	% EXP.
Payroll ¹⁰	102,266,638	108,197,525	108,359,391	66,820,206	62,664,300	99,374,820	8,984,571	58%
Benefits ¹¹	90,369,281	93,793,869	93,793,869	62,875,505	56,584,341	91,701,420	2,092,449	60%
Debt & Other Capital ^{12 16}	58,011,334	17,423,430	17,423,430	29,272,457	4,708,087	24,423,430	(7,000,000)	27%
Library ¹³	8,100,000	8,150,000	8,150,000	5,400,000	992,778	1,483,333	6,666,667	12%
Metro Hartford Innovation Services	2,996,431	3,174,113	3,174,113	1,997,819	2,116,075	3,174,113	-	67%
Utilities ¹⁷	22,079,682	23,964,607	24,023,285	14,875,345	15,402,212	24,331,285	(308,000)	64%
Other Non-Personnel ¹⁵	26,467,959	31,329,374	31,108,830	16,355,971	16,811,228	32,908,830	(1,800,000)	54%
Education ¹⁴	283,943,410	284,008,188	284,605,884	159,515,063	158,308,493	284,605,884	-	56%
Total Expenditures¹⁸	594,234,736	570,041,106	570,638,802	357,112,366	317,587,514	562,003,115	8,635,687	56%
Revenues and Expenditures, Net	(362,032)	-	-	(78,266,325)	(116,772,228)	(3,385,370)		
Council Approved Use of Fund Balance	-	-	-	-	-	-	-	-
Net Surplus/(Deficit)	362,032	-	-	78,266,325	116,772,228	3,385,370		

¹ The General Property Tax revenue category is comprised of Current Year Levy, Prior Year Levy, Interest & Liens and Subsequent Lien Sales.

- Cumulative through February current year tax levy revenues are 1% lower than FY2018.

- Prior year levy revenues are projected to be potentially unfavorable by \$506K, which is expected to be offset by favorability in interest and liens collections revenues. Prior year levy revenues include adjustments for any appeals settled through the Board of Assessment or the court process. Total adjustments to prior year levy tax collections year to date are consistent with budget projections. However there are 256 parcels that are still being adjudicated through the court process. Based on historical experience, it is estimated that a 20% adjustment on assessment/taxes may occur. This is a critical area that is being monitored for budget impact and may be impacted by timing.

- Interest and liens collections through February are significantly more favorable than FY2018 by approximately \$604K or 27%.

- Revenues from subsequent tax lien sales are not recorded until the 4th quarter of the fiscal year.

Overall a shortfall of \$99K is projecting for General Property Taxes and will continue to be monitored through February of the fiscal year.

² The Licenses and Permits revenue category is primarily comprised of building, electrical, mechanical and plumbing permits, food and milk dealer licenses. The budget was established with conservatism as compared to the historical trend/actuals of \$6.0M in FY2018, \$7.4M in FY2017, \$7.6M in FY2016 and \$6.4M in FY2015. A number of License and Permits fees were updated effective as of 08/06/18. FY2019 revenue is trending favorable by 16% to FY2018 through February primarily in electrical, mechanical and plumbing permit fees. The projection has been adjusted by 100K.

³ The Fines, Forfeits and Penalties revenue line item is primarily comprised of false alarms fines and is trending favorable by 65% comparing to prior year.

⁴ Revenue from Money and Property contains lease/rental and short-term investment income. Revenue is projected to exceed the Adopted Budget due to a more favorable interest rate environment.

⁵ The FY2019 Intergovernmental Revenues YTD primarily reflect the receipts of the \$154M in Municipal Aid revenues. The Intergovernmental Revenues revised budget and projection have increased by \$579K to reflect additional ECS funds from the State of CT for costs associated with increased enrollment due to displaced families from Puerto Rico.

⁶ Charges for Services contains revenues associated with the conveyance tax, transcript/filing of records and special events. This revenue line item varies each year with historical actuals ranging from \$2.8M to \$3.6M. This revenue line item is trending higher by 7.54% than prior year actuals and will continue to be monitored.

⁷ Reimbursements (primarily Section 8) primarily occur at fiscal year end. This revenue line item is trending relatively in line with FY2018 actuals.

⁸ Other Revenues will vary from year to year based on unanticipated items such as settlements and rebates. Due to an unbudgeted one-time settlement and revenues from fire and police trainings in FY2019, this revenue line item could potentially exceed the Adopted Budget and will continue to be monitored.

⁹ The FY2019 projection for Other Financing Sources has been adjusted to reflect the following: 1) reduction in Special Police Private Duty job income of \$800K consistent with prior year actuals; 2) Stadium naming rights and lease payment revenue was received in the first quarter of the fiscal year, however there is a delay in DoNo PILOT revenues (\$200K) during the planning and development of the parcels surrounding the stadium and 3) Corporate contribution of \$10.0M, of which \$3.333M will be provided directly to the City of Hartford General Fund and \$6.667M has been provided directly to the Hartford Public Library. A corresponding appropriation reduction has been noted to reflect this arrangement.

¹⁰ Payroll (FT, PT, OT and Holiday) is projected to be net favorable by \$9.0M. The methodology of the full-time payroll projection (detailed in the appendix) reflects 33 weeks of actual payroll expenses with 19.2 weeks remaining. Vacancies are assumed to be refilled with 15.2 weeks remaining in the fiscal year. A Police class started recently and 18 Officers for March are projected. Vacancy and attrition savings of \$9.8M and holiday pay projection adjustment of \$274K are offset by a projected shortfall of \$757K in OT and \$284K in Part-time salary expenses. Payroll will continue to be monitored throughout the fiscal year.

¹¹ The primary drivers of favorability in Benefits is a favorable health care expense, cashouts, social security, and fringe reimbursements for Police and Fire grants.

¹² The FY2019 Adopted Budget for Debt & Other Capital expenditure line is comprised of \$12.6M towards the City's CapEx plan, \$4.6M for Downtown North principal and interest, and \$180,436 for a Grant in Lieu of Taxes payment, for a total of \$17.42M. This expenditure line item is projected to be \$24.42M due to additional capital needs.

¹³ Due to \$6.667M of the Corporate contribution being provided directly to the Hartford Public Library, the annual Library appropriation has been adjusted accordingly.

¹⁴ Education YTD actuals reflect 8 months of the City's tax supported payment of \$96.0M. The \$188.0M ECS is recorded as the State allocation is received. As of the end of February, the City received and transferred to the BOE the second fiscal year State allocation of \$47.1M. The Education Revised Budget and projection have increased by \$598K due to the State Department of Education providing additional funding for the educational support of displaced students from Puerto Rico.

¹⁵ Other Non-Personnel includes additional settlement expenses of \$3.0M associated with stadium litigation, offset by a favorable \$1.2M expense credit for a relocation case where actual costs for displaced families were lower than estimated.

¹⁶ Under the executed Contract Assistance agreement, \$48.57M of General Obligation debt service payments will be made on the City's behalf by the State of Connecticut. Consistent with GAAP rules, the contract assistance payments will be recorded as donated capital revenue. The debt service expenditures will also be recorded in the ledger in the Debt Service line item to properly reflect the retirement of debt. This unbudgeted debt expense will be offset by contract assistance revenue, together of which will net to zero. The financial report at fiscal year end will be adjusted to reflect these entries that have occurred in the ledger. The total YTD revenue and expense is approximately \$36.54M.

¹⁷ Utilities are unfavorable by \$308K due to the trend in piped heat/chilled water consumption, piped gas and water, and fee increase by \$9.35/per ton in tipping fees as of April 1st, 2019.

¹⁸ The City's financial system (Munis) reflects revenues as negative values (credits) and expenditures as positive values. A negative variance for revenues is favorable. A positive variance for revenue is unfavorable.

Revenue Summary - Major Category

	FY2018 AUDITED ACTUAL	FY2019 ADOPTED BUDGET	FY2019 REVISED BUDGET	FY2018 ACTUAL (FEB)	FY2019 ACTUAL (FEB)
41-TAXES	(282,456,413)	(284,111,323)	(284,111,323)	(269,576,064)	(265,986,290)
CURRENT YEAR TAX LEVY	(270,362,368)	(273,861,323)	(273,861,323)	(262,914,788)	(261,407,462)
INTEREST AND LIENS	(3,709,011)	(3,900,000)	(3,900,000)	(2,230,831)	(2,834,640)
PRIOR YEAR LEVIES	(6,748,683)	(5,500,000)	(5,500,000)	(4,383,824)	(1,698,177)
TAX LIEN SALES	(1,576,115)	(750,000)	(750,000)	-	-
OTHER	(60,237)	(100,000)	(100,000)	(46,621)	(46,010)
42-LICENSES AND PERMITS	(6,065,824)	(5,671,406)	(5,671,406)	(3,800,047)	(4,408,693)
BUILDING PERMITS	(3,669,844)	(3,442,000)	(3,442,000)	(2,274,572)	(2,339,733)
ELECTRICAL PERMITS	(795,555)	(627,000)	(627,000)	(482,330)	(642,570)
FOOD & MILK DEALER LICENSES	(440,293)	(312,000)	(312,000)	(223,913)	(92,250)
MECHANICAL PERMITS	(385,025)	(639,000)	(639,000)	(267,050)	(647,856)
PLUMBING PERMITS	(328,075)	(265,000)	(265,000)	(183,450)	(287,566)
OTHER	(447,032)	(386,406)	(386,406)	(368,734)	(398,717)
43-FINES FORFEITS AND PENALTIES	(149,601)	(190,000)	(190,000)	(97,981)	(161,464)
FALSE ALARM CITATIONS-POL&FIRE	(138,718)	(185,000)	(185,000)	(89,281)	(155,618)
LAPSED LICENSE/LATE FEE	(9,200)	(5,000)	(5,000)	(8,700)	(4,200)
OTHER	(1,683)	-	-	-	(1,646)
44-INTEREST AND RENTAL INCOME	(2,382,396)	(1,313,149)	(1,313,149)	(1,414,980)	(2,759,933)
BILLINGS FORGE	(19,784)	(20,000)	(20,000)	(14,959)	(15,353)
CT CENTER FOR PERFORM ART	(82,193)	(50,000)	(50,000)	(33,333)	(29,167)
DELTAPRO - LANDFILL GAS	(79,146)	(90,294)	(90,294)	(55,333)	(10,202)
INTEREST	(1,403,467)	(252,000)	(252,000)	(747,722)	(1,979,268)
MIRA SOLAR REVENUE	(23,787)	(50,000)	(50,000)	(23,787)	-
RENT OF PROP-ALL OTHER	(112,839)	(79,600)	(79,600)	(63,834)	(72,678)
RENTAL OF PARK PROPERTY	(70,869)	(54,000)	(54,000)	(51,214)	(43,346)
RENTAL OF PARKING LOTS	(7,800)	(600)	(600)	(31,155)	(300)
RENTAL OF PROP-FLOOD COMM	(147,320)	(148,560)	(148,560)	(99,040)	(75,600)
RENTAL-525 MAIN STREET	(27,009)	(17,694)	(17,694)	(21,157)	(15,004)
RENTS FROM TENANTS	(151,060)	(161,257)	(161,257)	(87,959)	(135,814)
SHEPHERD PARK	-	(118,000)	(118,000)	-	(122,699)
THE RICHARDSON BUILDING	(220,979)	(235,000)	(235,000)	(149,343)	(223,783)
UNDERWOOD TOWER PILOT	(36,144)	(36,144)	(36,144)	(36,144)	(36,144)
OTHER	-	-	-	-	(575)
45-INTERGOVERNMENTAL	(292,903,825)	(258,950,890)	(259,548,586)	(155,071,144)	(155,667,987)
MUNICIPAL AID	(254,258,371)	(253,763,984)	(254,361,680)	(151,644,134)	(153,999,599)
CAR TAX SUPPL MRSF REV SHARING	(12,177,213)	(11,078,328)	(11,078,328)	(12,177,213)	(11,078,328)
EDUCATION COST SHARING	(186,667,434)	(187,969,804)	(188,567,500)	(92,357,025)	(94,286,294)
HIGHWAY GRANT	(1,194,825)	(1,194,825)	(1,194,825)	(597,412)	(596,303)
MASHANTUCKET PEQUOT FUND	(6,263,314)	(6,136,523)	(6,136,523)	-	(2,045,508)
MRSA BONDED DISTRIBUTION GRANT	(1,443,052)	(1,419,161)	(1,419,161)	-	(27,824)
MRSF SELECT PILOT	(11,883,205)	(12,422,113)	(12,422,113)	(11,883,205)	(12,422,113)
MUNICIPAL STABILIZATION GRANT	(4,456,568)	(3,370,519)	(3,370,519)	(4,456,568)	(3,370,519)
PRIV TAX EXEMPT PROPERTY	(20,009,758)	(20,009,758)	(20,009,758)	(20,009,758)	(20,009,758)
STATE OWNED PROPERTY	(10,163,003)	(10,162,953)	(10,162,953)	(10,162,953)	(10,162,953)
OTHER MUNICIPAL AID	(31,888,917)	-	-	-	-
MUNICIPAL RESTRUCTURING FUNDS	(20,000,000)	-	-	-	-
STATE CONTRACT ASSISTANCE	(11,888,917)	-	-	-	-
OTHER STATE REVENUES	(2,515,219)	(879,617)	(879,617)	(1,014,163)	(88,749)
BOND INT SUB ON SCH PROJ	(46,620)	(46,613)	(46,613)	(45,043)	-
EDUCATION OTHER	(1,307,456)	-	-	-	-
JUDICIAL BRANCH REV DISTRIB.	(44,931)	(76,000)	(76,000)	(44,931)	(66,935)
MANUFACTURERS' FACILITIES	-	(48,843)	(48,843)	-	-
SCH BUILD GRT-SERIAL	(1,077,079)	(661,445)	(661,445)	(885,056)	-
VETERANS EXEMPTIONS	(39,133)	(46,716)	(46,716)	(39,133)	(21,814)
PILOTS, MIRA & OTHER INTERGOVERNMENTAL	(4,238,518)	(4,302,289)	(4,302,289)	(2,411,729)	(1,576,738)
DISABIL EXEMPT-SOC SEC	(6,813)	(7,755)	(7,755)	(6,813)	(6,223)
GR REC TAX-PARI MUTUEL	(215,473)	(250,000)	(250,000)	(125,022)	(201,847)
HEALTH&WELFARE-PRIV SCH	(48,772)	(61,366)	(61,366)	(48,772)	(54,629)
MATERIALS INNOVATION RECYCLING	(1,500,000)	(1,500,000)	(1,500,000)	(1,000,000)	-
PHONE ACCESS LN TAX SH	(447,477)	(550,000)	(550,000)	-	-
PILOT CHURCH HOMES INC	(131,112)	(131,112)	(131,112)	(131,112)	(131,112)
PILOT FOR CT CTR FOR PERF	(361,859)	(357,056)	(357,056)	-	-
PILOT FOR HARTFORD 21	(500,000)	(500,000)	(500,000)	(250,000)	(250,000)
PILOT HARTFORD HILTON	(522,483)	(525,000)	(525,000)	(348,322)	(360,165)
PILOT HARTFORD MARRIOTT	(484,529)	(400,000)	(400,000)	(481,689)	(552,763)
PILOT TRINITY COLLEGE	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
OTHER	(2,800)	(5,000)	(5,000)	(1,117)	(2,900)
STATE REIMBURSEMENTS	(2,800)	(5,000)	(5,000)	(1,117)	(2,900)
46-CHARGES FOR SERVICES	(3,647,518)	(2,929,483)	(2,929,483)	(2,455,983)	(2,641,092)
CONVEYANCE TAX	(1,301,512)	(1,155,519)	(1,155,519)	(849,861)	(1,126,105)
FILING RECORD-CERTIF FEES	(327,904)	(300,000)	(300,000)	(195,078)	(190,458)
TRANSCRIPT OF RECORDS	(811,703)	(839,250)	(839,250)	(517,156)	(550,049)
OTHER	(1,206,399)	(634,714)	(634,714)	(893,888)	(774,479)
47-REIMBURSEMENTS	(134,317)	(152,840)	(152,840)	(71,662)	(75,031)
ADVERTISING LOST DOGS	(155)	(220)	(220)	(54)	(570)
ATM REIMBURSEMENT	(527)	(1,475)	(1,475)	(305)	(399)
DOG ACCT-SALARY OF WARDEN	(1,992)	(2,600)	(2,600)	-	-
OTHER REIMBURSEMENTS	(7,274)	(17,900)	(17,900)	(6,686)	(3,528)
PRIOR YEAR EXPEND REFUNDS	(10,796)	(17,000)	(17,000)	-	-
REIMB FOR MEDICAID SERVICES	(20,933)	(22,000)	(22,000)	(14,242)	(9,945)
SECTION 8 MONITORING	(78,778)	(85,545)	(85,545)	(36,802)	(43,405)
WORK COMP NORM TAX APPLIC	-	-	-	(300)	-
OTHER	(13,863)	(6,100)	(6,100)	(13,273)	(17,184)
48-OTHER REVENUES	(1,313,009)	(238,650)	(238,650)	(776,529)	(386,507)
MISCELLANEOUS REVENUE	(139,033)	(169,150)	(169,150)	(130,744)	(123,330)
OVER & SHORT ACCOUNT	(375)	(1,500)	(1,500)	(287)	(1,004)
SALE CITY SURPLUS EQUIP	(22)	(60,000)	(60,000)	(22)	(355)
SALE OF DOGS	(3,609)	(5,000)	(5,000)	(1,955)	(4,264)
SETTLEMENTS - OTHER	(870,008)	(3,000)	(3,000)	(358,470)	(213,800)
OTHER	(299,962)	-	-	(285,050)	(43,754)
53-OTHER FINANCING SOURCES	(5,543,864)	(16,483,365)	(16,483,365)	(2,114,302)	(2,272,745)
CORPORATE CONTRIBUTION	-	(10,000,000)	(10,000,000)	-	-
DOWNTOWN NORTH (DONO)	(933,953)	(1,193,500)	(1,193,500)	(356,575)	(300,071)
REVENUE FROM HTFD PKG AUTHY	(2,366,924)	(2,424,865)	(2,424,865)	38,000	-
SPECIAL POLICE SERVICES	(2,153,090)	(2,750,000)	(2,750,000)	(1,716,804)	(1,913,816)
OTHER	(89,896)	(115,000)	(115,000)	(78,923)	(58,859)
Grand Total	(594,596,768)	(570,041,106)	(570,638,802)	(435,378,691)	(434,359,742)

CITY OF HARTFORD
PROPERTY TAX COLLECTIONS REPORT FOR FY18 AND FY19
PROPERTY TAX COLLECTION REPORT THROUGH FEBRUARY 28, 2019

Month	Current Year Taxes		Prior Year Taxes		Interest		Liens Sales		Total Collections	
	Actual FY 18 ¹	Actual FY 19	Actual FY 18	Actual FY 19	Actual FY 18	Actual FY 19	Actual FY 18	Actual FY 19	FY 18	FY 19
July	72,052,947	96,451,948	563,438	(342,432) ²	164,879	251,077	-	-	72,781,264	96,360,592
August	63,826,289	42,246,468	840,437	525,224	345,654	387,653	-	-	65,012,380	43,159,346
September	2,808,259	2,271,622	561,471	17,906 ⁴	298,264	718,507 ⁵	-	-	3,667,993	3,008,035
October	1,796,685	2,646,106	433,128	(278,383) ⁶	257,399	246,322	-	-	2,487,212	2,614,045
November	1,178,908	1,971,266 ⁷	431,214	469,702	250,517	318,786	-	-	1,860,639	2,759,753 ⁷
December	12,652,433	13,258,728	607,524	382,154 ⁸	328,728	280,737	-	-	13,588,686	13,921,620
January	81,413,149	74,752,130 ⁹	335,485	506,639	180,300	318,802	-	-	81,928,934	75,577,571 ⁹
February	27,186,117	27,809,194	611,128	417,367	405,089	312,757	-	-	28,202,334	28,539,318
March	2,598,384		406,746		437,264		-	-	3,442,395	-
April	1,928,088		409,219		333,732		-	-	2,671,040	-
May	1,905,402		273,259		369,281		379,002	-	2,926,943	-
June	1,015,705		253,766		337,902		1,197,113	-	2,804,487	-
Total Collections	270,362,368	261,407,462	5,726,813	1,698,177	3,709,011	2,834,640	1,576,115	-	281,374,307	265,940,280
60 Day Collections (Year End entry)			1,021,870						1,021,870	-
Adjusted Total Collections	270,362,368	261,407,462	6,748,683	1,698,177	3,709,011	2,834,640	1,576,115	-	282,396,177	265,940,280

	Current Year Taxes		Prior Year Taxes		Interest		Liens Sales		Total Collections	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19
Total Budget	266,698,436	273,861,323	7,416,725	5,500,000	4,450,000	3,900,000	1,500,000	750,000	280,065,161	284,011,323
Total Adjusted Levy at July 1st³	292,142,980	289,991,265	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Collections through Febuary	262,914,788	261,407,462	4,383,824	1,698,177	2,230,831	2,834,640 ⁵	-	-	269,529,443	265,940,280
Outstanding Receivable at 02/28/19	21,761,980	21,397,759	44,806,607	47,592,953	n/a	n/a	n/a	n/a	n/a	n/a
% of Budget Collected	98.58%	95.45%	59.11%	30.88%	50.13%	72.68%	0.00%	0.00%	96.24%	93.64%
% of Adjusted Levy Collected	90.00%	90.14%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mill Rate Real Estate	74.29	74.29								
Mill Rate Personal Property	74.29	74.29								
Mill Rate Motor Vehicle	39	45								

¹ FY18 is not finalized until we complete the annual audit as there may be reconciliation and audit adjustments.

² July's negative balance is due to adjustments as a result of tax appeal settlements and PY overpayments.

³ The final adjusted levy at 6/30 for FY2018 totaled \$291,086,166. Changes from the levy at 7/1 to 6/30 are mainly due to tax appeals and abatements finalized throughout the fiscal year.

⁴ September's reduced collections is due to a large adjustment from tax appeal settlements.

⁵ September- \$470K interest paid in 09/2018 for PY tax 2009 from New Talcott Plaza LLC/Shelbourne Group.

⁶ October's PY negative balance is due to adjustments & transferred payments upon Corp Council & Assessment's agreements. (\$666K of SGS Pearl, LLC | \$242K of RP Asylum LLC | \$42K of Newgate Corp)

⁷ \$900K increased in November YTY was driven by significant transactions increased for RE's current levy; and a result of "fee relief program for PP in Oct & Nov.(RE & PP had 901 & 328 transactions in Nov 2018 vs. 701 & 89 transactions in Nov 2017 respectively).

⁸ December prior levy includes tax appeal settlement for Asylum LLC for \$100K and \$42K for S. Meadows No 3 & No 4 LLC

⁹ January current year levy collections are lower than prior year but February collections are trending higher than last year.

Expenditure Summary - Departments

	FY2018 AUDITED ACTUAL	FY2019 ADOPTED BUDGET	FY2019 REVISED BUDGET	FY2018 ACTUAL (FEB)	FY2019 ACTUAL (FEB)	FY2019 PROJECTION	VARIANCE
00111 MAYOR'S OFFICE	690,350	797,134	797,134	443,126	463,023	749,316	47,818
00112 COURT OF COMMON COUNCIL ¹	481,167	506,800	506,800	316,985	325,004	524,970	(18,170)
00113 TREASURER	397,500	558,509	558,509	247,822	293,031	551,940	6,569
00114 REGISTRARS OF VOTERS	457,848	377,365	627,694	298,115	442,189	625,869	1,825
00116 CORPORATION COUNSEL	1,439,951	1,544,801	1,544,801	911,864	872,434	1,421,281	123,520
00117 TOWN & CITY CLERK	708,047	794,739	794,739	428,080	442,682	738,892	55,847
00118 INTERNAL AUDIT	464,197	507,132	507,132	301,663	318,923	504,553	2,579
00119 CHIEF OPERATING OFFICER	774,567	811,006	811,006	480,839	424,752	692,295	118,711
00122 METRO HARTFORD INNOVATION SERV	2,996,431	3,174,113	3,174,113	1,997,819	2,116,075	3,174,113	0
00123 FINANCE	3,283,736	3,866,529	3,866,529	2,046,553	2,071,301	3,603,797	262,732
00125 HUMAN RESOURCES	1,008,374	1,246,526	1,246,526	584,050	803,041	1,220,643	25,883
00128 OFFICE OF MANAGEMENT & BUDGET	666,029	1,013,945	1,013,945	405,598	539,118	958,773	55,172
00132 CHILDREN FAMILY RECREATION ²	3,079,173	3,392,778	3,392,778	2,312,407	2,295,580	3,409,479	(16,701)
00211 FIRE	38,443,976	33,267,580	33,267,580	25,166,717	20,665,010	32,673,878	593,702
00212 POLICE	39,178,526	46,473,493	46,473,493	25,005,024	25,135,010	40,410,773	6,062,720
00213 EMERGENCY SERVICES & TELECOMM. ³	3,614,141	3,824,904	3,824,904	2,433,417	2,444,800	3,848,379	(23,475)
00311 PUBLIC WORKS	12,501,725	13,922,330	13,922,330	7,985,063	8,085,752	13,198,426	723,904
00420 DEVELOPMENT SERVICES	3,379,633	4,157,700	4,157,700	2,179,450	2,050,378	3,565,107	592,593
00520 HEALTH AND HUMAN SERVICES ⁴	4,103,079	5,028,529	5,028,529	2,670,444	1,499,871	4,659,185	369,344
00711 EDUCATION ⁵	283,943,410	284,008,188	284,605,884	159,515,063	158,308,493	284,605,884	0
00721 HARTFORD PUBLIC LIBRARY ⁶	8,100,000	8,150,000	8,150,000	5,400,000	992,778	1,483,333	6,666,667
00820 BENEFITS & INSURANCES	90,369,281	93,793,869	93,793,869	62,875,505	56,584,341	91,701,420	2,092,449
00821 DEBT SERVICE ⁷	58,011,334	17,423,430	17,423,430	29,272,457	4,708,087	24,423,430	(7,000,000)
00822 NON OP DEPT EXPENDITURES ⁸	36,142,260	41,399,706	41,149,377	23,834,306	25,705,840	43,257,377	(2,108,000)
Grand Total	594,234,736	570,041,106	570,638,802	357,112,366	317,587,514	562,003,115	8,635,687

¹ The Court of Common Council projected deficit of \$18K is due to unbudgeted, part-time assistants expenditures.

² The projected deficit of \$17K in Children Family Recreation is attributable to overtime costs for Recreation services.

³ The projected deficit of \$23K in Emergency Services and Telecommunications is attributable to overtime costs net of vacancy savings. Vacancies are under recruitment.

⁴ A Lead Hazard Control and Healthy Homes HUD grant was audited and non-compliance was determined regarding entering contracts after the end of the grant. While management action has been taken to address the non-compliance issue, Health and Human Services will have an unbudgeted expenditure of \$447K. This expense is planned to be absorbed by a favorable trend in relocation expenses.

⁵ The Education Revised Budget and projection have increased by \$598K due to the State Department of Education providing additional funding for the educational support of displaced students from Puerto Rico.

⁶ Library is favorable due to a Corporate contribution of \$10.0M, of which \$6.667M has been provided directly to the Hartford Public Library.

⁷ Under the executed Contract Assistance agreement, \$48.57M of General Obligation debt service payments will be made on the City's behalf by the State of Connecticut. Consistent with GAAP rules, the contract assistance payments will be recorded as donated capital revenue. The debt service expenditures will also be recorded in the ledger in the Debt Service line item to properly reflect the retirement of debt. This unbudgeted debt expense will be offset by contract assistance revenue, together of which will net to zero. The financial report at fiscal year end will be adjusted to reflect these entries that have occurred in the ledger. The total YTD revenue and expense is approximately \$36.54M. This expenditure line item is projected to be \$24.42M due to additional capital needs.

⁸ Non-Operating includes additional settlement expenses of \$3.0M associated with stadium litigation and \$308K in utilities, offset by a favorable \$1.2M expense credit for a relocation case where actual costs for displaced families were lower than estimated.

Expenditure Summary - Major Expenditure Category

	FY2018 AUDITED ACTUAL	FY2019 ADOPTED BUDGET	FY2019 REVISED BUDGET	FY2018 ACTUAL (FEB)	FY2019 ACTUAL (FEB)	FY2019 PROJECTION	VARIANCE
PAYROLL	102,266,638	108,197,525	108,359,391	66,820,206	62,664,300	99,374,820	8,984,571
FT ¹	78,881,011	92,203,755	92,207,581	50,484,125	51,071,759	82,456,529	9,751,052
HOL ¹	2,519,149	2,445,733	2,445,733	1,844,689	1,624,823	2,171,318	274,415
OT ¹	19,235,767	12,132,529	12,132,529	13,138,497	8,375,443	12,889,175	(756,646)
PT ¹	1,630,712	1,415,508	1,573,548	1,352,896	1,592,275	1,857,798	(284,250)
BENEFITS	90,369,281	93,793,869	93,793,869	62,875,505	56,584,341	91,701,420	2,092,449
HEALTH ¹⁵	34,536,346	35,882,979	35,882,979	25,516,673	20,200,590	35,182,979	700,000
MITIGATION ²	0	(500,000)	(500,000)	0	0	0	(500,000)
PENSION ³	45,565,981	45,755,045	45,755,045	28,783,095	28,573,843	45,209,045	546,000
INSURANCE	4,589,297	4,890,000	4,890,000	3,650,390	3,855,724	4,890,000	0
CONCESSIONS ⁴	464,076	(1,000,000)	(1,000,000)	0	0	0	(1,000,000)
FRINGE REIMBURSEMENTS ⁵	(4,094,152)	(2,750,000)	(2,750,000)	(1,461,257)	(2,587,849)	(4,200,000)	1,450,000
LIFE INSURANCE	252,536	315,652	315,652	166,787	173,811	315,652	0
OTHER BENEFITS ⁶	4,254,156	4,900,193	4,900,193	2,781,817	2,743,222	4,536,212	363,981
WAGE ⁷	0	900,000	900,000	0	0	0	900,000
WORKERS COMP ⁸	4,801,040	5,400,000	5,400,000	3,438,000	3,625,000	5,767,532	(367,532)
DEBT	58,011,334	17,423,430	17,423,430	29,272,457	4,708,087	24,423,430	(7,000,000)
DEBT ⁹	58,011,334	17,423,430	17,423,430	29,272,457	4,708,087	24,423,430	(7,000,000)
LIBRARY	8,100,000	8,150,000	8,150,000	5,400,000	992,778	1,483,333	6,666,667
LIBRARY ¹⁰	8,100,000	8,150,000	8,150,000	5,400,000	992,778	1,483,333	6,666,667
MHIS	2,996,431	3,174,113	3,174,113	1,997,819	2,116,075	3,174,113	0
MHIS	2,996,431	3,174,113	3,174,113	1,997,819	2,116,075	3,174,113	0
UTILITY	22,079,682	23,964,607	24,023,285	14,875,345	15,402,212	24,331,285	(308,000)
UTILITY ¹⁴	22,079,682	23,964,607	24,023,285	14,875,345	15,402,212	24,331,285	(308,000)
OTHER	26,467,959	31,329,374	31,108,830	16,355,971	16,811,228	32,908,830	(1,800,000)
COMMUNITY ACTIVITIES	2,672,623	2,578,776	2,578,776	1,683,332	1,315,534	2,578,776	0
CONTINGENCY ¹¹	329,799	4,435,019	1,143,118	54,080	120,446	4,143,118	(3,000,000)
CONTRACTED SERVICES	3,416,930	3,809,682	3,911,458	1,514,735	1,744,718	3,911,458	0
ELECTIONS	71,296	208,044	0	0	0	0	0
GOVT AGENCY & OTHER	750,000	0	0	0	0	0	0
LEASES - OFFICES PARKING COPIER	976,678	1,942,984	1,923,184	2,386,697	1,099,617	1,923,184	0
LEGAL EXPENSES & SETTLEMENTS ¹²	6,489,996	2,616,500	5,516,500	1,964,854	4,371,524	4,316,500	1,200,000
OTHER	3,139,123	4,319,822	4,578,875	2,266,540	1,681,243	4,578,875	0
OUT AGENCY	0	0	0	0	0	0	0
POSTAGE	193,625	231,419	231,419	130,000	150,004	231,419	0
SUPPLY	3,534,279	4,236,320	4,216,019	2,032,844	2,378,753	4,216,019	0
TECH, PROF & COMM BASED SERVICES	1,425,931	1,976,350	2,035,023	855,210	950,045	2,035,023	0
VEHICLE & EQUIP	3,467,680	4,974,458	4,974,458	3,467,680	2,999,343	4,974,458	0
EDUCATION	283,943,410	284,008,188	284,605,884	159,515,063	158,308,493	284,605,884	0
EDUCATION ¹³	283,943,410	284,008,188	284,605,884	159,515,063	158,308,493	284,605,884	0
Grand Total	594,234,736	570,041,106	570,638,802	357,112,366	317,587,514	562,003,115	8,635,687

¹ Payroll (FT, PT, OT and Holiday) is projected to be net favorable by \$9.0M. The methodology of the full-time payroll projection (detailed in the appendix) reflects 33 weeks of actual payroll expenses with 19.2 weeks remaining. Vacancies are assumed to be refilled with 15.2 weeks remaining in the fiscal year. A Police class started recently and 18 Officers for March are projected. Vacancy and attrition savings of \$9.8M and holiday pay projection adjustment of \$274K are offset by a projected shortfall of \$757K in OT and \$284K in Part-time salary expenses. Payroll will continue to be monitored throughout the

² Mitigation of \$500K reflects non-Public Safety budgeted attrition and vacancy savings. The Police and Fire departments respectively include \$1.17M and \$1.56M in budgeted attrition and vacancy savings. In total, \$3.23M is budgeted for attrition city-wide.

³ The total MERF Pension Actuarial Defined Employer Contribution (ADEC) for the City of Hartford is \$44.22M. This includes the BOE and Library ADEC of \$4.78M and \$925K respectively, which are separately budgeted in the BOE and Library line items. The City's total ADEC for Police, Fire and Municipal workers of \$38.50M is fully budgeted and will be incurred in full compliance with the contract assistance agreement. In addition, the primary driver of \$546K of favorability in Pension is cashouts.

⁴ Concessions savings have been adjusted for HMEA arbitration and the MLA contract.

⁵ Fringe reimbursements for grant funded employees are projected to be favorable due to Police and Fire grants.

⁶ Other Benefits is projected to be favorable due to the continuing trends in Social Security and Unemployment compensation.

⁷ Wage reserve has been adjusted for HMEA arbitration and the MLA contract.

⁸ Workers' Compensation is net unfavorable due to the trend in claims.

⁹ This expenditure line item is projected to be \$24.42M due to additional capital needs.

¹⁰ Library is favorable due to a Corporate contribution of \$10.0M, of which \$6.667M has been provided directly to the Hartford Public Library.

¹¹ Additional settlement expenses of \$3.0M associated with stadium litigation are projected within Contingency in Other Non-Personnel.

¹² Legal Expenses and Settlements is projected to be \$1.2M favorable due to the finalization of a relocation case where actual costs for displaced families were lower than estimated.

¹³ The Education Revised Budget and projection have increased by \$598K due to the State Department of Education providing additional funding for the educational support of displaced students from Puerto Rico.

¹⁴ Utilities are unfavorable by \$308K due to the trend in piped heat/chilled water consumption, piped gas and water, and fee increase by \$9.35/per ton in tipping fees as of April 1st, 2019.

¹⁵ Health care expenditures are projected to be favorable due to claim trends.

Appendix

FY2019 Full-time Payroll Projection (through February)

Row Labels	Budgeted HC	Budgeted Annual	YTD thru check issue 2/22 (33	YTD thru 02/22 plus		Remaining Estimated Steps	Total Projection	Variance (Budgeted to Projected)
		Amount	weeks)	Projection (19.2 weeks)	Projection (19.2 weeks)			
111-Mayor	11	721,078	433,691	258,401	692,092	515	692,607	28,471
112-CCC	7	351,504	215,870	129,289	345,159	0	345,159	6,345
113- Treas	9	481,197	287,164	185,885	473,048	1,455	474,503	6,694
114- ROV	6	285,985	180,464	103,402	283,866	0	283,866	2,119
116-Corp Counsel	17	1,486,746	837,870	494,556	1,332,426	0	1,332,426	154,320
117- Clerk	11	675,645	362,123	246,192	608,314	693	609,008	66,637
118-Audit	5	503,254	316,488	183,887	500,375	0	500,375	2,879
119-COO	6	470,676	197,564	153,066	350,630	960	351,590	119,086
123- FIN	46	3,500,910	1,983,683	1,257,805	3,241,488	7,690	3,249,178	251,732
125- HR	13	925,781	500,632	330,639	831,271	860	832,131	93,650
128-OMBG	11	905,375	521,970	327,107	849,077	1,376	850,453	54,922
132-FCYR	11	821,271	489,600	298,776	788,377	1,794	790,171	31,100
211- Fire	362	26,982,318	15,479,734	9,205,781	24,685,515	127,506	24,813,022	2,169,296
212- Police	540	38,005,529	19,175,619	11,657,481	30,833,100	104,653	30,937,754	7,067,775
213- EST	49	3,030,454	1,589,114	1,012,554	2,601,668	6,612	2,608,280	422,174
311- DPW	185	9,632,739	5,162,085	3,458,765	8,620,850	35,194	8,656,043	976,696
420- Devel Serv	54	4,001,061	1,930,122	1,416,485	3,346,607	11,571	3,358,177	642,884
520- HHS	31	2,085,679	947,037	759,722	1,706,759	9,051	1,715,810	369,869
Grand Total	1,374	94,867,202	50,610,830	31,479,793	82,090,623	309,931	82,400,554	12,466,648

FT- Fire and Police Attrition	(2,731,271)
FT- Development Services Attrition	(20,000)
FT- Net other payroll (stand-by & long	86,150
FT- Total Revised Budget	92,202,081

FT- Fire and Police Attrition	(2,731,271)
FT- Development Services Attrition	(20,000)
FT- Subtotal Variance	9,715,377
Non-Sworn Attrition (within Benefits)	(500,000)
Total Variance (favorable)	9,215,377

Assumptions

- 1) Analysis is based on year-to-date actuals from check date 2/22/19, which includes 33 pay periods, and projects filled positions for 19.2 future week.
- 2) Non-sworn vacancies are projected for March or 15.2 future weeks.
- 3) Police has 18 recruits planned to start in March.
- 4) No future Fire FY2019 classes planned.
- 5) Adopted head count is 1388 with 14 MHIS positions funded in the MHIS internal service fund.



CITY OF HARTFORD

DEPARTMENT OF HUMAN RESOURCES AND LABOR RELATIONS
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Cherese Chery
Director of Human Resources
and Labor Relations

TO: Municipal Accountability Review Board Membership

FROM: Richard Pokorski, City of Hartford

RE: Life Insurance Carrier 3 Year Contract Approval

DATE: April 4, 2019

Segal Inc., the City and BOE Healthcare Consultants, completed a life insurance RFP for the Connecticut Public Sector Purchasing Coalition in which the City of Hartford and Board of Education participated.

The City and BOE have participated in this coalition in the past, most recently three years ago at which time the City and BOE transitioned from Aetna to The Hartford on 7/1/2016.

The final result of this RFP revealed The Lincoln National Life Insurance Company to be the "best in class" carrier, producing financial savings for all 10 municipalities in the Coalition.

The City of Hartford spends approximately \$275,000 annually on term life insurance benefits for active and retired employees.

Based on Lincoln's guaranteed 3 year proposed rates, the transition will result in approximately 14% reduction in cost, or \$38,500 annually, and \$115,500 over three years.

A life insurance benefit carrier change has no impact on employee or beneficiary benefits. Benefit levels for active and retired employees are outlined in Collective Bargaining Agreements and are primarily based on salary levels (attached).

The current carrier, The Hartford, was provided opportunities to refine their offer however Lincoln National Life Insurance Company was ultimately the lowest cost provider.



Where the future is present.

4/5/19

To: Julian Freund
From: John W. Griffin
Re: Contract approval, Lincoln Financial

HBOE is requesting the MARB to approve a three-year contract with Lincoln Financial for Life Insurance for active employees and retirees. The actual amount paid to Lincoln will vary slightly each month based on the number of employees. Each bargaining group has a contracted benefit for Life Insurance based on their annual salary. For example, a teacher will receive 150% of their annual salary. There is no employee contribution for this benefit. The application is attached and the BOE'S financial obligation is limited based on the three-year fixed rate outlined below.

BACKGROUND

Segal completed a Life Insurance RFP for the Connecticut Public Sector Purchasing Coalition which HBOE participates in. The end result showed Lincoln Financial to be the "best in class" carrier, producing financial savings for all 10 municipalities in the Coalition.

HBOE has spent approximately \$775,000 annually on Life Insurance the past two years. Based on Lincoln's proposed rates, a switch to Lincoln will result in a 14% savings (approximately \$325,000 over three years). Life Insurance is a "behind the scenes" benefit. A change in carriers will have zero impact on staff or their beneficiaries.

The Hartford, our current life insurer, was given two opportunities to refine their offer, but Lincoln still prevailed.

Attached is the finding of the RFP.



CSPSC Life RFP
Analysis - Best and Fir

Thank you,
John W. Griffin

Financial Analysis – Best and Final Proposals 1/25/19

City of Hartford and Hartford Public Schools

Coverage	Current	Anthem	Hartford (Initial)	Hartford (Revision 1)	Hartford (Revision 2)	Lincoln (Initial)	Lincoln (Revision 1)	MetLife	Minnesota Life	Standard	Symetra
Life Insurance - Blended Rate	<i>Hartford</i>										
Rate per \$1,000	\$0.199	\$0.255	\$0.248	\$0.219	\$0.199	\$0.179	\$0.168	DTQ	\$0.195	\$0.277	\$0.220
Monthly Premium	\$79,596	\$101,995	\$99,196	\$87,596	\$79,596	\$71,638	\$67,197		\$77,996		\$87,996
Life Insurance - Actives											
Rate per \$1,000						\$0.080	\$0.075	\$0.120	\$0.098	\$0.105	\$0.111
Monthly Premium								\$45,232		\$39,578	
Life Insurance - Retirees											
Rate per \$1,000						\$1.800	\$1.688	\$2.480	\$2.136	\$2.050	\$2.010
Monthly Premium								\$57,154		\$47,244	
AD&D - Actives & Retirees											
Rate per \$1,000	\$0.016	\$0.016	\$0.016	\$0.016	\$0.016	\$0.016	\$0.016	\$0.023	\$0.016	\$0.016	\$0.016
Monthly Premium	\$6,031	\$6,031	\$6,031	\$6,031	\$6,031	\$6,031	\$6,031	\$8,670	\$6,031	\$6,031	\$6,031
Total - All Coverages											
Monthly Premium	\$85,627	\$108,026	\$105,227	\$93,627	\$85,627	\$77,669	\$73,228	\$111,056	\$84,027	\$92,854	\$94,027
Annual Premium	\$1,027,529	\$1,296,317	\$1,262,718	\$1,123,524	\$1,027,529	\$932,024	\$878,735	\$1,332,671	\$1,008,330	\$1,114,243	\$1,128,324
(Savings)/Cost from Current - \$		\$268,788	\$235,189	\$95,996	\$0	(\$95,505)	(\$148,793)	\$305,142	(\$19,199)	\$86,714	\$100,795
(Savings)/Cost from Current - %		26%	23%	9%	0%	-9%	-14%	30%	-2%	8%	10%
Rank - All Coverages		[9]	[8]	[6]	[4]	[2]	[1]	[10]	[3]	[5]	[7]
Rate Guarantees											
Life/AD&D	Until 6/30/19	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years

Notes:

1) The calculations above are based on the following (volume as of **September 2018**):

Life (Blended):	\$399,982,000
Life (Actives):	\$376,936,000
Life (Retirees):	\$23,046,000
AD&D:	\$376,936,000

2) The Hartford provided a revised renewal on 12/31/18, shown as "Revision 1" for The Hartford.

3) The Hartford and Lincoln were asked to provide "Best and Final" offers. "Revision 2" for The Hartford and "Revision 1" for Lincoln represent their best and final offers.

Financial Ratings

	Anthem BCBS	Hartford	Lincoln	MetLife	Minnesota Life	Standard	Symetra	United Healthcare
Carrier	Anthem Life Insurance Company	Hartford Life & Accident Insurance Company	Lincoln National Life Insurance Company	Metropolitan Life Insurance Company	Minnesota Life Insurance Company	Standard Insurance Company	Symetra Life Insurance Company	UnitedHealthcare Life Insurance Company
A. M. Best Rating	A (9/2018)	A (8/2018)	A+ (2/2018)	A+ (10/2018)	A+ (12/2017)	A (8/2018)	A (11/2017)	A (6/2018)
Standard & Poor's Rating	AA- (5/2015)	A (4/2014)	AA- (2/2009)	AA- (2/2009)	AA- (3/2018)	A+ (7/2011)	A (11/2008)	AA (11/2014)

The Segal Company believes it is important to consider the financial strength of insurance companies and managed care organizations that are candidates for initial selection or renewal as insurers or service providers to employee benefit plans. Therefore, we are providing the current claims paying ability rating that was available to us on the date this document was prepared for the insurance companies or managed care organizations under consideration.

When available, we select Standard & Poor's and A.M. Best because of their excellent overall reputation as rating services. In addition, they evaluate more insurance companies than most of the other comparable rating services. Several other rating services (e.g., Duff & Phelps and Moody's) also provide claims paying ability evaluations of insurance companies and managed care organizations. You may wish to consult these other services before making a decision regarding the initial selection or renewal of an insurance company or managed care organization.

Insurance company and managed care organization rating category explanations are attached. For example, Standard & Poor's ratings range from "Vulnerable" to "Secure". In particular, they regard "vulnerable" companies (i.e., ratings of BB+ and lower) to be at relatively serious risk in terms of meeting both claims and creditor obligations. Insurance companies in this category should be researched carefully before being selected.

Finally, The Segal Company does not itself perform insurance company or managed care organization credit quality evaluations and does not offer any warranty as to the scope or reliability (e.g., with respect to an organization's ability to meet future obligations) of the insurance company or managed care organization evaluations performed by Standard & Poor's, A.M. Best, or any other rating

The Segal Company is not responsible for providing monitoring on an ongoing basis.



Where the future is present.

4/5/19

To: Julian Freund
From: John W. Griffin
Re: Contract Extension Review for Anthem, Effective July 2019

HBOE is requesting the MARB to review a three-year contract extension with Anthem for approximately \$1,079,610 annually, for administrative services such as Network Access, Utilization Review, Managed Care, etc. The actual amount paid to Anthem will vary slightly each month based on the number of employees. For example, employee population in the Plan effective July 2019, as of today, is 2,650. Thus, we would pay \$33.95 for each employee in the plan or \$89,967 monthly. While legal counsel will review the contract for terms and conditions, the BOE'S financial obligation is limited based on the three-year fixed rate outlined below.

BACKGROUND:

HPS has a self-funded health plan. BOE pays all claims incurred up to \$500,000 in a plan year (July 1st to June 30th). If a claim reaches \$500,000, medical stop-loss insurance picks up the cost.

Anthem charges an Administrative Fee per employee per month for plan administration functions such Network Access, Utilization Review, Managed Care, and Claim Adjudication.

Administrative Fees

FY 2014	\$43.13
FY 2015	\$42.15
FY 2016	\$40.66
FY 2017	\$38.07
FY 2018	\$37.10
FY 2019	\$37.84

Proposed Fees:

FY 2020	\$33.95
FY 2021	\$34.28
FY 2022	\$34.61

Using the FY2020 rate at \$33.95 multiplied by 2650 members, the maximum administrative fees will be \$1,079,610 or less than 2% of the \$64M budget.

BOE & Segal have been negotiating with Anthem for several months on the above. To lock in these rates, we need to extend our Agreement with Anthem for three years. [The ASO contract expired June 30, 2018 and was subject to an RFP in 2016.](#) As part of our negotiations, they are offering highly competitive RX pricing with 100% rebates, \$1M. Finally, they pledged \$50,000

annually to support the BOE's wellness program, Smart Living. Segal, the BOE Health Care consultants, reviewed this package and recommends a contract extension

Thank you.

John W. Griffin



To: John W. Griffin
Risk Management
Hartford Public Schools

From: Katherine Klarman
Public Sector Division
Anthem

Re: Anthem ASO Contract and Proposal beginning
July 1, 2019

Date: March 28, 2019

I have reviewed your draft summary of the three-year agreement developed between Anthem Blue Cross Blue Shield and Hartford Public Schools, beginning with the upcoming renewal date, July 1, 2019. We appreciate the diligence and commitment shown by your office, as well as the efforts of Segal Consulting, in identifying the factors most important to each of us in establishing this agreement. Our goal is to partner with your organization in the creation of a high quality contemporary health benefits program for HPS membership.

Your assessment of the proposal is accurate:

1. A three-year financial guarantee for administrative service;
2. Competitive guaranteed RX discount pricing including 100% rebate return, through IngenioRX, Anthem's newly established PBM;
3. Ongoing support of the HPS Wellness Program, Smart Living, with both a \$50,000 annual financial commitment as well as Anthem's myriad tools and wellness resources;

In addition, the stability of our commitment will allow us to develop an engaged healthcare relationship with members of the area provider community and the HPS employee population. Through our EPHC contract, Anthem has championed the importance of the Primary Care Provider relationship (PCP). We are now introducing the next phase of healthcare contracting in our "Cooperative Care" model which focuses on those providers who deliver both improved patient outcomes and quality of service. Anthem considers Hartford Public Schools to be a primary employer recipient of innovative future initiatives, such as CareMore Health, bundled provider payments and targeted condition outreach for your population.

Last, we continue to offer Performance Guarantees to the HPS which reflect our internal commitment to high quality operational services to your members.

Anthem is pleased to have participated in this discussion with your team and we look forward to the next three years of a productive working relationship.

ADMINISTRATIVE SERVICES AGREEMENT

This Administrative Services Agreement ("Agreement") is entered into by and between Hartford Board of Education ("Employer") and Anthem Health Plans, Inc. dba Anthem Blue Cross and Blue Shield ("Anthem") and is effective as of January 1, 2016 upon the following terms and conditions:

1. Employer is the sponsor of a self-funded Group Health Plan (as defined below) providing, among other things, health care benefits to certain eligible employees, retirees and their qualified dependents.
2. Employer desires to retain Anthem as an independent contractor to administer certain elements of Employer's Group Health Plan.
3. Anthem desires to administer certain elements of Employer's Group Health Plan pursuant to the terms of this Agreement.

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

ARTICLE 1 - DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

MEMBER. The individuals, including the Subscriber and his/her dependents, as defined in the Benefits Booklet, who have satisfied the Plan eligibility requirements of Employer, applied for coverage, and been enrolled for Plan benefits.

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

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

1. Provider and Vendor Claims. Except as otherwise provided in this Agreement, Paid Claims shall mean the amount Anthem actually pays the Provider or Vendor without regard to: (i) whether Anthem reimburses such Provider or Vendor on a percentage of charges basis, a fixed payment basis, a global fee basis, single case rate, or other reimbursement methodology; (ii) or whether such amount is more or less than the Provider's or Vendor's actual Billed Charges for a particular service or supply; or (iii) whether such payments are increased or decreased by the Provider's or Vendor's achievement of, or failure to achieve, certain specified goals, outcomes or standards adopted by Anthem.
2. Prescription Drug Claims. If applicable to the Plan benefits as indicated in Schedule B, Paid Claims for Prescription Drugs shall mean an amount that Anthem invoices Employer for Prescription Drugs dispensed to Members by pharmacies. Anthem shall retain the difference, if any, between the amount invoiced to Employer and the amount paid to the pharmacy benefit manager ("PBM") for Prescription Drugs dispensed to Members as a portion of Anthem's reasonable compensation for services under this Agreement.
3. Payment Innovation Programs. If a Provider or Vendor participates in any Anthem payment innovation program, excluding any programs described in paragraph 1 of this provision, in which performance incentives, rewards or bonuses are paid based on the achievement of cost, quality, efficiency, or service standards or metrics adopted by Anthem ("Payment Innovation Programs"), Paid Claims shall also include the amount of such payments to Providers or Vendors for these Payment Innovation Programs. Such payments may be charged to Employer on a per Claim, lump sum, per Subscriber, or per Member basis and shall be based on Anthem's predetermined methodology for such Payment Innovation Program, as may be amended from time to time. The total monies charged in advance to fund a Payment Innovation Program shall be actuarially determined as the amount necessary to fund the expected payments attributable to the Payment Innovation Program. Prior to its implementation, Anthem shall provide Employer with a description of the Payment Innovation Program, the methodology that will be utilized to charge the Employer, and any reconciliation process performed in connection with such program. Payments to Providers or Vendors under these Payment Innovation Programs shall not impact Member cost shares.
4. Fees Paid to Manage Care or Costs. Paid Claims may also include fees paid to Providers or Vendors for managing the care or cost of care for designated Members. In addition, Paid Claims may also include an amount Anthem charges to oversee programs and such program charges, if any, shall be provided in Section 4 of Schedule A.
5. Claims Payment Pursuant to any Judgment, Settlement, Legal or Administrative Proceeding. Paid Claims shall include any Claim amount paid as the result of a settlement, judgment, or legal, regulatory or administrative proceeding brought against the Plan and/or Anthem, or otherwise agreed to by Anthem, with respect to the decisions made by Anthem regarding the coverage of or amounts paid for services under the terms of the Plan. Paid Claims also includes any amount paid as a result of Anthem's billing dispute resolution procedures with a Provider or Vendor. Any Claims paid pursuant to this provision will count towards any stop loss accumulators under a stop loss agreement with Anthem.
6. Claims Payment Pursuant to Inter-Plan Programs and Other BCBSA Programs. Paid Claims shall include any amount paid for Covered Services that are processed through Inter-Plan Programs or for any amounts paid for Covered Services provided through another BCBSA program (e.g. BCBSA Blue Distinction Centers for Transplant). More information about Inter-Plan Programs is found in Article 15 of this Agreement.
7. Claims Payment Pursuant to a Consumer Directed Health Plan Account. If applicable to Plan benefits and as indicated on Schedule B of this Agreement, Paid Claims shall include any amount actually paid by Anthem from a consumer directed health plan account, such as a health reimbursement account or a health incentive account.

PLAN DOCUMENTS. The documents that set forth the terms of the Plan, and which include the Benefits Booklet.

PRESCRIPTION DRUG. Insulin and those drugs and drug compounds that are included in the U.S. Pharmacopoeia and that are required to be dispensed pursuant to a prescription or that are otherwise included on Anthem's formulary (e.g., certain over-the-counter drugs).

PROPRIETARY INFORMATION AND CONFIDENTIAL INFORMATION. Employer's Proprietary Information is information about the systems, procedures, methodologies and practices used by Employer to run its operations and the Plan and other non-public information about Employer. Anthem's Proprietary Information is non-public, trade secret, commercially valuable, or competitively sensitive information, or other material and information relating to the products, business, or activities of Anthem or an Anthem Affiliate, including but not limited to: (1) Information about Anthem's Provider networks, Provider negotiated fees, Provider discounts, and Provider contract terms; (2) information about the systems, procedures, methodologies, and practices used by Anthem and Anthem Affiliates in performing their services such as underwriting, Claims processing, Claims payment, and health care management activities; and (3) combinations of data elements that could enable information of this kind to be derived or calculated. Anthem's Confidential Information is information that Anthem or an Anthem Affiliate is obligated by law or contract to protect, including but not limited to: (1) Social Security numbers; (2) Provider tax identification numbers (TINs); (3) National Provider Identification Numbers (NPIs); (4) Provider names, Provider addresses, and other identifying information about Providers; and (5) drug enforcement administration (DEA) numbers, pharmacy numbers, and other identifying information about pharmacies.

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

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

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

ARTICLE 2 - ADMINISTRATIVE SERVICES PROVIDED BY ANTHEM

- a. Anthem shall process the enrollment of eligible individuals and termination of Members as directed by the Employer subject to the provisions of this Agreement. Anthem shall, with the assistance of Employer, respond to direct routine inquiries made to it by employees and other persons concerning eligibility in the Plan.
- b. Anthem shall perform the following Claims administrative services:
 1. Process Claims with a Claims Incurred Date indicated in Section 1 of Schedule A and provide customer service at a level consistent with industry standards, including investigating and reviewing such Claims to determine what amount, if any, is due and payable according to the terms and conditions of the Benefits Booklet and this Agreement. Anthem shall perform coordination of benefits ("COB") with other payors, including Medicare. In processing Claims, Anthem shall utilize Anthem's medical policies and medical policy exception process, its definition of medical necessity, its precertification and/or preauthorization policies and applicable Claim timely filing limits. Notwithstanding any other provisions of this Agreement, Anthem will use good faith efforts to process Claims (whether submitted on paper or electronically) in accordance with the state prompt payment requirements for the state in which this Agreement is issued. However, if Anthem fails to meet any such state prompt pay requirements in processing Employer's Claims no interest, penalty or other default shall accrue or be payable with respect to such Claims.
 2. Disburse to the applicable individuals or entities (including Providers and Vendors) payments that it determines to be due according to the provisions of the Benefits Booklet.
 3. Within the prescribed regulatory timeframes under applicable federal guidance, provide notice in writing when a Claim for benefits has been denied which notice shall set forth the reasons for the denial and the right to a full and fair review of the denial under the terms of the Benefits Booklet and shall otherwise satisfy applicable regulatory requirements governing the notice of a denied Claim.

- c. Employer delegates to Anthem fiduciary authority to determine claims for benefits under the Plan as well as the authority to determine appeals of any adverse benefit determinations under the Plan. Anthem shall administer complaints, appeals and requests for independent review according to Anthem's complaint and appeals policy, and all applicable laws or regulations, unless otherwise provided in the Benefits Booklet. In carrying out this authority, Anthem is delegated full discretion to determine eligibility for benefits under the Plan and to interpret the terms of the Plan. Anthem shall be deemed to have properly exercised such authority unless a Member proves that Anthem has abused its discretion or that its decision is arbitrary and capricious. Anthem is a fiduciary of the Plan only to the extent necessary to perform its obligations and duties as expressed in this Agreement and only to the extent that its performance of such actions constitutes fiduciary action. Anthem shall not act as the administrator of the Plan nor shall it have any fiduciary responsibility in connection with any other element of the administration of the Plan. Anthem shall charge Employer the fee described in Section 3.C of Schedule A for any independent review conducted pursuant to this provision. Employer shall have the right to review any of Anthem's adopted procedures, to the extent that a request for review is made by Employer and is related to the review of a specific Claim. In addition, upon Employer request, Anthem shall provide specific Claim information consistent with Anthem's policies and business practices, the terms of this Agreement, including but not limited to protections for Proprietary and Confidential Information, and applicable law.
- d. Anthem shall have the authority, in its discretion, to institute from time to time, utilization management, case management, disease management or wellness pilot initiatives in certain designated geographic areas. These pilot initiatives are part of Anthem's ongoing effort to find innovative ways to make available high quality and more affordable healthcare and will apply equally to Members of both insured and self-funded plans. A pilot initiative may affect some, but not all Members under the Plan. These programs will not result in the payment of benefits which are not provided in the applicable Benefits Booklet, unless otherwise agreed to by the Employer. Anthem reserves the right to discontinue a pilot initiative at any time without advance notice to Employer.
- e. Anthem shall perform recovery services as provided in Article 13.
- f. Anthem shall mail identification cards to Subscribers and/or Members, as applicable, and the content and design of the identification cards shall comply with BCBSA regulations.
- g. This provision is intentionally omitted in its entirety.
- h. Anthem shall provide Members and potential Members access to an online directory of Providers contracted with Anthem ("Provider Directories"). Such online Provider Directory shall be updated in accordance with Anthem's business practices. Such Provider Directories shall also be available and distributed in booklet format upon Member request. Should a Member make a request for a single copy of an online directory such information will be provided at no charge. Additionally, if applicable to Plan benefits, Anthem shall ensure that Members and potential Members have access to the BlueCard directory of Providers via a website sponsored by BCBSA.
- i. Anthem reserves the right to make benefit payments to either Providers or Members at its discretion, to the extent reasonably appropriate, however payments to Network Providers will be made in accordance with the provider contracts. Employer agrees that the terms of the Plan will include provisions for supporting such discretion in determining the direction of payment including, but not limited to, a provision prohibiting Members from assigning their rights to receive benefit payments, unless otherwise prohibited by applicable law.
- j. If applicable to the Plan benefits and as indicated in Schedule B of this Agreement, Anthem may provide or arrange for the provision of the following managed care services:
 - 1. Conduct medical necessity review, utilization review, and a referral process, which may include, but is not limited to: (a) preadmission review to evaluate and determine the medical necessity of an admission or procedure and the appropriate level of care, and for an inpatient admission, to authorize an initial length of stay; (b) concurrent review throughout the course of the inpatient admission for authorization of additional days of care as warranted by the patient's medical condition; (c) retrospective review; and (d) authorizing a referral to a non-Network Provider. Anthem shall have the authority to waive a requirement if, in Anthem's discretion, such exception is in the best interest of the Member or the Plan, or is in furtherance of the provision of cost effective services under this Agreement.

2. Perform case management to identify short and long term treatment programs in cases of severe or chronic illness or injury. Anthem may, but is not required to, customize benefits in limited circumstances by approving otherwise non-Covered Services if, in the discretion of Anthem, such exception is in the best interest of the Member and the Plan.
 3. Provide access to a specialty network of Providers if the Plan includes a specialty network. Anthem reserves the right to establish specialty networks for certain specialty or referral care.
 4. Provide any other managed care services incident to or necessary for the performance of the services set forth in this Article 2.
- k. If applicable to the Plan benefits and as indicated in Schedule B of this Agreement, Anthem shall offer wellness programs and other programs to help Employer effectively manage the cost of care, and Employer shall pay fees for the programs selected by Employer only if such fees are indicated in Section 3(B) of Schedule A. Employer shall abide by all applicable policies and procedures of the programs selected, which may require Employer to provide requested information prior to Anthem initiating the service.
 - l. On behalf of Employer, Anthem shall produce and maintain a master copy of the Benefits Booklet and make changes and amendments to the master copy of the Benefits Booklet and incorporate any approved changes or amendments pursuant to Article 18(a) of this Agreement. Employer shall determine, in its sole discretion, whether Anthem has accurately produced the Benefits Booklet and has fully implemented the approved changes or amendments. Until Employer has approved the Benefits Booklet, Anthem will administer the quoted benefits according to Anthem's most similar standard Benefits Booklet language.
 - m. Anthem will provide Employer with Plan data and assistance necessary for preparation of the Plan's information returns and forms required by federal or state laws. Anthem shall prepare and mail all IRS Form 1099's and any other similar form that is given to Providers or brokers.
 - n. Anthem shall administer unclaimed funds pursuant to unclaimed property or escheat laws and shall make any required payment and file any required reports under such laws.
 - o. Unless otherwise agreed to by the Parties and specified in the Benefits Booklet, Anthem's standard policies and procedures, as they may be amended from time-to-time, will be used in the provision of services specified in this Agreement. In the event of any conflict between this Agreement and any of Anthem's policies and procedures, this Agreement will govern.
 - p. If applicable to the Plan benefits as indicated in Schedule B, Anthem shall provide conversion rights to Members following termination of this Agreement, and Employer shall pay the fee indicated in Section 3(C) of Schedule A.
 - q. Select state laws require Employers to finance health related initiatives through residency-based assessments and/or surcharges added to certain Paid Claims. After Employer completes any applicable forms, Anthem shall make all assessment and/or surcharge payments on behalf of Employer to the appropriate pools administered by the respective states, based primarily upon Anthem's Paid Claims information and Member information provided to Anthem by Employer. Examples of such assessments and surcharges include, but are not limited to, the Massachusetts Health Safety Net Trust Fund, the New York Health Care Reform Act and the Michigan Health Insurance Claims Assessment Act.
 - r. Anthem shall provide required notices describing Member's rights under the Women's Health and Cancer Rights Act (WHCRA) upon a Member's enrollment and at least annually thereafter.
 - s. Anthem shall have the authority to build and maintain its Provider network. Nothing in this Agreement shall be interpreted to require Anthem to maintain negotiated fees or reimbursement arrangements or other relationships with certain Providers or Vendors. Anthem will be solely responsible for acting as a liaison with Providers including, but not limited to, responding to Provider inquiries, negotiating rates with Providers or auditing Providers.
 - t. Subject to Anthem's fiduciary obligations as set forth in Article 2(c), if a catastrophic event (whether weather-related, caused by a natural disaster, or caused by war, terrorism, or similar event) occurs that affects Members in one or more locations, and such catastrophic event prevents or interferes with Anthem's ability to conduct its normal business with respect to such Members or prevents or substantially interferes with Members' ability to access their benefits, Anthem shall have the right, without first seeking consent from

Employer, to take reasonable and necessary steps to process Claims and provide managed care services in a manner that may be inconsistent with the Benefits Booklet in order to minimize the effect such catastrophic event has on Members. As soon as practicable, Anthem shall report its actions to Employer. Employer shall reimburse Anthem for amounts paid in good faith under the circumstances and such amounts shall constitute Paid Claims, even if the charges incurred were not for services otherwise covered under the Benefits Booklet. To the extent possible under the catastrophic circumstances, Anthem shall use reasonable efforts to process Claims in a manner that is consistent with the Benefits Booklet.

- u. Anthem shall submit any claim that is required to be filed under any stop loss policy issued by Anthem or an Anthem Affiliate. Anthem shall have no obligation to prepare or file any claim for excess risk or stop loss coverage under a policy not issued by Anthem or an Anthem Affiliate. Anthem shall provide Employer with Claims data pursuant to Article 11 of this Agreement if Employer chooses to file a claim under a stop loss policy issued by an entity other than Anthem or an Anthem Affiliate. Anthem shall assume no liability or responsibility to Employer for inconsistencies between the determination of Covered Services under the Benefits Booklet and this Agreement and the determination of coverage by an unaffiliated stop loss carrier.
- v. Anthem shall assist Employer in determining whether its Prescription Drug benefit constitutes "creditable prescription drug coverage" as that term is used under the Medicare Part D laws (specifically, 42 C.F.R. 423.56). Unless otherwise agreed to by the Parties, Employer shall be solely responsible for communicating with Members regarding creditable prescription drug coverage matters.
- w. If a Member is a Massachusetts resident, Anthem shall mail the Member any notices required by the Massachusetts Health Care Reform Act ("HCRA") reflecting coverage during the current and prior Agreement Period. If a Member works in Massachusetts for Employer, but resides in another State, Anthem will only provide such notices if Employer notifies Anthem at least 60 days prior to any notice deadline imposed by HCRA that such Member requires the HCRA notices.
- x. Anthem is the responsible reporting entity ("RRE") for the Plan as that term is defined pursuant to Section 111 of the Medicare, Medicaid and SCHIP Extension Act of 2007. In order to fulfill its RRE obligation, Anthem requires information from the Employer, including, but not limited to, Member Social Security Numbers. Employer shall cooperate with Anthem and timely respond to any request for information made by Anthem.
- y. Anthem will provide Employer with Plan information and assistance necessary for the preparation of the Plan's Summary of Benefits and Coverage ("SBC") related to the elements of the Plan that Anthem administers. Employer is solely responsible for ensuring that the SBC accurately reflects the benefits Employer will offer and for finalizing and distributing the SBC to Subscribers. Notwithstanding the provisions in Article 18(a), if Employer's open enrollment period is at a time other than 30 days prior to the end of an Agreement Period, Employer agrees to provide Anthem with any changes to the benefits Anthem administers at least 60 days prior to the start of the open enrollment period.
- z. Anthem shall support its Claims administration services to the Plan by providing Member services (with a dedicated toll-free telephone line and a TTY telephone line) that shall operate during Anthem's usual and customary hours of operation. Anthem shall ensure that service is provided by persons familiar with the terms and provisions of the Plan, including, without limitation, Benefits payable under the Plan, applicable copayments, coinsurance, out-of-pocket maximums, benefit maximums, instructions for completing a Claims form and determining the status of Claims. Anthem shall provide Members with direct access to their Claims information, including the ability to electronically view and check the status of Claims through the Internet.
- aa. Anthem shall be solely responsible for the selection, monitoring, quality control and retention of its Network Providers. Anthem represents and warrants that: (i) Anthem has exercised and shall exercise due diligence in the selection and retention of Network Providers with regard to professional credentials, professional liability coverage, and record of malpractice or professional sanction consistent with Anthem's credentialing standards and procedures; and (ii) Anthem's written agreements with Providers are in full compliance with all applicable federal, state and local laws, rules, and regulations. Anthem shall ensure that all Network Providers meet Anthem's credentialing criteria before being made available to Members.
- bb. Anthem shall notify the Employer in writing of any material change in the Network Providers offered through the Network thirty (30) days before the effective date of such change.
- cc. Anthem shall use reasonable efforts to maintain, throughout the Term of this Agreement, the same level of accreditation by the National Committee for Quality Assurance ("NCQA") that Anthem has for each service

area which has NCQA accreditation as of the Effective Date. Upon the Employer's request, Anthem shall report to the Employer the status of such accreditation(s).

- dd. Anthem shall appoint an account management team that shall be responsible for liaison with Plan representatives and for maintaining a business liaison with the Employer. Anthem shall inform the Employer of the name of the account executive Anthem appoints within thirty (30) calendar days before the signing of this Agreement. Anthem shall meet with the Employer upon request to review Claims experience, Plan progress, and service-related issues.
- ee. At year-end, Anthem shall present to the Employer a reconciliation report concerning administrative fees, Claims payments, and any other amounts paid or to be paid under the Agreement.
- ff. Anthem shall maintain a fraud and abuse program to detect, investigate and prevent fraudulent activity and to deter future fraud and abuse. Upon Employer's reasonable request, Anthem will work with Employer to investigate potential instances of fraud or abuse pertaining to Employer's Claims, as reported by Employer. Based on a reasonable suspicion of fraud or abuse to be articulated to Anthem at the time of a request, Employer may request Anthem to investigate allegations of fraudulent or abusive Member or Provider Claims practices. The determination of whether to investigate any such matter, and the means to conduct such investigation shall be solely in Anthem's discretion. In determining whether to investigate such matter, Anthem shall consider the dollar amount lost as a result of the alleged improper activity, the potential for harm to patients, the complexity involved in such investigation, and any other matters Anthem deems significant.

ARTICLE 3 - OBLIGATIONS OF EMPLOYER

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

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

If Anthem receives inaccurate eligibility information or receives notice of a retroactive termination and has paid Claims for persons who are no longer eligible, then Employer shall reimburse Anthem for all unrecovered Paid Claim amounts to the extent that the amounts have not already been paid by Employer.

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

as otherwise agreed to in a written agreement between the Parties, which shall be attached to this Agreement as COBRA Schedule.

- d. Employer is solely responsible for compliance with the Family and Medical Leave Act ("FMLA") and, to the extent applicable to Employers' wellness program(s), for compliance with the Americans with Disabilities Act, the Internal Revenue Code, federal and state nondiscrimination laws, and other federal and state laws and regulations governing wellness programs.
- e. Employer agrees to and shall collect those contributions from Subscribers that are required by Employer for participation in the Plan. If Employer elects Anthem's stop loss coverage, Employer shall abide by Anthem's participation and contribution guidelines.
- f. Unless otherwise agreed to by the Parties in writing, Employer shall prepare and distribute all notices or summaries of changes or material modifications to the Plan. Employer shall ensure that if it creates any documents that refer to benefits offered under the Plan, the documents will accurately reflect the terms of the Benefits Booklet.
- g. To the extent that Medicare, Medicaid, the Veterans Administration or any other federal or state agency or entity asserts a reimbursement right against Employer, the Plan, or Anthem pursuant to that agency's or entity's rights under applicable law with respect to Claims processed by Anthem under this Agreement, the Employer shall be responsible for reimbursing Anthem any such amounts determined to be owed, subject to the indemnification provisions in Article 17 of this Agreement.
- h. Employer shall give notice to Anthem of the expected occurrence of any of the following events (including a description of the event), with such notice to be given at least 30 days prior to the effective date of the event, unless such advance notice is prohibited by law or contract in which case, notice will be provided as soon as practicable:
 - 1. Change of Employer's name; or
 - 2. Any insolvency, receivership or inability of Employer to pay its debts as they become due.
- i. The Employer shall have the sole responsibility, in accordance with state or federal law, to develop procedures for determining whether a medical child support order is a "qualified" medical child support order. The Employer shall provide notice to Anthem once it has made such determination.
- j. The Employer may request Anthem, on an exception basis, to process and pay Claims that were denied by Anthem or take other actions with respect to the Plan that are not specifically set forth in this Agreement or the Benefits Booklet. In such cases, any payments shall not count toward the stop loss accumulators under a stop loss agreement issued by Anthem, unless otherwise agreed to by Anthem. Anthem may charge Employer a processing fee that has been mutually agreed to by the Parties prior to the processing of the Claim. Anthem shall not be responsible for any liability associated with any act or omission undertaken at the direction of, or in accordance with, instructions received from the Employer under this provision.
- k. The Employer shall have sole authority over the design of the Plan, including any modification or termination of the Plan. The Employer shall possess the ultimate and discretionary authority to decide in the Employer's sole discretion all questions regarding Member eligibility under the Plan, subject to Article 3.a, The Employer shall have the right to review Anthem's adopted procedures and practices for claims approval, claims denial, and other aspects of the administration of the Plan upon request by Employer when related to the denial or payment of a specific Claim. All general correspondence and print materials sent by Anthem to Members must be reviewed in advance and approved by the Employer prior to transmission.

ARTICLE 4 - CLAIMS PAYMENT METHOD

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

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

ARTICLE 5 - ADMINISTRATIVE SERVICES FEE

During the term of this Agreement, Employer shall pay Anthem the Administrative Services Fee, described in Section 3 of Schedule A. Employer shall pay the Administrative Services Fee and other fees authorized under this Agreement by the applicable Invoice Due Date according to the payment method described in Section 5 of Schedule A. The fees set forth in Schedule A shall be fixed for the term of this Agreement, subject to Article 18.c. If improper fees are paid due to administrative error or updates to eligibility, the Employer shall be able to retroactively rectify any such fee payment error. Except as expressly set forth herein, the Employer shall have no obligation to pay any additional fees with respect to any services described in this Agreement.

ARTICLE 6 - RENEWAL SCHEDULES

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

ARTICLE 7 - CLAIMS RUNOUT SERVICES

- a. Claims Runout Services shall be provided for the period of time provided in Section 6 of Schedule A (the "Claims Runout Period"), except such Claims Runout services shall not be provided in the event that termination is due to non-payment pursuant to Article 19(a) of this Agreement. During the Claims Runout Period, the terms of this Agreement shall continue to apply. Unless the Parties agree otherwise, Anthem shall have no obligation to process or pay any Claims or forward Claims to Employer beyond the Claims Runout Period. Any amounts recovered beyond the Claims Runout Period shall be retained by Anthem as reasonable compensation for services under this Agreement. Anthem shall, however, return any recoveries for which Anthem had received monies, but had not processed the recovery prior to the end of the Claims Runout Period. In addition, Employer shall have no obligation to reimburse Anthem for any amounts paid by Anthem due to adjustments to Claims after the end of the Claims Runout Period.
- b. The Administrative Services Fee for the Claims Runout Period, if applicable, is provided in Section 6 of Schedule A. Paid Claims and the Administrative Services Fee shall be invoiced and paid in the same manner as provided in Sections 4 and 5 of Schedule A, unless otherwise provided or agreed to in writing by the Parties.

ARTICLE 8 - LATE PAYMENT PENALTY

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

ARTICLE 9 - HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT

- a. Anthem's duties and responsibilities in connection with the requirements imposed by the Health Insurance Portability and Accountability Act ("HIPAA") and the privacy and security regulations promulgated thereunder will be set forth in a separate business associate agreement between the Parties, attached hereto as an Exhibit.
- b. In the event the Plan submits Claims or eligibility inquiries or any other HIPAA covered transaction as defined in 45 CFR Part 160 and 162 to Anthem through electronic means, the Plan and Anthem shall comply with all applicable requirements of HIPAA and the Plan and Anthem shall require any of their respective agents or subcontractors to comply with all applicable requirements of HIPAA.

ARTICLE 10 - PROPRIETARY AND CONFIDENTIAL INFORMATION

- a. Each Party retains ownership of its Proprietary Information and Confidential Information (collectively "Information") and neither conveys ownership rights in its Information nor acquires ownership rights in the other Party's Information by entering into this Agreement or performing its obligations hereunder. Nothing in this Agreement shall impair or limit a Party's right to use and disclose its Information for its own lawful business purposes.
- b. Each Party shall maintain the other Party's Information in strict confidence, and shall institute commercially reasonable safeguards to protect it.
- c. Employer shall use and disclose Anthem's Information solely for the purpose of administering the Plan. Employer shall not, without Anthem's advance written consent, (1) use or disclose Anthem's Information, or reports or summaries thereof, for any purpose other than administering the Plan; (2) combine Anthem's Information with other data to create or add to an aggregated database that will or could be made available to any third party; (3) combine Anthem's Information provided for a particular purpose with Anthem's Information provided for another purpose; or (4) sell or disclose Anthem's Information to any other person or entity except as expressly permitted by this Article 10.

Except as permitted by Article 11(d) of this Agreement, Anthem shall use and disclose Employer's Information solely for the purpose of providing the services contemplated by this Agreement to the Plan. Except as permitted by Article 11(d), Anthem shall not, without Employer's advance written consent: (1) use or disclose Employer's Information, or reports or summaries thereof, for any other purpose other than providing the services contemplated by this Agreement; (2) combine Employer's Information with other data to create or add to an aggregate database that will or could be made available to any third party; (3) combine Employer's Information provided for a particular purpose with Employer's Information provided for another purpose; or, (4) sell or disclose Employer's Information to any other person or entity.

- d. Employer may disclose the minimum amount of Anthem's Information necessary to Employer's stop loss carriers, consultants, auditors, and other third parties engaged by Employer (each a "Plan Contractor"), provided that: (i) each such third party needs to know such Information in order to provide services to Employer; (ii) the restrictions set forth in subsection c. of this Article 10 shall apply to each such third party as well as to Employer; and (iii) prior to such disclosure, each such third party shall enter into a confidentiality agreement (or an appropriate amendment to an existing one, as applicable) with Anthem, with respect to the planned disclosure.
- e. Upon termination of this Agreement, each Party shall return or destroy the other Party's Information or retain the Information in accordance with its reasonable record retention policies and procedures; provided; however that each Party shall continue to comply with the provisions of this Article 10 for as long as it retains the other Party's Information.
- f. This Agreement shall not be construed to restrict the use or disclosure of information that: (1) is public knowledge other than as a result of a breach of this Agreement; (2) is independently developed by a Party not in violation of this Agreement; (3) is made available to a Party by any person other than the other Party, provided the source of such information is not subject to any confidentiality obligations with respect to it; or, (4) is required to be disclosed pursuant to law, order, regulation or judicial or administrative process, but only to the extent of such required disclosures and after reasonable notice to the other Party.

ARTICLE 11 - DATA REPORTS

- a. Upon Employer's request and only as permitted by the business associate agreement, attached as an Exhibit hereto, entered into between the Parties, Anthem will provide Anthem's standard account reporting package. Prior to Anthem providing data or reports to Employer, the Parties must mutually agree to the types, format, content and purpose of the reports requested. If Employer requests from Anthem information that is not part of Anthem's standard account reporting package, and such request is approved by Anthem, Employer agrees to pay a mutually agreed upon charge to Anthem for such additional reports.
- b. If Employer requests Anthem to provide a data extract or report to any Plan Contractor (which for purposes of this Agreement means a vendor which provides services in connection with the Employer's Group Health Plan) for use on Employer's behalf and Anthem agrees to do so: (i) to the extent such extract or report includes protected health information ("PHI") as defined in HIPAA, Anthem's disclosure of the PHI and Plan Contractor's subsequent obligations with respect to the protection, use, and disclosure of the PHI will be governed by Employer's applicable business associate agreements with Anthem and the Plan Contractor; and (ii) to the extent such data or report includes Anthem's Proprietary Information and/or Anthem's Confidential Information, Employer acknowledges and agrees that Plan Contractor shall be subject to the restrictions set forth in Article 10 of this Agreement and shall enter into a confidentiality agreement with Anthem (or amend an existing one, as applicable) prior to Anthem's release of the extract or report.
- c. Employer agrees not to contact, or to engage or permit a Plan Contractor to contact on Employer's behalf, any health care Provider concerning the information in any reports or data extracts provided by Anthem unless the contact is coordinated by Anthem.
- d. In addition to their unlimited rights to use Anthem's Proprietary Information and Confidential Information, Anthem and Anthem Affiliates shall also have the right to use and disclose other Claim-related data collected in the performance of services under this Agreement or any other agreement between the Parties, so long as: (1) the data is de-identified in a manner consistent with the requirements of HIPAA; or (2) the data is used or disclosed for research, health oversight activities, or other purposes permitted by law; or (3) a Member has consented to the release of his or her individually identifiable data. The data used or disclosed shall be used for a variety of lawful purposes including, but not limited to, research, monitoring, benchmarking and analysis of industry and health care trends. Anthem may receive remuneration for the data only if permitted by HIPAA.

ARTICLE 12 - CLAIMS AUDIT

- a. At Employer's expense, Employer shall have the right to audit Claims on Anthem's premises, during regular business hours and in accordance with Anthem's audit policy, which may be revised from time to time. A copy of the audit policy shall be made available to Employer upon request.
- b. If Employer elects to utilize a third-party auditor to conduct an audit pursuant to this Agreement and Anthem's audit policy, such auditor must be mutually acceptable to Employer and Anthem. Anthem will only approve auditors that are independent and objective and will not approve auditors paid on a contingency fee or other similar basis. Anthem reserves the right to charge a fee to Employer for expenditure of time by Anthem's employees in completing any audit if the number of days of the onsite audit exceeds five (5) days and/or the number of Claims reviewed exceeds 250. An auditor or consultant must execute a confidentiality and indemnification agreement with Anthem pertaining to Anthem's Proprietary and Confidential Information prior to conducting an audit.
- c. Employer may conduct an audit once each calendar year and the audit may only relate to Claims processed during the current year or immediately preceding calendar year (the "Audit Period") and neither Employer nor anyone acting on Employer's or the Plan's behalf, shall have a right to audit Claims processed prior to the Audit Period. The scope of the audit shall be agreed to in writing by the Parties prior to the commencement of the audit.
- d. Employer shall provide to Anthem copies of all drafts, interim and/or final audit reports at such time as they are made available by the auditor or consultants to Employer. Any errors identified and/or amounts identified as owed to Employer as the result of the audit shall be subject to Anthem's review and approval prior to initiating any recoveries of Paid Claims pursuant to Article 13 of this Agreement. Anthem reserves the right to terminate any audit being performed by or for Employer if Anthem determines that the

confidentiality of its information is not properly being maintained or if Anthem determines that Employer or auditor is not following Anthem audit policy.

- e. An audit performed pursuant to this Agreement shall be the final audit for the Audit Period and for any prior Audit Period unless otherwise agreed to in writing by the Parties; however, Claims may be re-audited if Employer is required to conduct the audit by a government agency with which it has a contractual arrangement.
- f. At least annually, Anthem shall conduct a SSAE #16 (formerly known as SAS 70 Type H) audit and shall provide the results to the Employer no later than thirty (30) days after Anthem's receipt of the audit report, at no cost to the Employer. Anthem shall provide a copy of its current SSAE #16 audit to the Employer prior to the Effective Date. Anthem shall take reasonable business measures to remediate deficiencies identified in SSAE 16 audits pertinent to Employer.

ARTICLE 13 - RECOVERY SERVICES

- a. Pursuant to the provisions of this Article 13(a), Anthem shall review Paid Claims processed under this Agreement (including during any Claims Runout Period) to determine whether such claims have been paid accurately and identify recoveries that can be pursued. Employer will receive the entire amount of any recovery obtained on its behalf. In performing these recovery services, Anthem shall not be obligated to retain outside counsel or other third parties if Anthem's recovery efforts are not successful. The cost of these services provided by Anthem for recovery efforts under this Article 13(a) is included in Anthem's Administrative Services Fee, as set forth in Section 3(A) of Schedule A.
- b. Anthem may become aware of additional recovery opportunities by means other than reviewing Paid Claims processed under this Agreement. Employer grants Anthem the authority and discretion in those instances to do the following: (1) determine and take steps reasonably necessary and cost-effective to effect recovery; (2) select and retain outside counsel; (3) reduce any recovery obtained on behalf of the Plan by its proportionate share of the outside counsel fees and costs incurred during litigation or settlement activities to obtain such recovery; and (4) negotiate and effect any settlement of the Employer's and Plan's rights by, among other things, executing a release waiving the Employer's and Plan's rights to take any action inconsistent with the settlement.
- c. During the term of this Agreement and any applicable Claims Runout Period (defined in Section 6(a) of Schedule A), Anthem may pursue payments to Members by any other person, insurance company or other entity on account of any action, claim, request, demand, settlement, judgment, liability or expense that is related to a Claim for Covered Services ("Subrogation Services"). Anthem shall charge Employer a fee provided in Schedule A to this Agreement ("Subrogation Fee"). Any subrogation recoveries shall be net of the Subrogation Fee and shall be treated as an adjustment to the Claims payment in the billing period in which the adjustment occurs as described in Article 4 of this Agreement. Subrogation Fees will not be assessed on subrogation recoveries until they are received by Anthem and credited to Employer.
- d. Anthem will engage third parties: (1) to conduct a review of Paid Claims processed under this Agreement and perform other recovery related services that are in addition to the standard recovery services provided under Article 13(a); and (2) to conduct audits of Provider and Vendor contracts. The purpose of these services is to determine whether Paid Claims processed under this Agreement have been paid accurately and, if they have not been paid accurately, to pursue recoveries. If Anthem makes a recovery as a result of the services described in this Article 13(d), then Anthem shall receive a fee provided in Schedule A as compensation for its services, a portion of which shall be paid to third parties for their services, and Employer will receive the remaining recovery amount.
- e. In exercising its authority pursuant to Articles 13(a) through (d), Anthem shall determine which recoveries it will pursue, and in no event will Anthem pursue a recovery if it reasonably believes that the cost of the collection is likely to exceed the recovery amount or if the recovery is prohibited by law or an agreement with a Provider or Vendor. Anthem will not be liable for any amounts it does not successfully recover. Anthem shall retain any recoveries it obtains as a result of its recovery services or audits if the cost to administer the refund is likely to exceed the amount of the refund. Employer further understands and agrees that Anthem shall have authority to enter into a settlement or compromise on behalf of the Employer and Plan regarding these recovery, subrogation and audit services, including, but not limited to, the right to reduce future reimbursement to Provider or Vendor in lieu of a lump sum settlement. Anthem may have contracts with Network Providers or Vendors or there may be judgments, orders, settlements, applicable

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

ARTICLE 14 - PHARMACY BENEFITS AND SERVICES

- a. If applicable to Plan benefits and as indicated in Schedule B of this Agreement, Anthem, through PBM, shall provide the following Prescription Drug management services:
 1. Anthem shall offer Employer access to a network of pharmacies that have entered into contractual arrangements with PBM under which such pharmacies agree to provide pharmacy services to Members and accept negotiated fees for such services ("Network Pharmacies"). Anthem shall determine, in its sole discretion, which pharmacies shall be Network Pharmacies, and the composition of Network Pharmacies may change from time to time.
 2. Anthem will furnish and maintain a drug formulary for use with the Plan, and Anthem shall periodically review and update its formulary. The Employer shall adopt such formulary as part of the design of the Plan. Unless mutually agreed to in writing by the Parties, upon termination of the Agreement, the Employer shall cease adoption and use of Anthem's formulary as part of its Plan. The drug formulary will be made available to Members on Anthem's web site and upon request may be provided to Employer in a mutually acceptable format for Employer's distribution to Members.
 3. Anthem shall offer Employer a home delivery pharmacy program, through which Members may receive home delivery prescription services. Additional fees for express mail, shipping or handling may be charged to Members. Anthem shall also offer Employer a specialty pharmacy program, through which Members may receive specialty pharmacy prescription services. Anthem shall provide all necessary information and forms to Members to obtain these services.
 4. Anthem shall arrange for the processing of Prescription Drug Claims in accordance with the Benefits Booklet.
- b. PBM has negotiated programs with pharmaceutical manufacturers under which rebates for certain Prescription Drugs dispensed to Members are made directly to PBM ("Drug Rebate Programs"). Such Drug Rebate Programs are not based on the drug utilization of any one Employer Plan, but rather are based on the drug utilization of all individuals enrolled in PBM managed programs. In many cases the rebates are conditioned on certain Prescription Drugs being included on the formulary that Anthem requires Employer to adopt as part of the Plan. PBM will pay Anthem a portion of the rebates it receives (such portion being referred to in this Agreement as "Drug Rebates"). Anthem shall pay Employer an amount attributable to its actual or estimated receipt of the Drug Rebates as described in Section 3(A) of Schedule A.
- c. Anthem may receive and retain administrative fees from PBM or directly from pharmaceutical manufacturers. In addition, Anthem may receive and retain service fees from pharmaceutical manufacturers for providing services (e.g., Provider and Member education programs that promote clinically appropriate and safe dispensing and use of Prescription Drugs). For purposes of this Agreement, administrative fees and service fees received by Anthem or PBM shall not be considered Drug Rebates.
- d. If Employer terminates the pharmacy benefits portion of its Plan with Anthem at any time, then Anthem shall have the right to amend the Administrative Services Fee indicated in Section 3(A) of Schedule A.

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

- a. **Out of Area Services.** Anthem has a variety of relationships with other Blue Cross and/or Blue Shield Licensees referred to generally as "Inter-Plan Programs." Claims for certain services may be processed through one of these Inter-Plan Programs and presented to Anthem for payment in accordance with the rules of the Inter-Plan Programs policies then in effect. The Inter-Plan Programs available to Members under this Agreement are described generally below. Typically, Members' Claims are processed through an Inter-Plan Program when Members obtain care from health care Providers that have a contractual agreement (i.e., are "Network Providers") with a local Blue Cross and/or Blue Shield Licensee ("Host Blue"). In some instances, Members may obtain care from non-Network Providers. Anthem's payment practices in both instances are described below.
- b. **BlueCard® Program.** Under the BlueCard® Program, when Members access Covered Services within the geographic area served by a Host Blue, Anthem will remain responsible to Employer for fulfilling Anthem's contractual obligations. However, in accordance with applicable Inter-Plan Programs policies then in effect, the Host Blue will be responsible for providing such services as contracting and handling substantially all interactions with its Network Providers. The financial terms of the BlueCard Program are described generally below. Individual circumstances may arise that are not directly covered by this description; however, in those instances, Anthem's action will be consistent with the spirit of this description.
1. **Liability Calculation Method Per Claim.** The calculation of the Member liability on Claims for Covered Services processed through the BlueCard Program will be based on the lower of the Network Provider's Billed Charges or the negotiated price made available to Anthem by the Host Blue.

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

- i. an actual price. An actual price is a negotiated payment without any other increases or decreases, or
- ii. an estimated price. An estimated price is a negotiated payment reduced or increased by a percentage to take into account certain payments negotiated with the Provider and other Claim- and non-Claim-related transactions. Such transactions may include, but are not limited to, anti-fraud and abuse recoveries, Provider refunds not applied on a Claim-specific basis, retrospective settlements, and performance-related bonuses or incentives, or
- iii. an average price. An average price is a percentage of Billed Charges representing the aggregate payments negotiated by the Host Blue with all of its health care Providers or a similar classification of its Providers and other Claim- and non-Claim-related transactions. Such transactions may include the same ones as noted above for an estimated price.

Host Blues using either an estimated price or an average price may, in accordance with Inter-Plan Programs policies, prospectively increase or reduce such prices to correct for over- or underestimation of past prices (i.e., prospective adjustments may mean that a current price reflects additional amounts or credits for Claims already paid to Providers or anticipated to be paid to or received from Providers). However, the amount paid by the Member and Employer is a final price; no future price adjustment will result in increases or decreases to the pricing of past Claims.

The BlueCard Program requires that the price submitted by a Host Blue to Anthem is a final price irrespective of any future adjustments based on the use of estimated or average pricing. If a Host Blue uses either an estimated price or an average price on a Claim, it may also hold some portion of the amount that Employer pays in a variance account, pending settlement with its Network Providers. Because all amounts paid are final, neither variance account funds held to be paid, nor the funds expected to be received, are due to or from Employer. Such payable or receivable

would be eventually exhausted by health care Provider settlements and/or through prospective adjustment to the negotiated prices. Some Host Blues may retain interest earned, if any, on funds held in variance accounts.

A small number of states require Host Blues either (i) to use a basis for determining Member liability for Covered Services that does not reflect the entire savings realized, or expected to be realized, on a particular Claim, or (ii) to add a surcharge. Should the state in which health care services are accessed mandate liability calculation methods that differ from the negotiated price methodology or require a surcharge, Anthem would then calculate Member liability and Employer liability in accordance with applicable law.

2. Return of Overpayments. Under the BlueCard Program, recoveries from a Host Blue or its Network Providers can arise in several ways, including, but not limited to, anti-fraud and abuse recoveries, health care Provider/hospital audits, credit balance audits, utilization review refunds, and unsolicited refunds. In some cases, the Host Blue will engage a third party to assist in identification or collection of recovery amounts. The fees of such a third party may be netted against the recovery. Recovery amounts determined in this way will be applied in accordance with applicable Inter-Plan Programs policies, which generally require correction on a Claim-by-Claim or prospective basis.

c. Negotiated National Account Arrangements. As an alternative to the BlueCard Program, Member Claims for Covered Services may be processed through a negotiated National Account arrangement with a Host Blue. For purposes of this Article, a "National Account" is an Employer that has membership in more than one state.

If Anthem and Employer have agreed that (a) Host Blue(s) shall make available a custom health care Provider network(s) in connection with this Agreement, then the terms and conditions set forth in Anthem's negotiated National Account arrangement(s) with such Host Blue(s) shall apply. In negotiating such arrangement(s), Anthem is not acting on behalf of or as an agent for Employer, the Plan or Members.

Employer agrees that Anthem will not have any responsibility in connection with the processing and payment of Claims when Members access such network(s), except as may be set forth in the relevant participation agreement.

Member Liability Calculation. Member liability calculation will be based on the lower of either Billed Charges or negotiated price made available to Anthem by the Host Blue that allows Members access to negotiated participation agreement networks of specified Network Providers outside of Anthem's service area.

d. Non-Network Providers Outside Anthem's Service Area.

1. Member Liability Calculation. When Covered Services are provided outside of Anthem's service area by non-Network Providers, the amount a Member pays for such services will generally be based on either the Host Blue's non-Network Provider local payment or the pricing arrangements required by applicable state law. In these situations, the Member may be responsible for the difference between the amount that the Non-Network Provider bills and the payment Anthem will make for the Covered Services as set forth in this paragraph.

2. Exceptions. In some exception cases, Anthem may pay Claims from non-Network Providers outside of Anthem's service area based on the Provider's Billed Charges, such as in situations where a Member did not have reasonable access to a Network Provider, as determined by Anthem in Anthem's sole and absolute discretion or by applicable state law. In other exception cases, Anthem may pay such a Claim based on the payment it would make if Anthem were paying a non-Network Provider inside of Anthem's service area, as described elsewhere in this Agreement, where the Host Blue's corresponding payment would be more than Anthem's in-service area non-Network Provider payment, or in its sole and absolute discretion, Anthem may negotiate a payment with such a Provider on an exception basis. In any of these exception situations, the Member may be responsible for the difference between the amount that the non-Network Provider bills and the payment Anthem will make for the Covered Services as set forth in this paragraph.

- e. Inter-Plan Program Fees and Compensation. Employer understands and agrees to reimburse Anthem for certain fees and compensation which it is obligated under BlueCard or any other Inter-Plan Program, to pay to the Host Blues, to the BCBSA, and/or to BlueCard or Inter-Plan Program vendors, as described below. Fees and compensation under BlueCard and other Inter-Plan Programs may be revised in accordance with the specific Program's standard procedures for revising such fees and compensation, which do not provide for prior approval by any groups. Such revisions typically are made annually as a result of Program policy changes and/or vendor negotiations. These revisions may occur at any time during the course of a given calendar year, and they do not necessarily coincide with the Agreement Period. With respect to Negotiated National Account Arrangements, the participation with the Host Blue may provide that Anthem must pay an administrative and/or network access fee to the Host Blue. For this type of negotiated participation arrangement, any such administrative and/or network access fee will not be greater than the comparable fees that would be charged under the BlueCard Program. Anthem will charge these fees as described in Section 7 of Schedule A.

ARTICLE 16 - CLAIMS LITIGATION

- a. Anthem shall defend against any legal action or proceeding brought against Anthem to recover a claim for benefits under the Plan as administered by Anthem. If a demand for benefits under the Plan is asserted, or litigation, investigation, or other proceedings are commenced against Anthem by a Member, or by any other party on behalf of a Member, in connection with the Plan, Anthem shall provide notice to Employer as soon as practicable. Anthem will select and retain counsel subject to Employer's approval, which shall not be unreasonably withheld. Except as otherwise provided in Article 16(b), Employer will assume liability for payment of attorneys' reasonable fees and costs in connection with the litigation, proceeding, or investigation. If Employer or Plan are also named in the legal action or proceeding, Employer reserves the right to retain separate counsel for itself, in its sole discretion and at its own expense, and separate counsel for the Plan. If during such litigation, investigation or proceedings Employer and Anthem are both represented by the same counsel selected by Anthem and a conflict of interest arises, the selected counsel shall continue to represent Anthem's interests. Employer shall waive any conflict for such representation and retain its own counsel, or separate counsel for the Plan, at its own expense. Each Party will provide the other with reasonable cooperation in the defense of any such matter. Anthem is authorized to settle or compromise any claim to recover benefits under the Plan arising out of a course of legal action with the approval of Employer, which approval shall not be unreasonably withheld.
- b. Notwithstanding the above in this Article 16, if Anthem fails to perform its responsibility to review and determine Claims for benefits under the Plan in a manner that is consistent with the standard of care in Article 17 of this Agreement, Anthem will assume liability for payment of its legal fees and costs. However, Anthem is not an insurer of benefits under the Plan nor does it underwrite the risk or otherwise assume any risk for the payment of benefits under the Plan. Under all circumstances, Employer shall be liable to pay Plan benefits awarded or paid by settlement, judgment, or otherwise.
- c. In the event of any legal action or proceeding against the Employer or Plan pertaining to Covered Services described in the Benefits Booklet, Anthem shall make available to Employer, the Plan, and their respective counsel, such evidence that is not privileged or otherwise confidential and is relevant to such action or proceeding.

ARTICLE 17 - INDEMNIFICATION

"Except for legal actions or proceedings seeking benefits under the Plan, which are governed by Article 16 of this Agreement, Anthem and Employer shall each indemnify, defend and hold harmless the other Party, and its directors, officers, employees, agents and affiliates, acting in the course of their employment, from and against any and all losses, claims, fines and penalties, suits, damages, liabilities, judgments or expenses (including without limitation, reasonable attorneys' fees and costs) resulting from: (1) the indemnifying Party's or its subcontractor's negligence, omission, or willful misconduct in the performance of the obligations under this Agreement, and/or (2) the indemnifying Party's failure to provide information required under this Agreement or otherwise required by law that results in a sanction or penalty being assessed against the other Party, and/or (3) the indemnifying Party's or its subcontractor's breach of fiduciary duties. "Negligence" as used in this Article 17 means the indemnifying Party's failure to perform its obligations under this Agreement using the same skill and care under the circumstances that a reasonably prudent Party acting in a like capacity would use in conducting its business and providing services. The obligation to provide indemnification under this Agreement shall be contingent upon the Party seeking indemnification: (i) providing the indemnifying Party with prompt written notice of any claim for which indemnification

is sought, (ii) allowing the indemnifying Party to control the defense and settlement of such claim; provided, however, that the indemnifying Party agrees not to enter into any settlement or compromise of any claim or action in a manner that admits fault or imposes any restrictions or obligations on an indemnified Party without that indemnified Party's prior written consent, which will not be unreasonably withheld; and, (iii) cooperating fully with the indemnifying Party in connection with such defense and settlement.

ARTICLE 18 - CHANGES IN BENEFITS BOOKLET AND AGREEMENT

- a. Either Party reserves the right to propose changes to the provisions described in the Benefits Booklet by giving written notice to the other Party not less than 90 days prior to the start of an Agreement Period and such changes will be made to the Benefits Booklet as mutually agreed to in writing by the Parties. Either Party may also propose changes to the Benefits Booklet at a time other than the start of an Agreement Period and such changes will be made to the Benefits Booklet if mutually agreed to in writing by the Parties. Anthem's incorporation of the requested changes into the Benefits Booklet shall constitute Anthem's acceptance of the Employer's requested changes. If Anthem initiates the proposed changes and does not receive written notice from Employer prior to the effective date of the proposed changes that such changes are unacceptable, the changes shall be deemed acceptable by Employer and Anthem shall incorporate such changes into the Benefits Booklet.
- b. If changes to the provisions of the Benefits Booklet are mandated as a result of a change to any applicable state or federal law, Anthem shall have the right to make such changes to the Benefits Booklet to comply with the law and shall provide written notice to Employer at least 30 days prior to the effective date of the change, unless the effective date specified in the law is earlier.
- c. Anthem also reserves the right to change the Administrative Services Fee at a time other than the start of an Agreement Period upon the occurrence of one or more of the following events: (1) a change to the Plan benefits initiated by Employer that results in a substantial change in the services to be provided by Anthem; (2) a change in ownership as described in Article 3(h) of this Agreement; (3) a change in the total number of Members resulting in either an increase or decrease of 10% or more of the number of Members enrolled for coverage on the date the Administrative Services Fee was last modified; (4) a change in Employer contribution as described in Article 3(e) of this Agreement; (5) a change in nature of Employer's business resulting in a change in its designated Standard Industrial Classification ("SIC") code; or (6) a change in applicable law that results in an increase in the cost or amount of administrative services from those currently being provided by Anthem under this Agreement. Anthem shall provide notice to Employer of the change in the Administrative Services Fee at least 30 days prior to the effective date of such change. If such change is unacceptable to Employer, either Party shall have the right to terminate this Agreement by giving written notice of termination to the other Party before the effective date of the change. If Employer accepts the proposed Administrative Services Fee, Anthem shall provide a revised Schedule A that will then become part of this Agreement without the necessity of securing Employer's signature on the Schedule.
- d. In the event any action of any department, branch or bureau of the federal, state or local government is initiated or taken ("Action") against a Party to this Agreement and such Action materially and adversely affects that Party's performance of the obligations under this Agreement, the affected Party shall notify the other Party of the nature of the Action and provide copies of pertinent documents supporting the reason(s) for the Action. If a modification to the Agreement is needed as a result of the Action, the Parties shall meet within 30 days of the notice by the affected Party to the other Party and shall, in good faith, attempt to negotiate a modification to this Agreement that minimizes or eliminates the impact of the Action. If the Parties are unable to minimize or eliminate the impact of the Action, then either Party may terminate this Agreement by giving at least 90 days' notice of termination. This Agreement may be terminated sooner if agreed to by the Parties or required by the government entity initiating or taking the Action.
- e. No modification or change in any provision of this Agreement, including but not limited to, changes at renewal, shall be effective unless and until approved in writing by an authorized representative of both Parties and evidenced by an amendment or new Schedule attached to this Agreement.

ARTICLE 19 - TERMINATION AND/OR SUSPENSION OF PERFORMANCE

- a. Notwithstanding any other provision of this Article, this Agreement automatically terminates, without further notice or action, if Employer fails to pay or fund any amount due under this Agreement within 7 days of the

date of Anthem's notice to the Employer of a delinquent amount owed. Such termination shall be effective as of the last period for which full payment was made. In addition, this Agreement automatically terminates, without further notice or action, at the end of each Agreement Period unless Anthem offers to renew this Agreement and Employer accepts such offer of renewal pursuant to Article 6 of this Agreement. Upon termination of this Agreement, Employer shall remain liable for all payments due to Anthem under the terms of this Agreement. Notwithstanding the above, Anthem has the right to suspend performance of its obligations under this Agreement if full payment is not made by the Invoice Due Date. Anthem shall have no obligation to pay any Claims under the Agreement until all required payments have been paid in full.

- b. If either Party fails to comply with any material duties and obligations under this Agreement other than payment of amounts due under this Agreement, the other Party shall have the right to: (1) terminate this Agreement by giving the non-compliant Party at least 60 days prior written notice of termination; or (2) upon written notice to the other Party, suspend performance of its obligations under this Agreement. Employer acknowledges and agrees that in the event it is the non-compliant Party, Anthem shall have no liability to any Member. Either Party, at its option, may allow the non-compliant Party to cure a breach of this Agreement and, upon acceptance in writing by that Party that a breach is cured, this Agreement may be reinstated retroactive to the date of the breach or suspension of performance. Notwithstanding any other provision of this Agreement, a Party may seek injunctive or other equitable relief from a court of competent jurisdiction should there be any unauthorized use or disclosure of Proprietary Information or Confidential Information by the other Party.
- c. If there shall occur any change in the condition (financial or otherwise) of Employer or an Employer Affiliate that, in the reasonable opinion of Anthem, has a material adverse effect upon the validity, performance, or enforceability of this Agreement, on the financial condition or business operation of Employer (or Employer Affiliate), or on the ability of Employer to fulfill its obligations under this Agreement, then Anthem shall have the right to require Employer to provide adequate assurance of future performance, which may include a payment of a cash deposit, letter of credit, or other method of assurance acceptable to Anthem. Examples of such a change could include, but would not be limited to the actual, or Anthem's reasonable anticipation of: (1) any voluntary or involuntary case or proceedings under bankruptcy law with respect to Employer or an Employer Affiliate; (2) any receivership, liquidation, dissolution, reorganization or other similar case or proceeding with respect to Employer or an Employer Affiliate; (3) any appointment of a receiver, trustee, custodian, assignee, conservator or similar entity or official for Employer or an Employer Affiliate; or (4) any assignment for the benefit of creditors or sale of all or substantially all of Employer's assets or a key Employer Affiliate's assets.

Any deposit amount shall be paid to Anthem within 30 days of the request or in such shorter time as agreed to by the Parties. The deposit amount shall not be paid with Plan assets, shall not be funded in any part by Member contributions, and shall not be paid from any segregated fund or from funds in which the Plan or any Member has a beneficial interest. The deposit amount shall be the property of Anthem, may be held in Anthem's general account, may be subject to satisfy the claims of Anthem's general creditors, and does not govern or limit the benefits available under the terms of the Plan. At the termination of this Agreement and designated Claims Runout Period, if any, the deposit amount, net of any outstanding fees or Claims amounts payable to Anthem, shall be returned to Employer. Any deposit amount returned to Employer under this Article 19(c) shall not include interest. Neither Employer, the Plan, nor any Member shall have any beneficial or legal ownership interest in any deposit amount paid pursuant to this Section.

If such further assurance is required by Anthem, Anthem may, at any time after the date of notice to Employer of such requirement, suspend performance of its obligations under this Agreement until the date of receipt by Anthem of such adequate assurance without being liable to the Employer, the Plan or any Member for such suspension. If such adequate assurance is not received within 30 days of the request, Anthem may terminate this Agreement.

- d. Subject to the provisions of Article 7 of this Agreement, if this Agreement terminates and Anthem makes payment of any Claim that would otherwise have been payable under the terms of this Agreement after the termination date, Employer shall be liable to reimburse Anthem for such Claim to the extent that the amounts have not already been paid by Employer. Employer also agrees to cooperate fully with Anthem in the coordination of pharmacy Claims with any successor pharmacy benefit manager.
- e. The Employer may terminate this Agreement at any time without penalty by giving Anthem 90 days written notice of its intent to terminate. Employer may elect to terminate a portion of the benefits or programs administered under this Agreement, subject to revision by Anthem of the fees and other amounts due.

- f. In connection with the termination of this Agreement and upon Employer's request, Anthem shall provide reports that are part of Anthem's standard account reporting package at no extra charge. However Anthem shall have no obligation to provide the reports after the termination date of this Agreement if such termination is due to non-payment pursuant to Article 19(a) of this Agreement. Upon Employer's request, Anthem shall also provide data extract files to Employer for an additional fee mutually agreed to by the Parties. In no event shall Anthem be obligated to produce more than two sets of reports following the termination date of this Agreement.

ARTICLE 20 - LIMITATION ON ACTIONS AND GOVERNING LAW

- a. No action at law or in equity by either Party alleging a breach of this Agreement may be commenced after the expiration of 3 years from the date on which the claim arose.
- b. This Agreement shall be governed by, and shall be construed in accordance with the laws of Connecticut to the extent not preempted by federal law, but without giving effect to that state's rules governing conflict of laws. The parties agree that any and all claims asserted by or against the Employer arising hereunder or related hereto shall be heard and determined in a state or federal court located in Connecticut.

ARTICLE 21 - NO WAIVER

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

ARTICLE 22 - ASSIGNMENT AND SUBCONTRACTING

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

ARTICLE 23 - NOTICES

- a. Any notice or demand pursuant to Articles 19 and 22 of this Agreement shall be deemed sufficient when made in writing as follows: to Employer, by first class mail, personal delivery, or electronic mail or overnight delivery with confirmation capability; to Anthem, by first class mail, personal delivery, electronic mail or overnight delivery with confirmation capability, to the designated Anthem sales representative, addressed as follows:

1. If directed to the Employer's Representative:

Executive Director of Risk Management and his or her designee
Hartford Board of Education
960 Main Street
Hartford, CT 06103

2. If directed to Anthem's Representative:

108 Leigus Road Wallingford, Connecticut 06492

- b. A notice or demand shall be deemed to have been given as of the date of deposit in the United States mail with postage prepaid or, in the case of delivery other than by mail, on the date of actual delivery at the appropriate address. The above addresses may be changed at any time by giving prior written notice as above provided.
- c. Employer shall be obligated to provide all notices to Members as may be necessary to effectuate any change in or termination of the Agreement.

ARTICLE 24 - ADMINISTRATION

- a. Employer, on behalf of itself and its Members, hereby expressly acknowledges its understanding that this Agreement constitutes a contract solely between Employer and Anthem, that Anthem is an independent corporation operating under a license with BCBSA permitting Anthem to use the Blue Cross and Blue Shield Service Marks in Connecticut and that Anthem is not contracting as the agent of BCBSA. Employer further acknowledges and agrees that it has not entered into this Agreement based upon representations by any person other than Anthem and that no person, entity, or organization other than Anthem shall be held accountable or liable to it for any of Anthem's obligations to Employer created under this Agreement. This paragraph shall not create any additional obligations whatsoever on the part of Anthem other than those obligations created under other provisions of this Agreement.
- b. Anthem is providing administrative services only with respect to the portion of the Plan described in the Benefits Booklet. Anthem has only the authority granted it pursuant to this Agreement. Anthem is not the insurer or underwriter of any portion of the Plan. Anthem has no responsibility or liability for funding benefits provided by the Plan, notwithstanding any advances that might be made by Anthem. Employer retains the ultimate responsibility and liability for all benefits and expenses incident to the Plan, including but not limited to, any applicable taxes that might be imposed relating to the Plan.
- c. Employer shall ensure that sufficient amounts are available to cover Claims payments, the monthly Administrative Services Fee, and other fees or charges.

ARTICLE 25 – Records

- a. Maintenance of Records. Anthem shall maintain complete and accurate Records, and retain them for seven (7) years after the end of the calendar year in which the transaction occurred, or as required by applicable law. Anthem shall retain such Records in either an electronic or hard copy format. Maintenance of Records shall include the obligation to store backup computer files at an off-site storage location.
- b. Business Resumption: Anthem will maintain a business continuity, disaster recovery and emergency management program to respond to and recover from business process interruptions in a manner and timeframe designed to support the survival of the business and the delivery of critical services to Employers and Members. Upon request, Anthem shall furnish a summary overview of the business continuity, disaster recovery and emergency management program.

ARTICLE 26 - ENTIRE AGREEMENT

- a. The following documents will constitute the entire Agreement between the Parties: this Agreement, including any amendments and Schedules thereto, and the Benefits Booklet.
- b. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- c. This Agreement supersedes any and all prior agreements between the Parties, whether written or oral, and other documents, if any, addressing the subject matter contained in this Agreement.
- d. If any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law, order, judgment or settlement, such provision shall be excluded from the Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

ARTICLE 27 - DISPUTE RESOLUTION

Remedies Cumulative. Specific Performance. The rights and remedies of the parties hereto shall be cumulative (and not alternative). The parties to this Agreement agree that to the extent permitted by applicable law, in the event of any breach or threatened breach by any party to this Agreement of any covenant, obligation or other provision set forth in this Agreement for the benefit of the other party to this Agreement, such other party shall be entitled in addition to any other remedy that may be available to it) to: (1) a decree or order of specific performance to enforce the observance and performance of such covenant, obligation or other provision; and (ii) an injunction restraining such breach or threatened breach. Neither party shall be required to provide any bond or other security in connection with any such decree, order or injunction or in connection with any related action or legal proceeding.

Disputes and Arbitration. Before initiating arbitration, litigation or other formal legal proceedings, if the parties cannot resolve a claim or controversy arising out of or relating to this Agreement or any claimed breach of this Agreement in the normal course of business, each party shall appoint a knowledgeable, responsible representative to meet and negotiate in good faith to resolve disputes arising under this Agreement. If the dispute is not resolved following such meeting, and either Party wishes to pursue the dispute further, that Party shall commence arbitration by filing an arbitration demand with the American Arbitration Association ("AAA") within 30 days of the meeting. The dispute shall be resolved through arbitration to be heard in Hartford, Connecticut unless the Parties agree otherwise.

- Any dispute subject to arbitration as set forth herein shall be settled by binding arbitration, except to the extent that the dispute is required by law to be resolved by a state or federal regulatory authority. The Employer shall not have the right to participate as a member of any class of claimants pertaining to any dispute subject to arbitration hereunder, nor shall there be any authority for disputes arising under this Agreement to be arbitrated on a class action basis. Arbitration shall be limited to disputes between the Parties and cannot be consolidated or joined with claims of other persons or entities who may have similar claims.
- The Commercial Arbitration Rules of the AAA shall apply, using a single arbitrator provided the parties mutually agree to do so and mutually agree on the choice of the arbitrator. A 3 member panel of arbitrators may also be used if the parties agree. The arbitration panel shall consist of one arbitrator selected by each Party and the third independent arbitrator who shall be selected and agreed upon by the first 2 arbitrators. . The decision of the arbitrator(s) shall be binding. Each Party shall bear its own costs (including attorneys fees) for the proceedings, and all other costs of the arbitration proceeding shall be shared equally by the Parties, except as may be awarded in the discretion of the arbitrator(s) in accordance with the arbitration decision (including an award of attorneys' fees). Judgment upon the award rendered by the arbitrator(s) may be entered and enforced in any court of competent jurisdiction.

ARTICLE 28 - MISCELLANEOUS

- a. Employer and Anthem are separate legal entities. Anthem is strictly an independent contractor. Nothing contained in this Agreement shall cause either Party to be deemed a partner, member, agent or representative of the other Party, nor shall either Party have the expressed or implied right or authority to assume or create any obligation on behalf of or in the name of the other Party through its actions, omissions or representations.
- b. Except as may be explicitly set forth in this Agreement, nothing herein shall be construed as an implied license by a Party to use the other Party's name, trademarks, domain names, or other intellectual property. Neither Party shall use the name, trademarks, domain names, or any other name or mark of the other Party in any press release, printed form, advertising or promotional materials or otherwise, without the prior written consent of the other Party. In addition, Employer has no license to use the Blue Cross and/or Blue Shield trademarks or derivative marks (the "Brands") and nothing in the Agreement shall be deemed to grant a license to Employer to use the Brands. Any references to the Brands made by Employer in its own materials are subject to prior review and approval by Anthem.
- c. Nothing contained herein shall cause either Party to be deemed an agent for service of legal process for the other Party.
- d. **Mutuality of Drafting.** This Agreement is the mutual product of Anthem and the Employer. Each provision of this Agreement has been subject to mutual consultation, negotiation, and drafting, and the language of this Agreement shall therefore be interpreted without regard to which party prepared this Agreement or any portion of this Agreement.
- e. The Parties acknowledge that Anthem, in making decisions regarding the scope of coverage of services under the Benefits Booklet, is not engaged in the practice of medicine. Providers are not restricted in exercising their independent medical judgment by contract or otherwise and do not act on behalf of, or as agents for, Anthem or the Plan.
- f. In addition to any other provision providing for survival upon termination of this Agreement, the Parties' rights and obligations under Articles 9, 10, 11, 12, 13, 16, 17, 19, 20, 24, 25 and 27 shall survive the termination of this Agreement for any reason.
- g. Each Party shall comply with all laws and regulations applicable to their respective duties and obligations assumed under this Agreement. In performing the services set forth in this Agreement, Anthem shall comply with all applicable state, federal, and local laws, rules, and regulations, including, but not limited to, procurement of required permits, certificates, licenses, and insurance. Anthem shall have the responsibility for and bear the cost (if applicable) of non-compliance with any federal, state, or local rules, laws, or regulations as may apply to Anthem in connection with performance and its obligations under this Agreement.
- h. **No Obligation to Continue Plan.** Nothing in this Agreement shall constitute an obligation on the part of the Employer to continue to offer Benefits to Members, and the Employer retains the right to terminate or amend the Plan at any time, consistent with the terms of any other order or agreement that the Employer may be subject to.
- i. **Non-Exclusivity.** Nothing in this Agreement shall be construed to be an exclusive arrangement for services, nor shall this Agreement prevent the Employer from pursuing or entering into similar agreements or contracts with other entities during any term of this Agreement. Anthem acknowledges and agrees that (i) Members covered under this Agreement may be changed at any time at the sole discretion of the Employer, subject to Article 3.a of this Agreement, (ii) Members may cease to be covered under this Agreement by voluntarily choosing other benefit plan options, vendors or programs, or as a result of a decision by the Employer to migrate portions of the Members, based on geographic location or any other reason, to a different service provider, (iii) any such change in the Members shall not affect the full enforcement of this Agreement for the remaining Members, subject to the rights of Anthem to change the fees under Article 18.c, and (iv) the Employer does not guarantee a minimum number of Members to be covered under this Agreement, subject to the rights of Anthem to change the fees under Article 18.c.
- j. **Force Majeure:** If any Party is delayed or prevented from fulfilling its obligations under this Agreement by a Force Majeure, that Party will not be required to perform such obligations during the time period where the

Force Majeure event delays or prevents performance. "Force Majeure" means any cause beyond the reasonable control of a Party, including but not limited to acts of God, civil or military disruption, terrorism, disease epidemic, fire, strike, flood, riot or war. If Anthem is prevented by a Force Majeure from performing a substantial portion of its obligations for a period in excess of 30 days, the Employer shall have the right to terminate this Agreement upon 30 days written notice to Anthem.

- k. Insurance: Anthem shall, at its sole cost, maintain during the term of this Agreement, and any period in which Anthem provides Claims Run-Out Services to the Plan (and cause Anthem's subcontractors who perform services under this Agreement to maintain during the same period) at least the following kinds and minimum amounts of insurance: (i) statutory workers' compensation and employers liability insurance with limits of not less than five hundred thousand dollars (\$500,000) per occurrence; (ii) commercial general liability insurance, including blanket contractual liability and broad form property damage, with limits of at least five million dollars (\$5,000,000) combined single limit for personal injury and property damage per occurrence; (iii) automobile liability insurance covering Anthem's personnel engaged in performing services under this Agreement with limits of at least one million dollars (\$1,000,000) per accident; (iv) professional liability insurance protecting Anthem against liability or loss related to acts or omissions by Anthem, its directors, officers, employees, agents, subcontractors, and representatives, arising out of or related to this Agreement, with coverage limits of at least five million dollars (\$5,000,000) per claim and twenty million dollars (\$20,000,000) in the aggregate; and (v) Internet liability and network protection insurance with limits of at least ten million dollars (\$10,000,000) per claim or wrongful act. The coverage amounts above may be met in part by an appropriate umbrella or excess liability policy.

Upon the Employer's request, Anthem shall furnish adequate proof of the foregoing insurance. The Employer shall be promptly notified in writing before cancellation or any change in Anthem's insurance. If it is not reasonably possible for Anthem to provide such prior notice, the notice will be provided to the Employer as soon as reasonably possible after the event that affects insurance coverage.

Anthem shall require each of the Network Providers to secure and maintain, during the term of this Agreement, professional liability (malpractice) insurance in accordance with Anthem's credentialing standards.

- l. Identification. No identification of or references to the Employer or the Plan shall be used in any of Anthem's announcements, release of information, advertising or promotional efforts in reference to activities undertaken by Anthem under this Agreement without prior written permission from the Employer.

ARTICLE 29 – General Representations and Warranties

In order to induce the Employer to enter into and perform this Agreement, Anthem represents and warrants to the Employer that:

Existence; Compliance with Law. Anthem (i) if it is a corporation is duly incorporated, organized, validly existing and in good standing as a corporation under the laws of the jurisdiction of its incorporation; (ii) if it is a partnership, non-profit organization, individual or sole proprietorship is duly organized and validly existing under the laws of the jurisdiction in which it was organized; (iii) is duly qualified and in good standing under the laws of each jurisdiction where its existing ownership, lease, or operation of property in the conduct of its business requires, and (iv) has the power and the legal right to conduct the business in which it is currently engaged and to enter into this Agreement.

Authority. Anthem has full power, authority and legal right to execute, deliver and perform this Agreement. Anthem has taken all necessary action to authorize the execution, delivery and performance of this Agreement.

No Legal Bar. The execution, delivery and performance of the Agreement do not and will not violate any provision of any existing law, regulation, or of any order, judgment, award or decree of any court or government applicable to Anthem or the charter or by-laws of Anthem or any mortgage, indenture, lease, contract, or other agreement or undertaking to which Anthem is a party or by which Anthem or any of its properties or assets may be bound, and will not result in the creation or imposition of any lien on any of its respective properties or assets pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement or undertaking.

No Litigation. Except as specifically disclosed to the Employer in writing prior to the date hereof, no claim, litigation, investigation or proceeding of or before any court, arbitrator or governmental authority is currently pending nor, to the knowledge of Anthem, is any claim, litigation or proceeding threatening against Anthem or against its properties or revenues (i) which involves the services provided under this Agreement or (ii) which, if adversely determined, would have an adverse effect on the business, operations, property or financial or other condition of Anthem. For purposes

of this paragraph, a claim, litigation, investigation or proceeding may be deemed disclosed to the Employer if the Employer has received, prior to the date hereof, detailed written information concerning the nature of the matter involved, the relief requested, and a description of the intention of Anthem to controvert or respond to such matter.

No Default. Anthem is not in default in any respect in the payment or performance of any of its obligations or in the performance of any mortgage, indenture, lease, contract or other agreement or undertaking to which it is a party or by which it or any of its properties or assets may be bound which would have an adverse effect on the business, operations, property or financial or other condition of Anthem, and no such default or Event of Default (as defined in any such mortgage, indenture, lease, contract, or other agreement or undertaking) has occurred and is continuing or would occur solely as a result of the execution and performance of this Agreement which would have an adverse effect on the business, operations, property or financial or other condition of Anthem. Anthem is not in default under any order, award, or decree of any court, arbitrator, or government binding upon or affecting it or by which any of its properties or assets may be bound or affected, and no such order, award or decree would affect the ability of Anthem to carry on its business as presently conducted or the ability of Anthem to perform its obligations under this Agreement or any of the other financing to which it is a party.

No Inducement or Gratuities.

Anthem warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon any agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by Anthem for the purpose of securing business.

Additionally, Anthem warrants that no gratuities or other inducements have been offered or given or will be offered or given (in the form of entertainment, gifts, offers of employment, or any other thing of value) to any official or employee of the Employer. Anthem further warrants that during the term of the Agreement it shall not make any offers of employment to any employee of the Employer, or solicit or interview therefore, without obtaining the written approval of the employee's Department Head.

For breach or violation of the foregoing warranties, the Employer shall have the right to cancel the Agreement without liability or, at its discretion, to deduct from the fees or otherwise to recover the full amount of such commission, percentage, brokerage or contingent fee, or gratuities, and to include the occurrence of such a breach or violation in assessments of Anthem's responsibility in future bids.

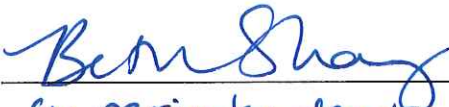
Conflict of Interest. Anthem covenants that neither it, nor any officer of the corporation or partner of the partnership, as the case may be if Anthem be a corporation or partnership, has any interest, nor shall it acquire any interest, either directly or indirectly, which would conflict in any manner or degree with the performance of the services hereunder. It further covenants that, in the performance hereof, no person having such interest shall be employed by it. It is expressly understood that breach of any of the covenants contained in this paragraph is a material breach hereof and shall entitle the Employer to recover damages immediately, as well as all monies paid hereunder.

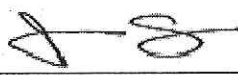
No Conviction or Indictment. Anthem hereby represents that to the best of its knowledge neither it, nor any of its personnel has been the subject of any investigation nor has any of them been convicted or indicted for commission of any crime involving misconduct, corruption, bribery, or fraud in connection with any public contract in the State of Connecticut or any other jurisdiction, except as has been specifically disclosed in writing to the Employer, and that, should any such conviction or indictment be obtained or any such investigation commenced prior to the expiration of the term hereof, regardless of the date of the occurrence giving rise to the subject matter of such conviction, indictment or investigation, it will be disclosed in writing to the Employer.

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

Hartford Board of Education

Anthem Health Plans, Inc. dba Anthem Blue Cross and Blue Shield

By: 
Title: Superintendent
Date: 1/21/16

By: 
Title: Jim Augur, RVP II Sales
Date: January 13, 2016

**SCHEDULE A
TO
ADMINISTRATIVE SERVICES AGREEMENT
WITH
HARTFORD BOARD OF EDUCATION**

This Schedule A shall govern the Agreement Period from January 1, 2016 through June 30, 2016. For purposes of this Agreement Period, this Schedule shall supplement and amend the Agreement between the Parties. If there are any inconsistencies between the terms of the Agreement including any prior Schedules, and this Schedule A, the terms of this Schedule A shall control.

Section 1. Effective Date and Renewal Notice

This Agreement Period shall be from 12:01 a.m. January 1, 2016 to the end of the day of June 30, 2016.

Paid Claims shall be processed pursuant to the terms of this Agreement when paid as follows:

Paid from January 1, 2016 through June 30, 2016.

Anthem shall provide any offer to renew this Agreement at least 90 days prior to the end of an Agreement Period.

Section 2. Broker or Consultant Base Compensation

Not Applicable

Section 3. Fees

A. Administrative Services Fee

Administrative Services Fee:

Effective January 1, 2016 through June 30, 2016:

PPO Composite	\$22.08 per Subscriber per month
Indemnity Composite	\$20.44 per Subscriber per month
CDHP HRA Composite	\$25.67 per Subscriber per month
CDHP HSA Composite	\$25.67 per Subscriber per month
Dental Composite	\$2.44 per Subscriber per month

Upon offer and acceptance of renewal, Anthem agrees to use the following components when calculating the composite fees by product effective July 1, 2016 through June 30, 2018:

Composite SIP Fee	\$16.72 per Subscriber per month
Network Access Fee	\$14.99 per Subscriber per month
Managed Benefits Fee	\$3.52 per Subscriber per month

Upon offer and acceptance of renewal, the Administrative Services Fees for the Agreement period effective July 1, 2018 through June 30, 2019 will increase by no more than 2% over the fees in effect on June 30, 2018.

Prescription Drug Rebates: Anthem will pay to Employer 90.00% of the Drug Rebates collected from PBM and attributable to Employer's Plan subject to Anthem's timely receipt of payment and accompanying data from PBM. Anthem shall credit Employer the Drug Rebates it has collected from PBM. Anthem shall have the right to collect from Employer any rebate amount that Anthem is required to pay PBM as a result of a pharmaceutical manufacturer audit or for any other reason. Anthem shall continue to provide Employer its share of the Drug Rebates under this provision until the termination of this Agreement and any applicable Claims Runout period. Anthem shall provide a final report of the Drug Rebates received attributable to Employer's Plan after the end of any applicable Claims Runout period.

Article 3(a) Retroactive Adjustments to Enrollment.

Anthem shall credit Administrative Services Fees for each retroactive deletion up to a maximum of 60 days and shall charge Administrative Services Fees for each retroactive addition up to a maximum of 60 days.

B. Optional Program Fees

Not applicable

C. Other Fees or Credits

Fee for Subrogation Services. The charge to Employer is 25% of gross subrogation recovery, or, if outside counsel is retained, 15% of the net recovery after a deduction for outside counsel fees.

Fee for Provider Audit Performed by External Vendors. The charge to Employer is 25% of the amount recovered from Vendor audits of Provider activity, including but not limited to credit balance, hospital bill audits, DRG readmissions and high-cost drug audits.

Fee for Overpayment Identification Provided by External Vendors. The charge to Employer is 25% of the amount recovered from review of Claims and membership data to identify overpayments, including but not limited to COB, duplicates, contract compliance and eligibility.

Fee for Collection Services Provided by External Vendors. The charge to Employer is 25% of the amount recovered by a Vendor in collecting receivables.

Fee for Independent Claims Review: \$550.00 per independent review

Network Access Fee. Employer agrees to pay Anthem a fee for negotiating discounts and/or fee schedules with Network Providers. Such fee shall be equal to \$14.99 per Subscriber per month.

Section 4. Paid Claims, Billing Cycle and Payment Method

A. Paid Claims

Paid Claims also include the following amounts or charges:

Paid Claims are described in Article 1 - Paid Claims Definition of the Agreement.

B. Billing Cycle

Daily

Anthem shall notify Employer of the amount due to Anthem as a result of Claims processed and paid by Anthem according to the billing cycle described above. The actual date of notification of Paid Claims and the Invoice Due Date will be determined according to Anthem's regular business practices and systems capabilities.

C. Payment Method

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

Section 5. Administrative Services Fee Billing Cycle and Payment Method

A. Billing Cycle

Monthly List Bill (pay as billed)

Anthem shall notify Employer of the amount due to Anthem pursuant to Section 3 of Schedule A according to the billing cycle described above. The actual date of notification of amounts due and the Invoice Due Date will be determined according to Anthem's regular business practices and systems capabilities.

B. Payment Method

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

Section 6. Claims Runout Services

A. Claims Runout Period

Claims Runout Period shall be for the 24 months following the date of termination of this Agreement.

B. Claims Runout Administrative Services Fees

Claims Runout Administrative Services Fee will be equal to the product of the following calculation: the Administrative Services Fees in effect at the time of termination of this Agreement multiplied by (the greater of (1) the total of the last 3 months of Subscriber enrollment; or (2) the average of the last 6 months of Subscriber enrollment) multiplied by 3. Payment is due to Anthem by the Invoice Due Date.

Section 7. Other Amendments. The Administrative Services Agreement is otherwise amended as follows:

Inter-Plan Programs Fees

As described in Article 15, certain fees and compensation may be charged each time a Claim is processed through Inter-Plan Programs, which include the BlueCard Program, Negotiated National Account Arrangements, and non-Network Provider Claims pricing arrangements. (Non-Network Provider Claims fees include, but are not limited to administrative expense allowance fees, Central Financial Agency fee and ITS transaction fee). The extent to which these fees and compensation are (i) included in the Administrative Services Fee; or (ii) included in Paid Claims or separately billed to Employer is as follows:

Included in Administrative Services Fee:

All BlueCard Program and Inter-Plan Program fees, including the access fee, administrative expense allowance fee, Negotiated National Account Arrangements fee, Central Financial Agency fee, ITS transaction fee and Non-Network Provider Claim fees. If Employer requests paper copies of PPO directories from a non-Anthem state, a fee may be charged by the Host Blue for those directories and charged to the Employer.

Included in Paid Claims or separately billed to Employer:

Not applicable

Notice of Loss of Grandfathering Status

In the event Employer maintains a grandfathered health plan(s), as that term is used in the Patient Protection and Affordable Care Act ("PPACA"), Employer shall not make any changes to such plan(s), including, but not limited to, changes with respect to Employer contribution levels, without providing Anthem with advance written notice of the intent to change such plan(s). Making changes to grandfathered plans without notice to Anthem may result in the plan(s) losing grandfathered status and significant penalties and/or fines to Employer and Anthem. In the event Employer implements changes to its plan(s) and does not provide advance notice to Anthem, Employer agrees to indemnify Anthem according to the indemnification provisions set forth elsewhere in this Agreement for any penalties, fines or other costs assessed against Anthem.

Additionally, at each renewal after September 23, 2010, Employer shall affirm in writing, upon reasonable request of Anthem, that it has not made changes to its plan(s) that would cause the plan(s) to lose its/their grandfathered status.

If Employer loses grandfathered Plan status under PPACA and notifies Anthem of such loss no fewer than 90 days before the effective date of the change, Anthem will implement the additional group market (insurance) reforms that apply to non-grandfathered health Plans subject to the provisions of Article 18 of this Agreement.

Reinsurance Program Fee

Patient Protection and Affordable Care Act ("PPACA") established a transitional reinsurance program (the "Reinsurance Program") to minimize the effects of adverse selection that may occur in the initial years of operation of exchanges in order to help stabilize premiums in those years. Employer agrees to cooperate with Anthem and provide information requested by Anthem in connection with the calculation under the Reinsurance Program. Employer shall pay Anthem a monthly composite rate for the Reinsurance Program as set forth below.

\$6.65 per Subscriber per month

Anthem Health Plans, Inc. dba Anthem Blue Cross and
Blue Shield

By: 

Title: Jim Augur, RVP II Sales

Date: January 13, 2016

**SCHEDULE B
TO
ADMINISTRATIVE SERVICES AGREEMENT
WITH
HARTFORD BOARD OF EDUCATION**

This Schedule B shall govern the Agreement Period from January 1, 2016 through June 30, 2016. For purposes of this Agreement Period, this Schedule B shall supplement and amend the Agreement between the Parties. If there are any inconsistencies between the terms of the Agreement including any prior Schedules and this Schedule B, the terms of this Schedule B shall control.

The following is a list of services that Anthem will provide under this Agreement for the Base Administrative Services Fee listed in Section 3(A) of Schedule A. These services will be furnished to Employer in a manner consistent with Anthem's standard policies and procedures for self-funded plans. Anthem may also offer services to Employer that have an additional fee. If Employer has purchased such services, those services and any additional fees are also listed in Schedule A.

SERVICES INCLUDED IN THE BASE ADMINISTRATIVE SERVICES FEE IN SECTION 3A OF SCHEDULE A

Management Services

- Anthem Benefits and administration, unless otherwise noted below:
 - Anthem definitions and exclusions
 - Anthem complaint and appeals process
 - Claims incurred and paid as provided in Schedule A
 - Accumulation toward plan maximums beginning at zero on effective date
 - Anthem Claim forms
 - ID card
 - Explanation of Benefits (Non-customized)
- Acceptance of electronic submission of eligibility information in HIPAA-compliant format
- Preparation of Benefits Booklet (accessible via internet)
- Account reporting - standard data reports
- Billing and Banking Services
- Plan Design consultation
- Employer eServices
 - Add and delete Members
 - Download administrative forms
 - View Member Benefits and request ID cards
 - View eligibility
 - View Claim status and detail

Claims and Customer Services

- Claims processing services
- Coordination of Benefits
- Recovery services performed internally by Anthem
- Medicare crossover processing
- Complaint and appeals processing
 - One mandatory level of appeal, one voluntary level of appeal

- Employer customer service, standard business hours
- Member customer service, standard business hours
- 1099s prepared and delivered to Providers
- Residency-based assessments and/or surcharges and other legislative reporting requirements
- Member eServices

Prescription Benefit Services

- Home delivery pharmacy
- Specialty Pharmacy Services
- Prescription eServices
 - Pharmacy locator
 - Online formulary
- Point of sale claims processing
- Home delivery claims processing
- Home delivery call center with toll free number
- Home delivery regular shipping and handling
- Standard management reports
- Ad hoc reports (subject to additional programming charge if required)
- Concurrent Drug Utilization Review (DUR) programs
- Retrospective DURs
- Administrative override (i.e., vacation, lost, stolen or spilled medications)
- Clinical review
- Pharmacy help desk with toll free number
- Pharmacy audits (desk and onsite; routine, in depth or focused)

Health Care Management

- Health Care Management
 - Referrals
 - Utilization management
 - Case management
 - Anthem Medical Policy
- SpecialOffers
- HealthCare Advisor
- Care Comparison (where available)
- Transplant services - Blues Distinction

- Healthy Solutions Newsletter (available online)

- MyHealth (Member Portal)
 - Electronic Health Risk Assessment
 - Personal Health Record
 - Online Communities
 - Member Alerts

Health and Wellness Programs

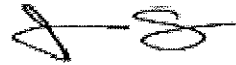
- Condition Care Core
- ComplexCare
- Future Moms (without mailings)
- 24/7 Nurseline

Networks

- Access to networks
 - Provider Network
 - Mental Health/Substance Abuse Network
 - Coronary Services Network
 - Human Organ and Tissue Transplant Network
 - Complex and Rare Cancer Network
 - Bariatric Surgery Network
- Network Management
- Anthem.com Provider directory

Anthem Health Plans, Inc. dba Anthem Blue Cross and Blue Shield

By:



Title: Jim Augur, RVP II Sales

Date: January 1, 2016

**SCHEDULE C
TO
ADMINISTRATIVE SERVICES AGREEMENT
WITH
HARTFORD BOARD OF EDUCATION**

This Schedule C provides certain guarantees pertaining to Anthem's performance under the Agreement between the Parties ("Performance Guarantees") and shall be effective for the period from January 1, 2016 through June 30, 2016 (the "Performance Period"). Descriptions of the terms of each Performance Guarantee applicable to the Parties are set forth in the Attachments (the "Attachments") to this Schedule C and made a part of this Schedule C. This Schedule shall supplement and amend the Agreement between the Parties. If there are any inconsistencies between the terms of the Agreement including any prior Schedules and this Schedule C, the terms of this Schedule C shall control.

Section 1. General Conditions

- A. The Performance Guarantees described in the Attachments to this Schedule C shall be in effect only for the Performance Period indicated above, unless specifically indicated otherwise in the Attachments. The Performance Guarantees shall also contain a measurement period (the "Measurement Period") for which any Performance Guarantee will be calculated. If there are any inconsistencies between the terms contained in this Schedule, and the terms contained in any of the Attachments to this Schedule C, the terms of the Attachments to this Schedule C shall control.
 - B. Anthem shall conduct an analysis of the data necessary to calculate any one of the Performance Guarantees within the timeframes provided in the Attachments to this Schedule C. In addition, any calculation of Performance Guarantees, reports provided, or analysis performed by Anthem shall be based on Anthem's then current measurement methodology.
 - C. Any audits performed by Anthem to test compliance with any of the Performance Guarantees shall be based on a statistically valid sample size with a 95% confidence level.
 - D. If the Parties do not have an executed Agreement, Anthem shall have no obligation to make payment under these Performance Guarantees.
 - E. Unless otherwise specified in the Attachments to this Schedule C, the measurement of the Performance Guarantee shall be based on: (1) the performance of any service team, business unit, or measurement group assigned by Anthem; and (2) data that is maintained and stored by Anthem or its Vendors.
 - F. If Employer terminates the Agreement between the Parties prior to the end of the Performance Period, or if the Agreement is terminated for non-payment, then Employer shall forfeit any right to collect any further payments under any outstanding Performance Guarantees, whether such Performance Guarantees are for a prior or current Measurement Period or Performance Period.
 - G. Anthem reserves the right to make changes to any of the Performance Guarantees provided in the Attachments to this Schedule C upon the occurrence, in Anthem's determination, of either:
 - (1) a change to the Plan benefits or the administration of the Plan initiated by Employer that results in a substantial change in the services to be performed by Anthem or the measurement of a Performance Guarantee; or
 - (2) an increase or decrease of 10% or more of the number of Members that were enrolled for coverage on the latter of the effective date or renewal date of this Agreement.
- Should there be a change in occurrence as indicated above and these changes negatively impact Anthem's ability to meet the Performance Guarantees, Anthem shall have the right to modify the Performance Guarantees contained in the Attachments.
- H. For the purposes of calculating compliance with the Performance Guarantees contained in the Attachments to this Schedule C, if a delay in performance of, or inability to perform, a service underlying

any of the Performance Guarantees is due to circumstances which are beyond the control of Anthem, including but not limited to any act of God, civil riot, floods, fire, acts of terrorists, acts of war or power outage, such delayed or non-performed service will not count towards the measurement of the applicable Performance Guarantee.

Section 2. Payment:

- A. If Anthem fails to meet any of the obligations specifically described in a Performance Guarantee, Anthem shall pay Employer the amount set forth in the Attachment describing the Performance Guarantee. Payment shall be in the form of a credit on Employer's invoice for Administrative Services Fees which will occur annually unless otherwise stated in the Performance Guarantee.
- B. Notwithstanding the above, Anthem has the right to offset any amounts owed to Employer under any of the Performance Guarantees contained in the Attachments to this Schedule C against any amounts owed by Employer to Anthem under: (1) any Performance Guarantees contained in the Attachments to this Schedule C; (2) the Agreement; or (3) any applicable Stop Loss Policy.
- C. Notwithstanding the foregoing, Anthem's obligation to make payment under the Performance Guarantees is conditioned upon Employer's timely performance of its obligations provided in the Agreement in this Schedule C and the Attachments, including providing Anthem with the information required by Anthem in the Attachments. Anthem shall not be obligated to make payment under a Performance Guarantee if Employer fails to meet any of its obligations provided in the Attachments related to such Performance Guarantee.

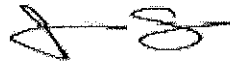
Section 3. Maximum Amount Payable Under the Performance Guarantees*

Notwithstanding any other provision contained in this Schedule or the Attachments to this Schedule, the maximum amount Anthem shall be obligated to pay to Employer is equal to the sum of \$250,000.

The Maximum Amount Payable provisions above do not apply to Pharmacy-related Performance Guarantees.

Anthem Health Plans, Inc. dba Anthem Blue Cross and Blue Shield

By:



Title:

Jim Augur, RVP II Sales

Date:

January 13, 2016

**ATTACHMENT 1 TO SCHEDULE C
TO ADMINISTRATIVE SERVICES AGREEMENT
WITH
HARTFORD BOARD OF EDUCATION**

Operations Performance Guarantees

This Attachment is made part of Schedule C and will be effective for the Performance Period from July 1, 2015 through June 30, 2016. This Attachment is intended to supplement and amend the Agreement between the Parties.

Operations Guarantees

Performance Category	Year 1
Claims Timeliness - (14 Calendar Days)	\$50,000
Claim Timeliness - (30 Calendar Days)	\$50,000
Claims Financial Accuracy	\$50,000
Claims Accuracy	\$50,000
Account Management Satisfaction	\$50,000
Total Amount At Risk – Operations	\$250,000

Additional Terms and Conditions:

Performance will be based on the results of a designated service team/business unit assigned to Hartford Board of Education, unless the guarantee is noted as measured with Employer-specific Data.

The Measurement Period for this Schedule is July 1, 2015 through June 30, 2016.

Measurement of this Performance Guarantee will include Claims processed for Employer's Members under this Agreement and the Anthem agreement in effect for such Members from July 1, 2015 through December 31, 2015.

Upon offer and acceptance of renewal, the following Performance Guarantees will be in effect for the Measurement Periods of July 1, 2016 through June 30, 2017, and July 1, 2017 through June 30, 2018:

Performance Category	
Claims Timeliness - (14 Calendar Days)	\$45,000
Claim Timeliness - (30 Calendar Days)	\$45,000
Claims Financial Accuracy	\$45,000
Claims Accuracy	\$45,000
Ongoing ID Cards Issuance	\$25,000
Account Management Satisfaction	\$45,000
Total Amount At Risk – Operations	\$250,000

Performance Category	Amount at Risk	Guarantee	Penalty Calculation	Measurement and Reporting Period
Claims Timeliness (14 Calendar Days)	Year 1: \$50,000	<p>A minimum of 92% of Non-investigated medical Claims will be processed timely.</p> <p>Non-investigated Claims are defined as medical Claims that process through the system without the need to obtain additional information from the Provider, Subscriber or other external sources. Processed Timely is defined as Non-investigated medical Claims that have been finalized within 14 calendar days of receipt.</p> <p>This Guarantee will be calculated based on the number of Non-investigated Claims that Processed Timely divided by the total number of Non-investigated Claims. The calculation of this Guarantee does not include Claim adjustments. The calculation of this Guarantee also excludes in any quarter, Claims for an Employer that requests changes to Plan benefits, until all such changes have been implemented.</p> <p>This will be measured with Employer-specific Data.</p>	100% of Amount at Risk	<p><u>Measurement Period</u></p> <p>Annual</p> <p><u>Reporting Period</u></p> <p>Annual</p>
Claim Timeliness (30 Calendar Days)	Year 1: \$50,000	<p>A minimum of 98% of Non-investigated medical Claims will be processed timely.</p> <p>Non-investigated medical Claims are defined as Claims that process through the system without the need to obtain additional information from the Provider, Subscriber, or other external sources. Processed Timely is defined as Non-investigated medical Claims that have been finalized within 30 calendar days of receipt.</p> <p>This Guarantee will be calculated based on the number of Non-investigated Claims that Processed Timely divided by the total number of in-investigated Claims. The calculation of this Guarantee does not include Claim adjustments. The calculation of this Guarantee also excludes in any quarter, Claims for an Employer that requests changes to Plan benefits, until all such changes have been implemented.</p> <p>This will be measured with Employer-specific Data.</p>	100% of Amount at Risk	<p><u>Measurement Period</u></p> <p>Annual</p> <p><u>Reporting Period</u></p> <p>Annual</p>
Claims Financial Accuracy	Year 1: \$50,000	<p>A minimum of 99% of medical Claim dollars will be processed accurately.</p> <p>This Guarantee will be calculated based on the total dollar amount of audited medical Claims paid correctly divided by the total dollar amount of audited medical Paid Claims. The calculation of this Guarantee includes both underpayments and overpayments. The calculation of this Guarantee does not include Claim adjustments or Claims in any quarter in which an Employer requests changes to Plan benefits, until all such changes have been implemented.</p>	100% of Amount at Risk	<p><u>Measurement Period</u></p> <p>Annual</p> <p><u>Reporting Period</u></p> <p>Annual</p>
Claims Accuracy	Year 1: \$50,000	<p>A minimum of 97% of medical Claims will be paid or denied correctly.</p> <p>This Guarantee will be calculated based on the number of audited medical Claims paid and denied correctly divided by the total number of audited medical Claims paid and denied. The calculation of this Guarantee excludes in any quarter Claims for an Employer that requests changes to Plan benefits, until all such changes have been implemented.</p>	100% of Amount at Risk	<p><u>Measurement Period</u></p> <p>Annual</p> <p><u>Reporting Period</u></p> <p>Annual</p>

Performance Category	Amount at Risk	Guarantee	Penalty Calculation	Measurement and Reporting Period
Account Management Satisfaction	Year 1: \$50,000	<p>A minimum average score of 3.0 will be attained on the Account Management Satisfaction Survey (AMSS).</p> <p>A minimum of 3 responses per Employer to the AMSS is required to base the score on Employer-specific responses only. If 3 responses are received from the Employer, an average score is calculated by adding the scores from each respondent divided by the total number of Employer respondents. If fewer than 3 responses are received, the score will be calculated as follows:</p> <p>2 Employer responses: 2/3 of the score will be based on Employer-specific AMSS results and 1/3 of the score will be based on the aggregate score of all AMSS results received by the Account Management Team.</p> <p>1 Employer- response: 1/3 of the score will be based on Employer- specific AMSS results and 2/3 of the score will be based on the aggregate score of all AMSS results received by the Account Management Team.</p> <p>0 Employer responses: The score will be based on the aggregate score of all AMSS results received by the Account Management Team.</p>	100% of Amount at Risk	<p><u>Measurement Period</u></p> <p>Annual</p> <p><u>Reporting Period</u></p> <p>Annual</p>

**ATTACHMENT 2 TO SCHEDULE C
TO ADMINISTRATIVE SERVICES AGREEMENT
WITH
HARTFORD BOARD OF EDUCATION**

Pharmacy Guarantees

This Attachment is made part of Schedule C and will be effective for the Performance Period from January 1, 2016 through June 30, 2016. This Attachment is intended to supplement and amend the Agreement between the Parties. Upon offer and acceptance of renewal, the Pharmacy Guarantees in this Attachment will also be in effect for the July 1, 2016 through June 30, 2017 period.

Prescription Drug Pricing:

(a) The Prescription Drug Pricing Guarantees for Ingredient Cost Discount and Dispensing Fees will be the amounts listed under the following Pricing Guarantee Categories:

RETAIL PHARMACY NETWORK PROVIDERS

The Guarantees for retail pharmacy Network Providers will be the following amounts:

1. Brand Discount: AWP minus 17.00% (Yr1)
2. Brand Dispensing Fee: \$1.00 (Yr1)
3. Generic Discount: AWP minus 75.00% (Yr1)
4. Generic Dispensing Fee: \$1.00 (Yr1)

HOME DELIVERY PHARMACY

The Guarantees for home delivery for a supply of 60 days or greater will be the following amounts:

1. Brand Discount: AWP minus 26.00% (Yr1)
2. Brand Dispensing Fee: \$0.00 (Yr1)
3. Generic Discount: AWP minus 84.00% (Yr1)
4. Generic Dispensing Fee: \$0.00 (Yr1)

SPECIALTY DRUGS

The Guarantees for Specialty Drugs will be the following amounts:

1. Discount: AWP minus 14.00% (Yr1)
2. Dispensing Fee: \$0.00 (Yr1)

To determine any payment due to Employer under these Prescription Drug Pricing Guarantees, each Guarantee is calculated based on the Prescription Drugs that were paid during the Measurement Period for Retail Pharmacy, Home Delivery, and Specialty Drugs (each such subset of Paid Claims is referred to as a "Pricing Guarantee Category"). Each Guarantee within a Pricing Guarantee Category is then compared to the sum of appropriate portion of the Paid Claims for Prescription Drugs plus any Member cost shares associated with each Guarantee within that Pricing Guarantee Category. Paid Claims for Prescription Drugs include Ingredient Costs plus Dispensing Fees. Therefore, Paid Claims for Prescription Drugs dispensed by a retail pharmacy are separated into Brand and Generic Ingredient Costs and Brand and Generic Dispensing Fees. These Ingredient Costs and Dispensing Fees are compared against each identified Guarantee provided in this Agreement to determine if the Guarantee is met.

This will be measured with Employer-specific data.

(b) The following conditions apply to this Guarantee:

- This Guarantee applies to Claims submitted by Network Providers applicable to Employer's Plan.
- The following Claims will be excluded from this Guarantee:
 - Medicare Part D Claims
 - Prescriptions filled in Massachusetts, Alaska, Hawaii, or Puerto Rico, or filled in any state which imposes some form of Most Favored Nations limitations on pharmacy reimbursement;
 - Vaccines;
 - Prescriptions filled through the Employer's on-site pharmacy;
 - Claims paid on the basis of U&C charges;
 - Authorized Generics;
 - Over-the-counter drugs;
 - Dispense As Written Claims;
 - Government Reimbursement Claims.

- Single Source Generics will be included in the Brand Discount and Brand Dispensing Fee Guarantees and not in the Generic Discount and Generic Dispensing Fee Guarantees.

(c) In addition to the provisions contained in Section 1(F) of Schedule C, Anthem reserves the right to make changes to this Guarantee upon the occurrence, in Anthem's determination, of any of the following:

- a change in the proportionate mix of Employer's retail and home delivery Prescription Drug Claims of more than 10%;
- a change in pharmacy utilization patterns of more than 10%; or
- the determination that Employer has an on-site pharmacy with 340b designation or any such designation where the pharmacy receives upfront pricing discounts from pharmaceutical manufacturers, which was not disclosed or known by Anthem as of the effective date of this Attachment to Schedule C.
- Anthem is no longer the sole administrator for Employer's Prescription Drug Plan

In the event that there are court or government imposed or industry wide or pricing source initiated changes in the AWP reporting source or source changes in the methodology used for calculating AWP, including, without limitation, changes in the mark-up factor used in calculating AWP (collectively, the "AWP Changes"), the terms of any financial relationship between the Parties that relate to AWP will be modified by Anthem such that the value of AWP for the purpose of such relationship(s) will have the same economic equivalence in the aggregate to the value used by the Parties prior to the AWP Change. The intent of this provision is to preserve the relative economics of both Parties for such financial relationships based upon AWP to that which existed immediately prior to the AWP Change.

In the event that the AWP pricing benchmark used by Anthem's PBM hereunder is replaced with another benchmark calculation, Anthem may switch to such new pricing benchmark. If a change to pricing guarantees is deemed necessary Anthem will provide written notice of new pricing terms at least 30 days before the effective date of the change.

(d) For purposes of these Guarantees, the following terms have the following meanings:

Authorized Generics are Prescription Drugs produced by brand pharmaceutical companies and marketed under a private label, at generic prices. Authorized Generics are identical to their brand counterpart in both active and inactive ingredients.

Average Wholesale Price or AWP is the price of a prescription drug dispensed as established and reported by MediSpan or other nationally recognized pricing source selected by PBM in its sole discretion from time to time. AWP does not represent a true wholesale price, but rather is a fluctuating benchmark provided by third party pricing sources.

Brand Name Prescription Drug or Brand Drug is a Prescription Drug product that is not a Generic Drug.

Dispensing Fee is the amount paid by Employer to Anthem for professional services rendered by a licensed pharmacist in dispensing Prescription Drugs.

Dispense As Written Claims are Claims where a Brand Drug was dispensed when a Generic Drug exists and is available.

Generic Prescription Drug or Generic Drug is a Prescription Drug, whether identified by its chemical, proprietary, or non-proprietary name that is therapeutically equivalent and interchangeable with drugs having an identical amount of the same active ingredient.

Government Reimbursement Claims are Claims submitted by any state, person or entity acting on behalf of a state under Medicaid or similar federal or state government health care programs for which Employer is deemed to be the primary payer as defined by applicable federal or state laws.

Ingredient Cost is the ingredient cost portion of a Paid Claim for Prescription Drugs.

Most Favored Nations Limitations are government restrictions that preclude pharmacies from making pricing agreements with PBMs or others that are more favorable than those afforded to state-run programs, such as Medicaid.

Single Source Generics are those Generic Drugs which are provided by three or fewer Pharmaceutical Manufacturers or such Generic Drugs that are in the market with supply limitations or competitive restrictions.

Specialty Drugs are drugs dispensed from a Specialty Service Pharmacy or high-cost, injected, infused, oral, or inhaled medications (including therapeutic biological products) that are used to treat chronic or complex illnesses or conditions. Specialty Drugs may have special handling, storage, and shipping requirements, such as temperature control. Specialty Drugs may require nursing services or special programs to encourage patient compliance.

Specialty Service Pharmacy is the PBM-owned or contracted specialty pharmacy that primarily dispenses Specialty Drugs, outside of the retail pharmacy Network and home delivery pharmacy.

Usual and Customary (U&C) Charge is the amount a cash paying customer pays a pharmacy for a Prescription Drug. PBM shall require network pharmacies to submit the Usual and Customary Charges with all Claim submissions.

VALUE BASED PROGRAMS AMENDMENT
TO
ADMINISTRATIVE SERVICES AGREEMENT
WITH

HARTFORD BOARD OF EDUCATION

This Value-Based Programs Amendment supplements and amends the Administrative Services Agreement (Agreement) and is effective as of January 1, 2016 (Effective Date). In the event of an inconsistency between the applicable provisions of this Amendment, any other Amendment and/or the Agreement, the terms of this Amendment shall govern, but only as they relate to the Value-Based Programs. Except as set forth herein, all other terms and conditions of the Agreement remain in full force and effect.

A. Definitions. For the purposes of this Amendment the following definitions apply:

1. **Accountable Care Organization (ACO):** A group of healthcare Providers who agree to deliver coordinated care and meet performance benchmarks for quality and affordability in order to manage the total cost of care for their member populations.
2. **Care Coordination:** Organized, information-driven patient care activities intended to facilitate the appropriate responses to a Member's healthcare needs across the continuum of care.
3. **Care Coordinator:** An individual within a Provider organization who facilitates Care Coordination for patients.
4. **Care Coordinator Fee:** A fixed amount paid by a Blue Cross and/or Blue Shield Licensee to Providers periodically for Care Coordination under a Value-Based Program.
5. **Global Payment/Total Cost of Care:** A payment methodology that is defined at the patient level and accounts for either all patient care or for a specific group of services delivered to the patient such as outpatient, physician, ancillary, hospital services, and prescription drugs.
6. **Negotiated National Account Arrangement:** An agreement negotiated between a Home Licensee and one or more Host Licensees for any National Account that is not delivered through the BlueCard Program.
7. **Patient-Centered Medical Home (PCMH):** A model of care in which each patient has an ongoing relationship with a primary care physician who coordinates a team to take collective responsibility for patient care and, when appropriate, arranges for care with other qualified physicians.
8. **Provider Incentive:** An additional amount of compensation paid to a healthcare Provider by a Blue Cross and/or Blue Shield Licensee, based on the Provider's compliance with agreed-upon procedural and/or outcome measures for a particular population of covered persons.
9. **Shared Savings:** A payment mechanism in which the Provider and payer share cost savings achieved against a target cost budget based upon agreed upon terms and may include downside risk.
10. **Value-Based Program (VBP):** An outcomes-based payment arrangement and/or a coordinated care model facilitated with one or more local Providers that is evaluated against cost and quality metrics/factors and is reflected in Provider payment.

B. BlueCard® Program

Value-Based Programs Overview

In some cases, Members may access Covered Services from certain Host Blue participating Network Providers that have entered into specific, Value-Based Programs with a Host Blue. These Value-Based Programs consist of Accountable Care Organizations, Global Payment/Total Cost of Care arrangements, Patient Centered Medical Homes and Shared Savings arrangements.

Value-Based Programs Administration

Under Value-Based Programs, a Host Blue may pay Providers for reaching agreed-upon cost/quality goals in the following ways: retrospective settlements, Provider Incentives, a share of target savings, Care Coordinator Fees and/or other allowed amounts. The Host Blue may pass these Provider payments to Anthem, which Anthem will pass on to Employer in the form of either an amount included in the price of the Claim or an amount charged separately in addition to the Claim.

When such amounts are included in the price of the Claim, the Claim may be billed using one of the following pricing methods:

- Actual Pricing
- Claim Based (Actual Pricing): The charge to accounts for Value-Based Programs incentives/Shared Savings settlements is part of the Claim. These charges are passed via an enhanced fee schedule.
- Estimated/Average Pricing
- Claim Based (Estimated Pricing): The charge to accounts for Value-Based Programs incentives/Shared-Savings settlements is included in the Claim as an amount based on a supplemental factor.
- In such cases, Anthem will pass any supplemental amounts on to Employer as follows: it will be included as part of the Claims charge on the invoice.

When such amounts are billed in addition to the Claim, they may be billed as follows:

- Per Member Per Month (PMPM) Billings: Per Member Per Month billings for incentives/Shared-Savings settlements to accounts are outside of the Claim system. Anthem will pass these Host Blue charges through to Employer as a separately identified amount on the invoice.

The amounts used to calculate either the supplemental factors or PMPM billings are estimates. This means that Host Blues cannot determine final amounts for these arrangements at the time when Members incur Claims for Covered Services. Consequently, Host Blues may hold some portion of the amounts Employer pays under such arrangements until the end of the applicable Value-Based Program payment and/or reconciliation measurement period.

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

- Use any surplus in funds to fund Value-Based Program payments or reconciliation amount in the next measurement period.
- Address any deficit in funds through an adjustment to the per-member-per-month billing amount or the reconciliation billing amount for the next measurement period.

The measurement period for determining these surpluses or deficits may differ from the term of this Agreement. Such surpluses or deficits would be eventually exhausted through prospective adjustment to the settlement billings in the case of Value-Based Programs.

Note: Members will not bear any portion of the cost of Value-Based Programs except when Host Blues use either average pricing or actual pricing to pay Providers under Value-Based Programs.

Care Coordinator Fees

For certain Value-Based Programs, Host Blues may also bill Anthem for Care Coordinator Fees which we will pass on to Employer. Based on the methods that Host Blues use to pass these fees on to Anthem, Anthem will invoice Employer through:

- (1) PMPM billings

Or

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

Anthem and Employer will not impose Member cost sharing for Care Coordinator Fees.


C. Negotiated National Account Arrangements

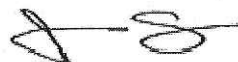
If Anthem has entered into a Negotiated National Account Arrangement with a Host Blue to provide Value-Based Programs to Members, Anthem will follow the same procedures for Value-Based Programs administration and Care Coordination Fees as noted in the BlueCard Program section.

IN WITNESS WHEREOF, the Parties have executed this Amendment to be effective as of the Effective Date.

Hartford Board of Education

Anthem Health Plans, Inc. dba Anthem Blue Cross and Blue Shield

By: 
Title: superintendent
Date: 1/21/16

By: 
Title: Jim Augur, RVP II Sales
Date: January 13, 2016

COBRA SCHEDULE
TO
ADMINISTRATIVE SERVICES AGREEMENT
WITH
[HARTFORD BOARD OF EDUCATION
]

This COBRA Schedule supplements and amends the Administrative Services Agreement and is effective as of January 1, 2016 (Effective Date). In the event of an inconsistency between the applicable provisions of this COBRA Schedule and the Agreement, the terms of the COBRA Schedule shall govern, but only as they relate to COBRA. Except as set forth herein, all other terms and conditions of the Agreement remain in full force and effect.

A. **Definitions.** The following definitions apply to COBRA Administrative Services.

1. “**COBRA**” shall mean the continuation coverage provisions in sections 601 through 608 of Title I of ERISA and Internal Revenue Code section 4980B, enacted as part of the Consolidated Omnibus Budget Reconciliation Act of 1985.
2. “**ERISA**” shall mean the Employee Retirement Income Security Act of 1974.
3. “**Last Known Address**” shall mean the address most recently provided to Anthem by Employer or the Qualified Beneficiary, to the extent Anthem has had a reasonable amount of time to enter such address in its records and processing systems.
4. “**Premium**” shall mean the Qualified Beneficiary’s share of the cost of COBRA continuation coverage, whether such coverage is insured or provided under Employer’s self-funded group health plan.
5. “**Qualified Beneficiary**” shall mean an employee or dependent who is entitled to continuation coverage under COBRA.
6. “**Qualifying Event**” shall mean an event giving rise to continuation coverage rights under COBRA.

B. **Duties of Anthem.** Anthem shall:

1. Provide the COBRA Administrative Services enumerated in Section E (the “Services”).
2. In its discretion, provide the Services either directly or through its designated subcontractor or any subsequent assignee thereof, which subcontractor Anthem reserves the right to change from time to time without the consent of Employer (the “Subcontractor”). All references to Anthem for purposes of this Addendum shall be deemed to include, if applicable, the Subcontractor.
3. Provide the Services in accordance with applicable law. The Services shall be procedural only, and Employer shall retain all discretionary authority and responsibility for fulfilling the requirements of COBRA.

C. **Duties of Employer.** Employer shall:

1. Provide Anthem with timely, accurate and complete information necessary for Anthem to provide the Services. Anthem shall be under no obligation to verify the accuracy and completeness of information provided to it by Employer.
2. Identify Qualified Beneficiaries and provide accurate, timely, complete, and ongoing COBRA eligibility information to Anthem using Anthem’s prescribed format, content, and methods.
3. Make ultimate determinations as to Employer’s obligations under COBRA with respect to all Qualified Beneficiaries and potential Qualified Beneficiaries, including determinations as to duration of continuation coverage, acceptability of partial Premium payments, extensions of continuation coverage due to disability, and other discretionary matters associated with the Services.

D. **Fees and Expenses**

1. Employer agrees to pay Anthem fees for the Services as set forth in Schedule A of the Agreement.
2. Anthem's fees for the Services may be renegotiated in the event of substantial changes that would increase or decrease the obligations or costs of providing the Services, including but not limited to changes in the Program; legislative changes; and postal rate changes.
3. If changes in Employer's COBRA policies, interpretations, rules, practices, and/or procedures are incompatible with Anthem's existing systems and procedures and require Anthem or its Subcontractor to perform additional programming, reports, or services, such additional activities will be performed at the expense of Employer.
4. Anthem will not provide or be responsible for the expenses or costs of services furnished by attorneys or actuaries, or for similar services performed for Employer. Anthem shall not be authorized to engage such services or incur any expense or cost therefore without the written consent of Employer. In the event that such services are engaged by Anthem at the written request of Employer, Employer shall be responsible for all costs and expense thereof, which shall be separately billed by the provider of the services or by Anthem as incurred.

E. COBRA Administrative Services

1. **Provision of General Notices of Continuation Coverage. If applicable and as indicated on Schedule A of the Agreement:**
 - a. Anthem shall mail its standard COBRA General Notice of Continuation Coverage ("General Notice"):
 - i. to the Last Known Address of each existing and new covered employee and, when required by applicable law, the covered spouse of such covered employee; and
 - ii. as soon as reasonably possible, but no later than thirty (30) business days after the later of:
 - (1) receipt by Anthem of the information needed to prepare and send the General Notice; or
 - (2) the initial effective date of coverage of the covered employee or spouse under the Program.
 - b. Employer understands and acknowledges that delivery of the General Notice as required by subsection (1)(a), may not comply with applicable legal requirements for timeliness of the General Notice. Employer is solely responsible for promptly providing the necessary information to Anthem so as to permit satisfaction of such timeliness requirements, taking into account the provisions of subsection (1)(a), to ensure that all General Notices are furnished in accordance with applicable law.
 - c. Anthem is not responsible for resending any General Notice that is returned to Anthem if such General Notice was mailed to the Last Known Address of the intended recipient.
2. **Provision of Election Notices and Election Forms**
 - a. Anthem shall mail its standard COBRA Election Notice and Election Form ("Election Notice"):
 - i. to the Last Known Address of each Qualified Beneficiary to whom a separate Election Notice must be provided under applicable law.
 - ii. as soon as reasonably possible, but no later than fourteen calendar days after receiving the information necessary to provide the Election Notice from Employer, or when applicable, from the Qualified Beneficiary; and
 - iii. retaining certified mail documentation as evidence of the mailing of such Election Notice.
 - b. Employer understands and acknowledges that delivery of the Election Notice as required by subsection (2)(a), may not comply with applicable legal requirements for timeliness of the Election Notice. Employer is solely responsible for promptly providing the necessary information to Anthem so as to permit satisfaction of such timeliness requirements, taking into account the provisions of subsection (2)(a), to ensure that all Election Notices are furnished in accordance with applicable law.
 - c. Anthem is not responsible for resending any Election Notice that is returned to Anthem if such Election Notice was mailed to the Last Known Address of the intended recipient.
3. **Provision of Notices of Unavailability of Continuation Coverage**

- a. Anthem shall mail a Notice of Unavailability of Continuation Coverage (“Unavailability Notice”) when:
 - i. it has received notification of a purported Qualifying Event from Employer or from an individual purporting to be a Qualified Beneficiary; and
 - ii. Such individual is not eligible for continuation coverage under COBRA for any reason.
 - b. Anthem shall also mail an Unavailability Notice when:
 - i. It has received from Employer, a Qualified Beneficiary, or any other source a notification of a disability determination by the Social Security Administration; and
 - ii. Such Qualified Beneficiary or other individual is not entitled to continuation coverage under COBRA or is not entitled to an extension of continuation coverage due to disability under COBRA.
 - c. Anthem shall mail the Unavailability Notice to the Last Known Address of the Qualified Beneficiary or other individual as soon as reasonably possible but no later than fourteen calendar days after Anthem’s receipt of the notification described in subsection 3(a)(i) or 3(b)(i), retaining certified mail documentation as evidence of the mailing of such Unavailability Notice.
 - d. Employer understands and acknowledges that delivery of the Unavailability Notice as required by subsection (3)(c), may not comply with applicable legal requirements for timeliness of such Notice. Employer is solely responsible for promptly providing the necessary information to Anthem so as to permit satisfaction of such timeliness requirements, taking into account the provisions of subsection (3)(c), to ensure that all Unavailability Notices are furnished in accordance with applicable law.
4. **Processing of Elections**
- a. Anthem shall process Election Forms submitted by Qualified Beneficiaries in accordance with applicable law and any additional written instructions from Employer.
 - b. Anthem shall also process any mid-year election changes to which Qualified Beneficiaries are entitled under applicable law and the terms of Employer’s group health plan.
5. **Provision of Annual Open Enrollment Forms and Materials** If applicable and as provided on Schedule A of the Agreement,
- a. To the extent instructed by Employer and to the extent Employer has made such materials available to Anthem, Anthem shall send annual open enrollment forms and materials (“Enrollment Materials”) to the Qualified Beneficiaries.
 - b. Anthem shall send such Enrollment Materials to the Last Known Address of each Qualified Beneficiary to whom a separate notification is required by applicable law.
6. **Administration of Premiums.** Anthem shall:
- a. Provide invoices showing Premium amounts and Premium due dates to Qualified Beneficiaries.
 - b. If applicable and as provided on Schedule A of the Agreement, provide past-due reminder notices to all Qualified Beneficiaries whose Premiums have not been received by the sixteenth of each month.
 - c. Collect and post Premiums from Qualified Beneficiaries or third parties on behalf of Qualified Beneficiaries, if applicable.
 - d. Deposit all such Premiums into an account maintained by Anthem.
 - e. Remit to the insurance company or other third party identified by Employer an amount equal to the Premiums collected, reduced by a 2% administration fee.
 - f. Make each such remittance by the 10th business day after the end of month in which the premiums were collected.

7. **Provision of Notices of Termination of Continuation Coverage**
- a. Anthem shall mail a Notice of Termination of Continuation Coverage ("Termination Notice") as soon as practicable after the earlier of:
 - i. The date Anthem determines that a Qualified Beneficiary's continuation coverage will end before the end of the maximum continuation period allowed under COBRA; or
 - ii. The date a Qualified Beneficiary's continuation coverage ends for any reason.
 - b. Anthem shall mail such Termination Notice to the Last Known Address of the Qualified Beneficiary.
 - c. Employer understands and acknowledges that delivery of the Termination Notice as required by subsection (7)(a), may not comply with applicable legal requirements for timeliness of the Termination Notice. Employer is solely responsible for promptly providing the necessary information to Anthem so as to permit satisfaction of such timeliness requirements, taking into account the provisions of subsection (7)(a), to ensure that all General Notices are furnished in accordance with applicable law.
8. **Review of Reinstatement Requests.** Anthem shall:
- a. review reinstatement requests submitted to Anthem in writing and process such requests in accordance with COBRA regulations and any applicable guidelines provided by Employer.
 - b. Review appeals of declined reinstatements to verify consistency with COBRA regulations and any applicable guidelines provided by Employer and respond accordingly.
 - c. Refer second appeals of reinstatement requests to Employer for review. Employer shall be responsible for making final decisions as to such second appeals of reinstatement requests; provided, however, that for insured coverage underwritten by Anthem, Employer's decision to reinstate the coverage of a former Qualified Beneficiary shall not be binding on Anthem and shall not obligate Anthem to reinstate coverage if such reinstatement is inconsistent with Anthem's underwriting guidelines.
9. **Customer Service and Group Administrator Support.** Anthem shall:
- a. Provide member services including phone, IVR, email, and web capabilities, as well as phone and email inquiry resolution.
 - b. Provide responses to inquiries by providers and/or insurance carriers regarding the coverage status of Qualified Beneficiaries. All responses will be based solely on the information provided to Anthem by Employer under the terms of this Addendum.
10. **Provision of Certificates of Creditable Coverage.** If applicable and as indicated on Schedule A of the Agreement, Anthem shall mail its standard Certificate of Creditable Coverage to the Last Known Address of each individual whose continuation coverage under COBRA has ended. Such Certificate shall be mailed as soon as practicable after the termination of coverage. Anthem shall also send a Certificate of Creditable Coverage upon request by an individual whose continuation coverage under COBRA has ended, provided that the request is made no later than 24 months after the date coverage terminated. All Certificates of Creditable Coverage will be mailed in accordance with applicable legal requirements.
11. **Monthly Reporting.** Anthem shall provide to Employer a written monthly report summarizing COBRA activities for the previous month. Employer is responsible for reviewing such reports and notifying Anthem of any errors within a reasonable time after receiving the report.
12. **Eligibility Communication Reporting.** If applicable and as indicated on Schedule A of the Agreement, Anthem shall provide: (1) a weekly report of COBRA eligibility changes; and (2) a monthly comprehensive eligibility report to each health plan, HMO, or TPA identified by Employer, which may include both Anthem (in its role as insurer, HMO, or TPA) and other entities identified by Employer. At the election of Employer, such reports shall be made available via access to Anthem's Web site, electronically, or in hard copy.
13. **Premium Remittance.** If applicable and as indicated on Schedule A of the Agreement, Anthem shall remit collected COBRA premiums to each health plan, HMO, or TPA identified by Employer, which may include both Anthem (in its role as insurer, HMO, or TPA) and other entities identified by Employer, and shall provide a copy of each remittance report to Employer.

14. **Transition to Replacement Administrator.** Upon termination of this Addendum or the Agreement and on request of Employer, Anthem shall, for an additional cost mutually agreed to between the Parties:
 - a. provide replacement administrator necessary data files within 2 weeks of termination; and
 - b. Assist replacement administrator in completion of implementation activities as needed.

F. **General Provisions**

1. **Data Requirements and Accuracy Of Records**

- a. Anthem shall not be responsible for determining eligibility for continuation coverage and shall rely on the eligibility information supplied by Employer.
- b. Employer shall provide employee eligibility information to Anthem as described in Section C(3) of this Addendum. Anthem shall not audit the data provided by Employer or be liable for errors resulting from incorrect or incomplete data supplied by Employer.
- c. Employer shall promptly respond to requests for data and other correspondence. Anthem shall not be responsible for missed deadlines due to non-response or late response by Employer to requests for data, information, or approval to proceed.

2. **Legal Obligations**

- a. Employer is responsible for selecting and retaining legal or tax counsel to provide advice to Employer with respect to its obligations under COBRA, as needed by Employer. Employer acknowledges that Anthem will not provide professional tax or legal services to Employer.
- b. Employer is responsible for complying with all applicable provisions of COBRA respecting the Program, establishing and maintaining of all required documents and fulfilling all reporting and disclosure requirements.
- c. Employer acknowledges that it is the named fiduciary responsible for the operation and administration of the Plan under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") that Anthem's role is limited to providing the Services described in this Agreement as a third-party administrator.
- d. Employer understands and acknowledges that Anthem's performance of the Services may not constitute compliance with applicable legal requirements for timeliness of COBRA notifications. Employer is solely responsible for promptly providing the necessary information to Anthem so as to permit satisfaction of such timeliness requirements, taking into account the provisions of this Addendum as to when Anthem will mail notifications, to ensure that all such notifications are furnished in accordance with applicable law.

3. **Records And Files.** Anthem shall maintain either paper or electronic copies of all records in conjunction with the Services. The confidentiality of such records shall be maintained by Anthem and the information therein shall not be divulged or disclosed or made available to persons other than Employer without the written approval of Employer or a court of competent jurisdiction. Anthem agrees to maintain such files for a period of seven years or longer if required by applicable state law. If requested by Employer, at Employer's expense, Anthem shall deliver all records and files to Employer, or representative of Employer, within thirty (30) days of such request. Anthem shall be entitled to retain copies of any such records at its own expense.

4. **Independent Contractor.** It is understood and agreed that Anthem is engaged to perform services under this Amendment as an independent contractor. Anthem shall use its best efforts to implement such written instructions, if any, as to policy and procedures which may be given by Employer to it, provided, however, that such instructions are consistent and compatible with the description of services to be performed by Anthem and do not violate or contradict any laws or regulations, including but not limited to ERISA.

5. **Controlled Group Or Affiliated Service Group.** Employer is responsible for determining whether Employer is part of a "controlled group" or "affiliated service group," as such terms are defined under the Code, and shall promptly notify Anthem if Employer is or becomes part of such a group. Anthem shall have

no responsibility to verify whether or not Employer is part of such a group and shall not be liable for damages, fines, penalties or taxes, which may be imposed as a result of such status.


6. Termination.


- a. This Addendum may be terminated either by Employer or by Anthem at any time provided the terminating Party gives the other Party prior written notice. The written notice shall state the effective date of the termination and shall be given no less than one (1) month prior to the date of the termination.
- b. Anthem shall have no obligation to provide services for any period of time for which any fees have not been paid to Anthem by Employer. Anthem may terminate this Addendum by giving written notice thereof to Employer if Employer fails to pay the required administration fees when the invoice is due and payable as provided in the Agreement. Such termination shall be effective as of the date through which all fees have been timely paid. If this Addendum has been terminated for non-payment of fees, Anthem may, in its sole discretion, offer to reinstate this Addendum under terms and conditions prescribed by Anthem.
- c. This Addendum shall terminate on the date all Plans subject to the Agreement are terminated.
- d. This Addendum shall terminate on the effective date of any state's or other jurisdiction's action which prohibits activities of the parties under this Addendum.
- e. Termination of this Addendum will not terminate the rights or obligations of either Party arising out of the period during which this Addendum was in effect.

IN WITNESS WHEREOF, the Parties have executed this Amendment to be effective as of the Effective Date.

Hartford Board of Education

Anthem Health Plans, Inc. dba Anthem Blue Cross and Blue Shield

By: 
Title: superintendent
Date: 4/21/16

By: 
Title: Jim Augur, RVP II Sales
Date: January 13, 2016

[BAA to be attached here-provided under separate cover]