



City of Peoria, Arizona

Notice of Request for Proposal

Request for Proposal No **P10-0024** Proposal Due Date _____
 Materials and/or Services. **Stop Loss** Proposal Time **5 00 P M AZ Time**
 Contact. **Lisa Houg, CPPB**
 Project No _____ Location **City of Peoria, Materials Management** Phone. **(623) 773-7115**
 Mailing Address. **9875 N. 85th Avenue, 2nd Floor, Peoria, AZ 85345**

In accordance with City of Peoria Procurement Code competitive sealed proposals for the material or services specified will be received by the City of Peoria Materials Management at the specified location until the date and time cited above. Proposals shall be in the actual possession of the City of Peoria Materials Management on or prior to the exact date and time indicated above. Late proposals will not be considered, except as provided in the City of Peoria Procurement Code. **Proposals shall be submitted in a sealed envelope with the Request for Proposal number and the offeror's name and address clearly indicated on the front of the envelope.** All proposals shall be completed in ink or typewritten. Offerors are strongly encouraged to carefully read the **entire** Request for Proposal Package.

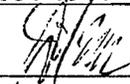
OFFER

To the City of Peoria: The undersigned on behalf of the entity, firm, company, partnership, or other legal entity listed below offers on its behalf to the City a proposal that contains all terms, conditions, specifications and amendments in the Notice of Request for Proposal issued by the City. Any exception to the terms contained in the Notice of Request for Proposal must be specifically indicated in writing and are subject to the approval of the City prior to acceptance. The signature below certifies your understanding and compliance with Paragraph 1 of the City of Peoria Standard Terms and Conditions (form COP 202) contained in the Request for Proposal package issued by the City.

For clarification of this offer contact

Name David L. Moen, CLU Telephone (602) 864-4044 Fax (602) 864-5822

Blue Cross Blue Shield of Arizona



Company Name

Authorized Signature for Offer

8220 N. 23rd Avenue, Building #2

David L. Moen, CLU

Address

Printed Name

Phoenix, Arizona 85201

Senior Manager, National and Large Group Sales

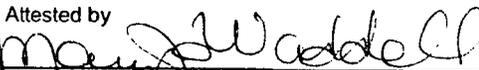
City State Zip Code

Title

ACCEPTANCE OF OFFER AND CONTRACT AWARD (For City of Peoria Use Only)

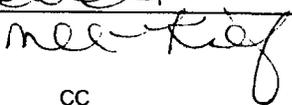
Your offer is accepted by the City, subject to approval of each written exception that your proposal contained. The contract consists of the following documents: 1) Request for Proposal issued by the City, 2) Your offer in Response to the City's Request for Proposal, 3) This written acceptance and contract award.

As the contractor, you are now legally bound to sell the materials and/or services listed by the attached award notice, based on the solicitation of proposals, including all terms, conditions, specifications, amendments and your offer as now accepted by the City. The Contractor shall not commence any billable work or provide any material, service or construction under this contract until the Contractor receives an executed Purchase Order or written Notice to Proceed.

Attested by 
 Mary Jo Kref, City Clerk

City of Peoria, Arizona Effective Date 12/8/09

Approved as to form 
 Ellen Van Riper, Assistant City Attorney

CC 

Stephen M. Kemp, City Attorney

Contract Number Acn 65409

Contract Awarded Date December 7 2009

Official File _____


 Herman F. Koeborgen, Materials Manager



A CON 65409



An Independent Licensee of the Blue Cross Blue Shield Association
 Bid / Renewal Rate Acceptance - Exhibit J

Legal Name of Group	City of Peona	Funding	Incurred ASC WITH SSL/ASL
Name of Group Health Plan	City of Peona Group Health Plan	Bid or Renewal	Renewal
Group ID	18500	Stop Loss Rates Effective	1/1/2010-6/30/2010
Account Executive	Dave Moen	Days Notice	150
Commission	NA PEPM	Underwriter	Lourdes Armenta
Commission	NA (As a percentage of the Billed Rate)	UW Code	LQ
Broker Paid	NA		

SOLD PLAN(S) AND RATES

Sold Benefits	PPO \$250									
In-Network	Ded/Copay	\$250	Coins	80%	OOP Max	\$1,000	OVC	\$15	Specialist	\$30
Rx		\$7/\$20/\$40								
Out-of-Network	Deductible	\$500	Coins	60%	OOP Max	\$4,000				

Sold Rates		Employee (PEPM)
Specific SL	\$100,000	\$40 63
Aggregate SL	125%	\$2 66
Stop Loss Billed Rate		\$43 29
Claims Attachment Point		\$909 78
Expected Liability		\$771 11
Maximum Liability		\$953 07

Enrollment 138

Sold Benefits	PPO Cobras Only									
In-Network	Ded/Copay	\$2,500	Coins	80%	OOP Max	\$5,000	OVC	\$25	Specialist	\$35
Rx		\$15/\$35/\$65/\$120								
Out-of-Network	Deductible	common	Coins	50%	OOP Max	\$10,000				

Sold Rates		Employee (PEPM)
Specific SL	\$100,000	\$40 63
Aggregate SL	125%	\$2 66
Billed Rate		\$43 29
Claims Attachment Point		\$909 78
Expected Liability		\$771 11
Maximum Liability		\$953 07

Enrollment 0

Sold Benefits	EPO									
In-Network	Ded/Copay	n/a	Coins	100%	OOP Max	\$0	OVC	\$15	Specialist	\$30
Rx		\$7/\$20/\$40								
Out-of-Network	Deductible	n/a	Coins	n/a	OOP Max	n/a				

Sold Rates		Employee (PEPM)
Specific SL	\$100,000	\$40 63
Aggregate SL	125%	\$2 66
Billed Rate		\$43 29
Claims Attachment Point		\$909 78
Expected Liability		\$771 11
Maximum Liability		\$953 07

Enrollment 1065

Total Enrollment 1203

- Notes**
- 1 Stop Loss Notification of sold stop loss (Aggregate and Specific) was communicated to BCBSAZ on 12/03/09
 Stop Loss rates in place for 1/1/2010-6/30/2010
 Stop Loss caveat reference Caveat # I-ASCSL-2010-18500-1-B&F-SOLD
 - 2 Please reference RAF signed on 10/16/09 for sold administration contract effective 1/1/2010-6/30/2011

Minimum Monthly Attachment Point. \$950,629

All information from the Caveat # I-ASCSL-2010-18500-1-B&F-SOLD is incorporated herein by reference
 BCBSAZ reserves the right to adjust these premium rates retroactive to the first day of any billing month in which the group's enrollment of Employees varies by more than fifteen percent (15%) from that listed above

This Rate Acceptance Form must be signed and returned prior to BCBSAZ issuing ID Cards. If any information on this Form is inaccurate, please provide the correct information on this Form.

Lourdes Armenta
 BCBSAZ Representative(s)
 10/1/09
 Date

[Signature] 12/11/09
 Broker/Group Representative
Herman Koebgen, Materials Manager
 Title Date

CITY OF PEORIA GROUP HEALTH PLAN # 18500

Renewal Period: 1/1/10 - 6/30/10 (Stop Loss Quote)

Caveat # I-ASCSL-2010-18500-1-B&F-SOLD



An Independent Licensee of the Blue Cross and Blue Shield Association

- * Funding Incurred-ASC with Specific Stop Loss (\$100,000) and Aggregate Stop Loss (125%)
- * Incurred Contract (6/12)
- * Minimum Monthly Attachment Level \$ 950,629
- * BCBSAZ stop loss rates assume that BCBSAZ is the Medical/Rx administrator
- * Stop Loss rates do not include the Mayo clinic
- * Rates are net of commissions
- * BlueCard fees are a claims expense and are included in the rate development In addition, BlueCard fees are charged on the monthly claims invoice
- * Capitation is included in the Incurred Claims Attachment Point
Capitation equates to PEPM



THE SEGAL COMPANY
1230 West Washington Street Suite 501 Tempe, AZ 85281-1248
P O Box 63610 Phoenix, AZ 85082-3610
T 602 381 4000 F 602 381 4090 www.segalco.com

November 19, 2009

Mr. David Moen
Senior Manager, National and Large Group Sales
Blue Cross Blue Shield of Arizona
8220 N. 23rd Avenue Building #2
Phoenix, AZ 85021

Re: **City of Peoria**
RFP #P10-0024 – Best and Final Request
Specific and Aggregate Stop Loss

Dear Dave:

The City of Peoria has requested that we notify you that your organization has been selected as a finalist for the Specific and Aggregate Stop Loss Request For Proposal #P10-0024. The Trust is requesting that you *submit a Best and Final offer by Tuesday, November 24, 2009 no later than 12:00 p.m. (local time) to:*

Lisa Houg, Contract Officer
City of Peoria, Material Management
9875 North 85th Avenue
Peoria, AZ 85345

Your Best and Final Offer must also be e-mailed to Mr. David Weller with The Segal Company at dweller@segalco.com. If you do not wish to submit a Best and Final Offer, your previous offer will be considered as your Best and Final Offer. At a minimum, your Best and Final Offer should address the following issues:

1. **Please provide your Best and Final rates on the enclosed Stop Loss Proposal rate sheet.**
BCBSAZ has provided our Best and Final rates on the Stop Loss Proposal rate sheet. Please see **Attachment A**
2. **Please provide a ready-to-sign contract.**
BCBSAZ has enclosed a ready-to-sign contract. Please see **Attachment B**
3. **Please confirm your fees quoted in your Best and Final offer are firm and will not be recalculated based on actual enrollment, or additional disclosure.**
Yes, BCBSAZ confirms that the rates quoted in our best and final offer are firm and will not be recalculated based on actual enrollment

4. We understand that Blue Cross Blue Shield is not rated by the rating agencies. Please provide the City assurance of Blue Cross Blue Shield's financial strength and stability.

BCBSAZ has received an A+ rating from TheStreet.com, which reflects excellent financial strength and provides an indication that our company has the resources necessary to deal with severe economic conditions. Please see **Attachment C** for our current rating. The City may compare ratings on other carriers in Arizona at <http://www.thestreet.com/insurers/index.html>

In addition, we have provided a summary of financial statements from 2004 – 2008, as derived from audited Annual Health Statements which further demonstrates our stability. Please see **Attachment D** for more information

BCBSAZ has provided employer groups with healthcare products for more than 70 years. Our long term presence in the marketplace, combined with an increasing trend to provide managed care services and an effort to manage costs, makes it highly improbable that any BCBSAZ product would become insolvent. In the unlikely event that this were to occur, any outstanding contracts would remain in effect through the renewal date, with an alternate product offered at time of renewal.

City of Peoria
Stop Loss RFP 2010 Rate/Fee Proposal

Option3B - Incurred in 6 Paid in 12 Specific Stop Loss	BCBSAZ ORIGINAL PROPOSAL	BCBSAZ BEST AND FINAL
Specific Deductible	\$100,000	\$100,000
Covered Benefits	Medical/Rx	Medical/Rx
Contract Type	6/12	6/12
Lifetime Maximum	\$1,900,000	\$1,900,000
Composite Specific Rate (PEPM)	\$40 63	\$40 63
Monthly Premium	\$47,171	\$47,171
Estimated Period Premium	\$283,029	\$283,029
Aggregate Stop Loss		
Aggregate Covered Benefits	Medical/Rx	Medical/Rx
Risk Corridor	25%	25%
Contract Type	6/12	6/12
Aggregate Period Reimbursement Maximum	Unlimited	Unlimited
Composite Aggregate Rate (PEPM)	\$2 66	\$2 66
Monthly Premium	\$3,088	\$3,088
Estimated Period Premium	\$18,530	\$18,530
Estimated Total Period Premium	\$301,559	\$301,558
Composite Aggregate Factor (PEPM)	\$909 78	\$909 78
FAM Aggregate Factor	\$909 78	\$909 78
Estimated Monthly Aggregate Deductible	\$1,056,255	\$1,056,255
Estimated Period Aggregate Deductible	\$6,337,527	\$6,337,527
Minimum Monthly Attachment Level	\$950,629	\$950,629
Enrollment Assumptions	EE Only	413
	EE + Family	748
	Total	1,161

Caveat # I-ASCSL-2010-18500-1 (Best and Final)

CITY OF PEORIA GROUP HEALTH PLAN # 18500

Renewal Period: 1/1/10 - 6/30/10 (Stop Loss Quote)

Caveat # I-ASCSL-2010-18500-1 (Best and Final)



An Independent Licensee of the Blue Cross and Blue Shield Association

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- * Incurred Contract (6/12)
- * Minimum Monthly Attachment Level \$ 950,629
- * BCBSAZ stop loss rates assume that BCBSAZ is the Medical/Rx administrator
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- * Rates are net of commissions
- * BlueCard fees are a claims expense and are included in the rate development In addition, BlueCard fees are charged on the monthly claims invoice
- * Capitation is included in the Incurred Claims Attachment Point
Capitation equates to

\$4.29

 PEPM



REQUEST FOR PROPOSAL

INSTRUCTIONS TO OFFEROR

Materials Management

Procurement

9875 N. 85th Ave , 2nd Fl.

Peoria, Arizona 85345-6560

Phone: (623) 773-7115

Fax: (623) 773-7118

1. PREPARATION OF PROPOSAL:

- a All proposals shall be on the forms provided in this *Request For Proposal* package. It is permissible to copy these forms if required. Telegraphic (facsimile) or mailgram proposals will not be considered.
- b The Offer and Contract Award document (COP Form 203) shall be submitted with an original ink signature by a person authorized to sign the offer.
- c Erasures, interlineations, or other modifications in the proposal shall be initialed in original ink by the authorized person signing the Vendor Offer.
- d If price is a consideration and in case of error in the extension of prices in the proposal, the unit price shall govern. No proposal shall be altered, amended, or withdrawn after the specified proposal due date and time.
- e Periods of time, stated as a number of days, shall be calendar days.
- f It is the responsibility of all Offerors to examine the entire *Request For Proposal* package and seek clarification of any item or requirement that may not be clear and to check all responses for accuracy before submitting a bid. Negligence in preparing a Proposal confers no right of withdrawal after proposal due date and time.

2. **INQUIRIES:** Any question related to the *Request For Proposal* shall be directed to the Buyer whose name appears on the front. The Offeror shall not contact or ask questions of the department for which the requirement is being procured. Questions should be submitted in writing when time permits. The Buyer may require any and all questions be submitted in writing at the Buyer's sole discretion. Any correspondence related to a *Request For Proposal* should refer to the appropriate *Request For Proposal* number, page, and paragraph number. However, the Offeror shall not place the *Request For Proposal* number on the outside of any envelope containing questions since such an envelope may be identified as a sealed proposal and may not be opened until after the official *Request For Proposal* due date and time.

3. **PROSPECTIVE OFFERORS CONFERENCE:** A prospective offerors conference may be held. If scheduled, the date and time of this conference will be indicated on the cover page of this document. The purpose of this conference will be to clarify the contents of this *Request For Proposal* in order to prevent any misunderstanding of the City's position. Any doubt as to the requirements of this *Request For Proposal* or any apparent omission or discrepancy should be presented to the City at this conference. The City will then determine if any action is necessary and may issue a written amendment to the *Request for Proposal*. Oral statements or instructions will not constitute an amendment to this *Request for Proposal*.

4. **LATE PROPOSALS:** Late Proposals will not be considered, except as provided by the **City of Peoria Procurement Code**. A vendor submitting a late proposal shall be so notified.

5. **WITHDRAWAL OF PROPOSAL:** At any time prior to the specified proposal due date and time, a Vendor (or designated representative) may withdraw the proposal. Telegraphic (facsimile) or mailgram proposal withdrawals will not be considered.

6. **AMENDMENT OF PROPOSAL:** Receipt of a Solicitation Amendment (COP Form 207) shall be acknowledged by signing and returning the document prior to the specified proposal due date and time.

7. **PAYMENT:** The City will make every effort to process payment for the purchase of goods or services within thirty (30) calendar days after receipt of goods or services and a correct notice of amount due, unless a good faith dispute exists as to any obligation to pay all or a portion of the account. Any proposal that requires payment in less than thirty (30) calendar days shall not be considered.

8. **NEW:** All items shall be new, unless otherwise stated in the specifications.

9. **DISCOUNTS:** Payment discount periods will be computed from the date of receipt of material/service or correct invoice, whichever is later, to the date Buyer's payment is mailed. Unless freight and other charges are itemized, any discount provided will be taken on full amount of invoice. Payment discounts of thirty (30) calendar days or more will be deducted from the proposal price in determining the low bid. However, the Buyer shall be entitled to take advantage of any payment discount offered by the Vendor provided payment is made within the discount period.

10. **TAXES:** The City of Peoria is exempt from Federal Excise Tax, including the Federal Transportation Tax. Sales tax, if any, shall be indicated as a separate item.

11. **VENDOR REGISTRATION:** After the award of a contract, the successful Vendor shall have a completed Vendor Registration Form (COP Form 200) on file with the City of Peoria Materials Management Division.

12. AWARD OF CONTRACT:

a Unless the Offeror states otherwise, or unless provided within this *Request For Proposal*, the City reserves the right to award by individual line item, by group of line items, or as a total, whichever is deemed most advantageous to the City.

b Notwithstanding any other provision of this *Request For Proposal*, The City expressly reserves the right to

- (1) Waive any immaterial defect or informality or
- (2) Reject any or all proposals, or portions thereof, or
- (3) Reissue a *Request For Proposal*

c A response to a *Request For Proposal* is an offer to contract with the City based upon the terms, conditions and specifications contained in the City's *Request For Proposal* and the written amendments thereto, if any. Proposals do not become contracts unless and until they are accepted by the **City Council**. A contract is formed when written notice of award(s) is provided to the successful Offeror(s). The contract has its inception in the award document, eliminating a formal signing of a separate contract. For that reason, all of the terms and conditions of the procurement contract are contained in the *Request For Proposal*, unless modified by a Solicitation Amendment (COP Form 207) or a Contract Amendment (COP Form 217).



STANDARD TERMS AND CONDITIONS

Materials Management Procurement

9875 N 85th Ave., 2nd Fl.
Peoria, Arizona 85345-6560
Phone: (623) 773-7115
Fax: (623) 773-7118

THE FOLLOWING TERMS AND CONDITIONS ARE AN EXPLICIT PART OF THE SOLICITATION AND ANY RESULTANT CONTRACT.

1. **CERTIFICATION:** By signature in the Offer section of the Offer and Contract Award page (COP Form 203), the Vendor certifies
 - a The submission of the offer did not involve collusion or other anti-competitive practices
 - b The Vendor shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11456
 - c The Vendor has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip favor, or service to a public servant in connection with the submitted offer. Failure to sign the offer, or signing it with a false statement, shall void the submitted offer or any resulting contracts, and the vendor may be debarred.
2. **GRATUITIES:** The City may, by written notice to the Contractor, cancel this contract if it is found by the City that gratuities, in the form of entertainment, gifts or otherwise, were offered or given by the Contractor or any agent or representative of the Contractor, to any officer or employee of the City with a view toward securing an order, securing favorable treatment with respect to the awarding, amending, or the making of any determinations with respect to the performing of such order. In the event this contract is cancelled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold from the Contractor the amount of the gratuity. Paying the expense of normal business meals which are generally made available to all eligible city government customers shall not be prohibited by this paragraph
3. **APPLICABLE LAW:** In the performance of this agreement, contractors shall abide by and conform to any and all laws of the United States, State of Arizona and City of Peoria including but not limited to federal and state executive orders providing for equal employment and procurement opportunities, the Federal Occupational Safety and Health Act and any other federal or state laws applicable to this agreement.

Contractor specifically understands and acknowledges the applicability to it of the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986, and the Drug Free Workplace Act of 1989. In addition, if this agreement pertains to construction, Contractor must also comply with A.R.S. § 34-301, as amended (Employment of Aliens on Public Works Prohibited) and A.R.S. § 34-302, as amended (Residence Requirements for Employees)

Under the provisions of A.R.S. § 41-4401, Contractor hereby warrants to the City that Contractor and each of its subcontractors ("Subcontractors") will comply with, and are contractually obligated to comply with, all Federal immigration laws and regulations that relate to their employees and A.R.S. § 23-214(A) (hereinafter, "Contractor Immigration Warranty").

A breach of the Contractor Immigration Warranty shall constitute a material breach of this agreement and shall subject Contractor to penalties up to and including termination of this agreement at the sole discretion of the City. The City may, at its sole discretion, conduct random verification of the employment records of Contractor and any Subcontractors to ensure compliance with the Contractor Immigration Warranty. Contractor agrees to assist the City in regard to any random verifications performed.

Neither Contractor nor any Subcontractor shall be deemed to have materially breached the Contractor Immigration Warranty if Contractor or the Subcontractor establishes that it has complied with the employment verification provisions prescribed by §§ 274A and 274B of the Federal Immigration and Nationality Act and the E-Verify requirements prescribed by A.R.S. § 23-214(A).



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The provisions of this Paragraph must be included in any contract Contractor enters into with any Subcontractors who provide services under this agreement or any subcontract "Services" is defined as furnishing labor, time or effort in the State of Arizona by a contractor or subcontractor Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.

Contractor warrants, for the term of this agreement and for six months thereafter, that is has fully complied with the requirements of the Immigration Reform and Control Act of 1986 and all related or similar legal authorities

This contract shall be governed by the City and Contractor shall have all remedies afforded each by the Uniform Commercial Code, as adopted in the State of Arizona, except as otherwise provided in this contract or in statutes pertaining specifically to the City. This contract shall be governed by the laws of the State of Arizona and suit pertaining to this contract may be brought only in courts in the State of Arizona

This contract is subject to the provisions of ARS §38-511, the City may cancel this contract without penalty or further obligations by the City or any of its departments or agencies if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City or any of its departments or agencies, is at any time while the contract or any extension of the contract is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

- 4 **LEGAL REMEDIES:** All claims and controversies shall be subject to resolution according to the terms of the City of Peoria Procurement Code.
- 5 **CONTRACT:** The contract between the City and the Contractor shall consist of (1) the Solicitation, including instructions, all terms and conditions, specifications, scopes of work, attachments, and any amendments thereto, and (2) the offer submitted by the Vendor in response to the solicitation In the event of a conflict in language between the Solicitation and the Offer, the provisions and requirements in the Solicitation shall govern. However, the City reserves the right to clarify, in writing, any contractual terms with the concurrence of the Contractor, and such written contract shall govern in case of conflict with the applicable requirements stated in the Solicitation or the Vendor's offer The Solicitation shall govern in all other matters not affected by the written contract.
- 6 **CONTRACT AMENDMENTS:** This contract may be modified only by a written Contract Amendment (COP Form 217) signed by persons duly authorized to enter into contracts on behalf of the City and the Contractor
- 7 **CONTRACT APPLICABILITY:** The Offeror shall substantially conform to the terms, conditions, specifications and other requirements found within the text of this specific Solicitation. All previous agreements, contracts, or other documents, which have been executed between the Offeror and the City are not applicable to this Solicitation or any resultant contract
- 8 **PROVISIONS REQUIRED BY LAW:** Each and every provision of law and any clause required by law to be in the contract will be read and enforced as though it were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party, the contract will forthwith be physically amended to make such insertion or correction.
9. **SEVERABILITY:** The provisions of this contract are severable to the extent that any provision or application held to be invalid shall not affect any other provision or application of the contract which may remain in effect without the invalid provision or application
- 10 **RELATIONSHIP TO PARTIES:** It is clearly understood that each party will act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the other. An employee or agent of one party shall not be deemed or construed to be the employee or agent of the other for any purpose whatsoever The Contractor is advised that taxes or Social Security payments will not be withheld from any City payments issued hereunder and that the Contractor should make arrangements to directly pay such expenses, if any.



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- 11 **INTERPRETATION-PAROL EVIDENCE:** This contract represents the entire agreement of the Parties with respect to its subject matter, and all previous agreements, whether oral or written, entered into prior to this contract are hereby revoked and superseded by this contract. No representations, warranties, inducements or oral agreements have been made by any of the Parties except as expressly set forth herein, or in any other contemporaneous written agreement executed for the purposes of carrying out the provisions of this contract. This contract may not be changed, modified or rescinded except as provided for herein, absent a written agreement signed by both Parties. Any attempt at oral modification of this contract shall be void and of no effect
- 12 **NO DELEGATION OR ASSIGNMENT:** Contractor shall not delegate any duty under this Contract, and no right or interest in this Contract shall be assigned by Contractor to any successor entity or third party, including but not limited to an affiliated successor or purchaser of Contractor or its assets, without prior written permission of the City. The City, at its option, may cancel this Contract in the event Contractor undertakes a delegation or assignment without first obtaining the City's written approval Contractor agrees and acknowledges that it would not be unreasonable for the City to decline to approve a delegation or assignment that results in a material change to the services provided under this Contract or an increased cost to the City
- 13 **SUBCONTRACTS:** No subcontract shall be entered into by the contractor with any other party to furnish any of the material, service or construction specified herein without the advance written approval of the City. The prime contractor shall itemize all sub-contractors which shall be utilized on the project. Any substitution of sub-contractors by the prime contractor shall be approved by the City and any cost savings will be reduced from the prime contractor's bid amount. All subcontracts shall comply with Federal and State laws and regulations which are applicable to the services covered by the subcontract and shall include all the terms and conditions set forth herein which shall apply with equal force to the subcontract and if the Subcontractor were the Contractor referred to herein. The Contractor is responsible for contract performance whether or not Subcontractors are used.
- This provision shall not apply to any provider or subcontractor which provides medical or medical related services or which arranges for such services including but not limited to behavioral health services, pharmacy services and/or vision services."**
- 14 **RIGHTS AND REMEDIES:** No provision in this document or in the vendor's offer shall be construed, expressly or by implication, as waiver by the City of any existing or future right and/or remedy available by law in the event of any claim of default or breach of contract. The failure of the City to insist upon the strict performance of any term or condition of the contract or to exercise or delay the exercise of any right or remedy provided in the contract, or by law, or the City's acceptance of and payment for materials or services, shall not release the Contractor from any responsibilities or obligations imposed by this contract or by law, and shall not be deemed a waiver of any right of the City to insist upon the strict performance of the Contract
- 15 **INDEMNIFICATION:** To the fullest extent permitted by law, **each party** ~~the Contractor~~ shall defend, indemnify and hold harmless the **other party City**, its agents, representatives, officers, directors, officials and employees from and against all claims, damages, losses and expenses (including but not limited to attorney fees, court costs, and the cost of appellate proceedings), relating to, arising out of, or alleged to have resulted from the acts, errors, mistakes, omissions, work or services of the **other party Contractor**, its employees, agents, or any tier of subcontractors in the performance of this Contract. ~~Contractor's~~ **Each Party's** duty to defend, hold harmless and indemnify the **other party City**, its agents, representatives, officers, directors, officials and employees shall arise in connection with any claim, damage, loss or expense that is attributable to bodily injury, sickness, disease, death, or injury to, impairment, or destruction of property including loss of use resulting therefore, caused by any acts, errors, mistakes, omissions, work or services in the performance of this



STANDARD TERMS AND CONDITIONS

Materials Management

Procurement

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Contract including any employee of the **other party Contractor** or any tier of subcontractor or any other person for whose acts, errors, mistakes, omissions, work or services the **other party Contractor** may be legally liable

The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.

16. **OVERCHARGES BY ANTITRUST VIOLATIONS:** The City maintains that, in practice, overcharges resulting from antitrust violations are borne by the purchaser. Therefore, to the extent permitted by law, the Contractor hereby assigns to the City any and all claims for such overcharges as to the goods and services used to fulfill the Contract.

17. **FORCE MAJEURE:** Except for payment for sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war; acts of terror, hate crimes affecting public order, riots, strikes, mobilization; labor disputes, civil disorders, fire, floods, lockouts, injunctions-intervention-acts, or failures or refusals to act by government authority, events or obstacles resulting from a governmental authority's response to the foregoing; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence. The force majeure shall be deemed to commence when the party declaring force majeure notifies the other party of the existence of the force majeure and shall be deemed to continue as long as the results or effects of the force majeure prevent the party from resuming performance in accordance with this Contract.

Force majeure shall not include the following occurrences:

- a. Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, an oversold condition of the market, inefficiencies, or similar occurrences.
- b. Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this Force Majeure term and Condition.

Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure. If either party is delayed at any time in the progress of the work by force majeure, then the delayed party shall notify the other party in writing of such delay within forty-eight (48) hours commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be hand delivered or mailed *Certified-Return Receipt* and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing. The time of completion shall be extended by contract modification for a period of time equal to the time that the results or effects of such delay prevent the delayed party from performing in accordance with this contract.

18. **RIGHT TO ASSURANCE:** Whenever one party to this contract in good faith has reason to question the other party's intent to perform he may demand that the other party give a written assurance of this intent to perform. In the event that a demand is made and no written assurance is given within five (5) days, the demanding party may treat this failure as an anticipatory repudiation of the Contract.

19. **RIGHT TO AUDIT RECORDS:** The City may, at reasonable times and places, audit the books and records of any Contractor as related to any contract held with the City. This right to audit also empowers the City to inspect the papers of any Contractor or Subcontractor employee who works on this contract to ensure that the Contractor or Subcontractor is complying with the Contractor Immigration Warranty made pursuant to Paragraph 3 above. **Such audit will in accordance with Contractor's audit procedures.**



STANDARD TERMS AND CONDITIONS

Materials Management

Procurement

9875 N 85th Ave., 2nd Fl.
Peoria, Arizona 85345-6560
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20. **RIGHT TO INSPECT PLANT:** The City may, at reasonable times, inspect the part of the plant or place of business of a Contractor or Subcontractor which is related to the performance of any contract as awarded or to be awarded
21. **WARRANTIES:** Contractor warrants that all material, service or construction delivered under this contract shall conform to the specifications of this contract. Unless otherwise stated in Contractor's response, the City is responsible for selecting items, their use, and the results obtained from any other items used with the items furnished under this contract. Mere receipt of shipment of the material/service specified and any inspection incidental thereto by the City shall not alter or affect the obligations of the Contractor or the rights of the City under the foregoing warranties. Additional warranty requirements may be set forth in the solicitation.
22. **INSPECTION:** All material and/or services are subject to final inspection and acceptance by the City. Materials and/or services failing to conform to the specifications of this Contract will be held at Contractor's risk and may be returned to the Contractor. If so returned, all costs are the responsibility of the Contractor. The City may elect to do any or all:
- Waive the non-conformance.
 - Stop the work immediately.
 - Bring material into compliance.
- This shall be accomplished by a written determination for the City
23. **TITLE AND RISK OF LOSS:** The title and risk of loss of material and/or service shall not pass to the City until the City actually receives the material or service at the point of delivery, unless otherwise provided within this Contract.
24. **NO REPLACEMENT OF DEFECTIVE TENDER:** Every tender of materials shall fully comply with all provisions of the Contract. If a tender is made which does not fully conform, this shall constitute a breach of the Contract as a whole.
25. **DEFAULT IN ONE INSTALLMENT TO CONSTITUTE TOTAL BREACH:** Contractor shall deliver conforming materials in each installment of lot of this Contract and may not substitute nonconforming materials. Delivery of nonconforming materials or a default of any nature, at the option of the City, shall constitute a breach of the Contract as a whole.
26. **SHIPMENT UNDER RESERVATION PROHIBITED:** Contractor is not authorized to ship materials under reservation and no tender of a bill of lading will operate as a tender of the materials.
27. **LIENS:** All materials, service or construction shall be free of all liens, and if the City requests, a formal release of all liens shall be delivered to the City.
28. **LICENSES:** Contractor shall maintain in current status all Federal, State and Local licenses and permits required for the operation of the business conducted by the Contractor as applicable to this Contract.
29. **PATENTS AND COPYRIGHTS:** All services, information, computer program elements, reports and other deliverables, which may be patented or copyrighted and created under this contract are the property of the City and shall not be used or released by the Contractor or any other person except with the prior written permission of the City
30. **PREPARATION OF SPECIFICATIONS BY PERSONS OTHER THAN CITY PERSONNEL:** All specifications shall seek to promote overall economy for the purposes intended and encourage competition and not be unduly restrictive in satisfying the City's needs. No person preparing specifications shall receive any direct or indirect benefit from the utilization of specifications, other than fees paid for the preparation of specifications.



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31. **COST OF BID/PROPOSAL PREPARATION:** The City shall not reimburse the cost of developing presenting or providing any response to this solicitation. Offers submitted for consideration should be prepared simply and economically, providing adequate information in a straightforward and concise manner.
32. **PUBLIC RECORD:** All offers submitted in response to this solicitation shall become the property of the City and shall become a matter of public record available for review, subsequent to the award notification, in accordance with the City's Procurement Code. However, subsequent to the award of the contract, any information and documents obtained by the City during the course of an audit conducted in accordance with Paragraph 19 above for the purpose of determining compliance by Contractor or a Subcontractor with the Contractor Immigration Warranty mandated by Paragraph 3 above shall remain confidential and shall not be made available for public review or produced in response to a public records request, unless the City is ordered or otherwise directed to do so by a court of competent jurisdiction.
33. **ADVERTISING:** Neither party ~~Contractor~~ shall ~~not~~ advertise or publish information concerning this Contract, without prior written consent of the ~~other party~~ **City**.
34. **DELIVERY ORDERS:** The City shall issue a Purchase Order for the material and/or services covered by this contract. All such documents shall reference the contract number as indicated on the Offer and Contract Award (COP Form 203).
35. **FUNDING:** Any contract entered into by the City of Peoria is subject to funding availability. Fiscal years for the City of Peoria are July 1 to June 30. The City Council approves all budget requests. If a specific funding request is not approved, the contract shall be terminated.
36. **PAYMENT:** A separate invoice shall be issued for each shipment of material or service performed, and no payment will be issued prior to receipt of material and/or services and correct invoice.



SPECIAL TERMS AND CONDITIONS

**Materials Management
Procurement**
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Solicitation Number: P10-0024

- 1 **Purpose:** Pursuant to provisions of the City Procurement Code, the City of Peoria, Materials Management Division intends to establish a contract for Stop Loss.
- 2 **Authority:** This Solicitation as well as any resultant contract is issued under the authority of the City. No alteration of any resultant contract may be made without the express written approval of the City Materials Manager in the form of an official contract amendment. Any attempt to alter any contract without such approval is a violation of the contract and the City Procurement Code. Any such action is subject to the legal and contractual remedies available to the City inclusive of, but not limited to, contract cancellation, suspension and/or debarment of the contractor.
- 3 **Offer Acceptance Period:** In order to allow for an adequate evaluation, the City requires an offer in response to this Solicitation to be valid and irrevocable for one-hundred eighty (180) days after the opening time and date.
- 4 **Eligible Agencies:** Any contract resulting from this Solicitation shall be for the exclusive use of the City of Peoria.
- 5 **Contract Type:** Term
- 6 **Term of Contract:** The term of any resultant contract shall commence on January 1, 2010 and shall continue for a period of one (1) year thereafter, unless terminated, cancelled or extended as otherwise provided herein.
- 7 **Contract Extension:** By mutual written contract amendment, any resultant contract may be extended for supplemental periods of up to a maximum of forty-eight (48) months.
- 8 **Affirmative Action Report:** It is the policy of the City of Peoria that suppliers of goods or services to the City adhere to a policy of equal employment opportunity and demonstrate an affirmative effort to recruit, hire, and promote regardless of race, color, religion, gender, national origin, age or disability. The City of Peoria encourages diverse suppliers to respond to solicitations for products or services.
- 9 **Interview Guidelines:** During any requested interview, which would be scheduled in the future, be prepared to discuss your firm's proposal, staff assignments, project approach and other pertinent information. The presentation shall be approximately 30 minutes, allowing 15 minutes for a question and answer session. The Consultant's Project/Team Manager shall lead the presentation team and answer questions on behalf of the Consultant. If work involves a major sub-consultant, the firm's Project/Team Manager's presence may also be requested (by the City) at the interview.
- 10 **Discussions:** In accordance with the City of Peoria Procurement Code, after the initial receipt of proposals, discussions may be conducted with offerors who submit proposals determined to be reasonably susceptible of being selected for award.
- 11 **Proposal Opening:** Proposals shall be submitted at the time and place designated in the request for proposals. All information contained in the proposals shall be deemed as exempt from public disclosure based on the City's need to avoid disclosure of contents prejudicial to competing offerors during the process of negotiation. The proposals shall not be open for public inspection until after contract award. **PRICES SHALL NOT BE READ.** After contract award, the successful proposal and the evaluation documentation shall be open for public inspection.
- 12 **Performance Warranty:** Contractor warrants that the services rendered in performance will conform to the requirements and to the highest professional standards in the field.
- 13 **Inspection:** All work shall be subject to inspection, surveillance, and test by the City at reasonable times during the performance. The Contractor shall provide and maintain an inspection system which is acceptable to the City.



SPECIAL TERMS AND CONDITIONS

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14 Insurance Requirements: The Contractor, at Contractor's own expense, shall purchase and maintain the herein stipulated minimum insurance with companies duly licensed, possessing a current A.M. Best, Inc Rating of A-, or approved unlicensed in the State of Arizona with policies and forms satisfactory to the City.

All insurance required herein shall be maintained in full force and effect until all work or service required to be performed under the terms of the Contract is satisfactorily completed and formally accepted; failure to do so may, at the sole discretion of the City, constitute a material breach of this Contract

The Contractor's insurance shall be primary insurance as respects the City, and any insurance or self-insurance maintained by the City shall not contribute to it.

Any failure to comply with the claim reporting provisions of the insurance policies or any breach of an insurance policy warranty shall not affect coverage afforded under the insurance policies to protect the City

The insurance policies, except Workers' Compensation, shall contain a waiver of transfer rights of recovery (subrogation) against the City, its agents, representatives, directors, officers, and employees for any claims arising out of the Contractor's acts, errors, mistakes, omissions, work or service

The insurance policies may provide coverage which contain deductibles or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to the City under such policies. The Contractor shall be solely responsible for the deductible and/or self-insured retention and the City, at its option, may require the Contractor to secure payment of such deductibles or self-insured retentions by a Surety Bond or an irrevocable and unconditional letter of credit

The City reserves the right to request and to receive, within 10 working days, certified copies of any or all of the herein required insurance policies and/or endorsements. The City shall not be obligated, however, to review same or to advise Contractor of any deficiencies in such policies and endorsements, and such receipt shall not relieve Contractor from, or be deemed a waiver of the City's right to insist on, strict fulfillment of Contractor's obligations under this Contract

The insurance policies, except Workers' Compensation and Professional Liability, required by this Contract, shall name the City, its agents, representatives, officers, directors, officials and employees as Additional Insureds.

15 Required Insurance Coverage:

a Commercial General Liability

Contractor shall maintain Commercial General Liability insurance with a limit of not less than \$1,000,000 for each occurrence with a \$2,000,000 Products/Completed Operations Aggregate and a \$2,000,000 General Aggregate Limit. The policy shall include coverage for bodily injury, broad form property damage, personal injury, products and completed operations and blanket contractual coverage including, but not limited to, the liability assumed under the indemnification provisions of this Contract which coverage will be at least as broad as Insurance Service Office, Inc. Policy Form CG 00011207 or any replacements thereof. The coverage shall not exclude X, C, U

Such policy shall contain a severability of interest provision, and shall not contain a sunset provision or commutation clause, nor any provision which would serve to limit third party action over claims

The Commercial General Liability additional insured endorsement shall be at least as broad as the Insurance Service Office, Inc.'s Additional Insured, Form B, CG 20370704, and shall include coverage for Contractor's operations and products and completed operations.



SPECIAL TERMS AND CONDITIONS

Solicitation Number: P10-0024

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Any Contractor subletting any part of the work, services or operations awarded to the Contractor shall purchase and maintain, at all times during prosecution of the work, services or operations under this Contract, an Owner's and Contractor's Protective Liability insurance policy for bodily injury and property damage, including death, which may arise in the prosecution of the Contractor's work, service or operations under this Contract. Coverage shall be on an occurrence basis with a limit not less than \$1,000,000 per occurrence, and the policy shall be issued by the same insurance company that issues the Contractor's Commercial General Liability insurance.

b. Automobile Liability

Contractor shall maintain Commercial/Business Automobile Liability insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000 each occurrence with respect to the Contractor's any owned, hired, and non-owned vehicles assigned to or used in performance of the Contractor's work. Coverage will be at least as broad as coverage code 1, "any auto", (Insurance Service Office, Inc. Policy Form CA 00010306, or any replacements thereof) Such insurance shall include coverage for loading and off loading hazards. If hazardous substances, materials or wastes are to be transported, MCS 90 endorsement shall be included and \$5,000,000 per accident limits for bodily injury and property damage shall apply

c. Workers' Compensation

The Contractor shall carry Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction of Contractor's employees engaged in the performance of the work or services, and, Employer's Liability insurance of not less than \$100,000 for each accident, \$100,000 disease for each employee, and \$500,000 disease policy limit

In case any work is subcontracted, the Contractor will require the Subcontractor to provide Workers' Compensation and Employer's Liability to at least the same extent as required of the Contractor.

d. Professional Liability

The Contractor retained by the City to provide the work or service required by this Contract will maintain Professional Liability insurance covering acts, errors, mistakes and omissions arising out of the work or services performed by the Contractor, or any person employed by the Contractor, with a limit of not less than \$1,000,000 each claim

16. **Certificates of Insurance:** Prior to commencing work or services under this Contract, Contractor shall furnish the City with Certificates of Insurance, or formal endorsements as required by the Contract, issued by Contractor's insurer(s), as evidence that policies providing the required coverages, conditions and limits required by this Contract are in full force and effect.

In the event any insurance policy(ies) required by this contract is(are) written on a "Claims made" basis, coverage shall extend for two years past completion and acceptance of the Contractor's work or services and as evidenced by annual Certificates of Insurance.

If a policy does expire during the life of the Contract, a renewal certificate must be sent to the City fifteen (15) days prior to the expiration date.

All Certificates of Insurance shall be identified with bid serial number and title. A \$25.00 administrative fee will be assessed for all certificates received without the appropriate bid serial number and title.

17. ~~**Cancellation and Expiration Notice:** Insurance required herein shall not expire, be canceled, or materially changed without thirty (30) days prior written notice to the City~~



SPECIAL TERMS AND CONDITIONS

Solicitation Number: P10-0024

Materials Management Procurement

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18 Independent Contractor:

a General

- i. The Contractor acknowledges that all services provided under this Agreement are being provided by him as an independent contractor, not as an employee or agent of the City Manager or the City of Peoria.
- ii. Both parties agree that this Agreement is nonexclusive and that Contractor is not prohibited from entering into other contracts nor prohibited from practicing his profession elsewhere.

b. Liability

- i The City of Peoria shall not be liable for any acts of Contractor outside the scope of authority granted under this Agreement or as the result of Contractor's acts, errors, misconduct, negligence, omissions and intentional acts
- ii. To the fullest extent permitted by law, the Contractor shall defend, indemnify and hold harmless the City, its agents, representatives, officers, directors, officials and employees from and against all claims, damages, losses and expenses (including but not limited to attorney fees, court costs, and the cost of appellate proceedings), relating to, arising out of, or alleged to have resulted from the acts, errors, mistakes, omissions, work or services of the Contractor, its employees, agents, or any tier of subcontractors in the performance of this Contract Contractor's duty to defend, hold harmless and indemnify the City, its agents, representatives, officers, directors, officials and employees shall arise in connection with any claim, damage, loss or expense that is attributable to bodily injury, sickness, disease, death, or injury to, impairment, or destruction of property including loss of use resulting therefrom, caused by any acts, errors, mistakes, omissions, work or services in the performance of this Contract including any employee of the Contractor or any tier of subcontractor or any other person for whose acts, errors, mistakes, omissions, work or services the Contractor may be legally liable

The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.

c. Other Benefits

The Contractor is an independent contractor, therefore, the City Manager will not provide the Contractor with health insurance, life insurance, workmen's compensation, sick leave, vacation leave, or any other fringe benefits Further, Contractor acknowledges that he is exempt from coverage of the Comprehensive Benefit and Retirement Act (COBRA) Any such fringe benefits shall be the sole responsibility of Contractor

19. Key Personnel: It is essential that the Contractor provide adequate experienced personnel, capable of and devoted to the successful accomplishment of work to be performed under this contract The Contractor must agree to assign specific individuals to the key positions

- a The Contractor agrees that, once assigned to work under this contract, key personnel shall not be removed or replaced without written notice to the City.
- b If key personnel are not available for work under this contract for a continuous period exceeding 30 calendar days, or are expected to devote substantially less effort to the work than initially anticipated, the Contractor shall immediately notify the City, and shall, subject to the concurrence of the City, replace such personnel with personnel of substantially equal ability and qualifications



SPECIAL TERMS AND CONDITIONS

Solicitation Number: P10-0024

Materials Management Procurement

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20. **Confidential Information:**

- a. If a person believes that a bid, proposal, offer, specification, or protest contains information that should be withheld, a statement advising the Materials Supervisor of this fact shall accompany the submission and the information shall be identified.
- b. The information identified by the person as confidential shall not be disclosed until the Materials Supervisor makes a written determination.
- c. The Materials Supervisor shall review the statement and information and shall determine in writing whether the information shall be withheld.
- d. If the Materials Supervisor determines to disclose the information, the Materials Supervisor shall inform the bidder in writing of such determination.

21. **Confidentiality of Records:** The contractor shall establish and maintain procedures and controls that are acceptable to the City for the purpose of assuring that information contained in its records or obtained from the City or from others in carrying out its functions under the contract shall not be used or disclosed by it, its agents, officers, or employees, except as required to efficiently perform duties under the contract. Persons requesting such information should be referred to the City Contractor also agrees that any information pertaining to individual persons shall not be divulged other than to employees or officers of contractor as needed for the performance of duties under the contract

22. **Identity Theft Prevention:** The Contractor shall establish and maintain Identity Theft policies, procedures and controls for the purpose of assuring that "personal identifying information," as defined by A.R.S. § 13-2001(10), as amended, contained in its records or obtained from the City or from others in carrying out its responsibilities under the Contract, is protected at all times and shall not be used by or disclosed to unauthorized persons. Persons requesting such information should be referred to the City. Contractor also agrees that any "personal identifying information" shall not be disclosed other than to employees or officers of Contractor as needed for the performance of duties under the Contract. Contractor agrees to maintain reasonable policies and procedures designed to detect, prevent and mitigate the risk of identity theft. Contractor is required under this contract to review the City of Peoria's Identity Theft Program and to report to the Program Administrator any Red Flags as defined within that program. At a minimum, the contractor will have the following Identity Theft procedures in place:

- a. Solicit and retain only the "personal identifying information" minimally necessary for business purposes related to performance of the Contract.
- b. Ensure that any website used in the performance of the contract is secure. If a website that is not secure is to be used, the City shall be notified in advance before any information is posted. The City reserves the right to restrict the use of any non-secure websites under this contract.
- c. Ensure complete and secure destruction of any and all paper documents and computer files at the end of the contract's retention requirements.
- d. Ensure that office computers are password protected and that computer screens lock after a set period of time.
- e. Ensure that offices and workspaces containing customer information are secure.
- f. Ensure that computer virus protection is up to date.

23. **Licenses:** Contractor shall maintain in current status all Federal, State and Local licenses and permits required for the operation of the business conducted by the Contractor.



SPECIAL TERMS AND CONDITIONS

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24. **Cancellation:** The City reserves the right to cancel the whole or any part of this contract due to failure by the contractor to carry out any obligation, term or condition of the contract. The City will issue written notice to the contractor for acting or failing to act as in any of the following:

- a. The contractor provides material that does not meet the specifications of the contract,
- b. The contractor fails to adequately perform the services set forth in the specifications of the contract,
- c. The contractor fails to complete the work required or to furnish the materials required within the time stipulated in the contract;
- d. The contractor fails to make progress in the performance of the contract and/or gives the City reason to believe that the contractor will not or cannot perform to the requirements of the contract

Upon receipt of the written notice of concern, the contractor shall have ten (10) days to provide a satisfactory response to the City. Failure on the part of the contractor to adequately address all issues of concern may result in the City resorting to any single or combination of the following remedies:

- a. Cancel any contract;
- b. Reserve all rights or claims to damage for breach of any covenants of the contract,
- c. Perform any test or analysis on materials for compliance with the specifications of the contract. If the results of any test or analysis find a material non-compliant with the specifications, the actual expense of testing shall be borne by the contractor;
- d. In case of default, the City reserves the right to purchase materials, or to complete the required work in accordance with the City Procurement Code. The City may recover any actual excess costs from the contractor by
 - i. Deduction from an unpaid balance,
 - ii. Any combination of the above or any other remedies as provided by law.

Executive Summary

Prepared for the City of Peoria (Stop Loss)



*Blue Cross
Blue Shield of
Arizona is a name
you know and
trust.*



*Seamless
administration
without interface
charges*



*Your partner for
health benefits
since 1998*

Introduction

Blue Cross Blue Shield of Arizona (BCBSAZ) is pleased to submit a specific and aggregate stop loss proposal response to the City of Peoria

Easy To Do Business With

As your current medical and pharmacy administrator, BCBSAZ will reimburse stop loss claims for the City automatically. The reimbursements will be made in the form of claims credit on the subsequent monthly claims invoice. This is a seamless process that BCBSAZ completes for self-funded accounts where we serve as both medical claims administrator and stop loss vendor

Cheri Ishmael, your account manager, will send the City monthly notifications of claimants exceeding a predetermined level, typically 50 percent of the specific stop loss level along with your monthly claims invoice

Our Partnership with the City of Peoria

We are committed to providing the City with experienced account management and customer service. Cheri and Dave Moen, your Account Executive, are dedicated to assisting you every step of the way with service and strategic planning.

Stop Loss Eligibility

We will not exclude any participants from coverage or provide limited coverage under our contracts. Additionally, the City will not be responsible for any additional data requirements as we will handle stop loss claims adjudication the same way we process all other claims

Delivering Affordable Products

BCBSAZ offers self-funded (ASC) coverage to over 80 employer groups in Arizona and has experienced more than 95 percent retention of these groups over the last three years. As your partner since 1998, we have the experience and flexibility to work with you to provide the funding option that best fits the needs of the City.

Summary

BCBSAZ is committed to our long standing relationship with the City of Peoria. Our account management team will continue to deliver quality service as your medical and pharmacy administrator and look forward to providing you additional support as your stop loss vendor



An Independent Licensee
of the Blue Cross and
Blue Shield Association

November 5, 2009

Lisa Houg
Contract Officer
City of Peoria, Materials Management
9875 North 85th Avenue
Peoria, AZ 85345

Re: City of Peoria Stop Loss RFP #P10-0024

Dear Ms. Houg:

Blue Cross Blue Shield of Arizona (BCBSAZ) is pleased to submit the enclosed proposal in response to the RFP for stop loss coverage for the City of Peoria.

Per your specifications, we are providing a response that includes the following:

- An effective date of January 1, 2010
- Questionnaire responses and rates for the requested stop loss coverage

We look forward to working with City of Peoria as their stop loss vendor and are committed to providing cost-effective, high-quality service to City of Peoria.

Please contact me at (602) 864-4044 after reviewing the proposal. I look forward to the opportunity to address any questions, provide additional information, and discuss the next steps.

Thank you for considering Blue Cross Blue Shield of Arizona.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Moen".

David L. Moen, CLU
Senior Manager, National and Large Group Sales
P: (602) 864-4044
F: (602) 864-5822
E: dmoen@azblue.com

City of Peoria Stop-Loss RFP

6.2 Stop-Loss Rate Quotation

6.2.1 Rates for \$50,000 Specific Deductible Per Individual per six(6) months

6.2.1.1 Specific Stoploss

6.2.1.1.1

Based on the data provided, please provide your Composite rates below.

Rates for Specific Stoploss

(Per Employee Per Month)

\$50,000 Specific Deductible Per Individual per six(6) months with \$2,000,000 underlying maximum lifetime medical benefit

Full-Time Employees

*Period of January 1, 2010 through June 30, 2010.

Rates must be guaranteed for the period January 1, 2010 through June 30, 2010.

	Composite Rate Estimated Enrollment: 1193
Incurred in 6 months, paid in 9 months	\$87.85
Incurred in 6 months, paid in 12 months	\$87.85

Detail:

Attachments:

City of Peoria Stop-Loss RFP

6.2.1.2 Aggregate Stoploss: 125%

6.2.1.2.1

Based on the data provided, please provide your Composite rates below.

Rates for Aggregate Stoploss: 125%

(Per Employee Per Month)

\$50,000 Specific Deductible Per Individual per six(6) months with \$2,000,000 underlying maximum lifetime medical benefit

Full-Time Employees

*Period of January 1, 2010 through June 30, 2010.

Rates must be guaranteed for the period January 1, 2010 through June 30, 2010.

	Composite Rate Estimated Enrollment: 1193
Incurred in 6 months, paid in 9 months	\$2.66
Incurred in 6 months, paid in 12 months	\$2.66
Here is our target attachment factor. If you use a different factor, please enter it below and explain the difference.	\$909.78 PEPM
Attachment factor used, and reason for variance (enter 'N/A' if matching target attachment factor above)	BCBSAZ agrees to \$909.78 per employee per month (PEPM).

Detail:

Attachments:

City of Peoria Stop-Loss RFP

6.2.2 Rates for \$75,000 Specific Deductible Per Individual per six(6) months

6.2.2.1 Specific Stoploss

6.2.2.1.1

Based on the data provided, please provide your Composite rates below.

Rates for Specific Stoploss

(Per Employee Per Month)

\$75,000 Specific Deductible Per Individual per six(6) months with \$2,000,000 underlying maximum lifetime medical benefit

Full-Time Employees

*Period of January 1, 2010 through June 30, 2010.

Rates must be guaranteed for the period January 1, 2010 through June 30, 2010.

	Composite Rate Estimated Enrollment: 1193
Incurred in 6 months, paid in 9 months	\$57.57
Incurred in 6 months, paid in 12 months	\$57.57

Detail:

Attachments:

City of Peoria Stop-Loss RFP

6.2.2.2 Aggregate Stoploss: 125%

6.2.2.2.1

Based on the data provided, please provide your Composite rates below.

Rates for Aggregate Stoploss: 125%

(Per Employee Per Month)

\$75,000 Specific Deductible Per Individual per six(6) months with \$2,000,000 maximum lifetime medical benefit

Full-Time Employees

*Period of January 1, 2010 through June 30, 2010.

Rates must be guaranteed for the period January 1, 2010 through June 30, 2010.

	Composite Rate Estimated Enrollment: 1193
Incurred in 6 months, paid in 9 months	\$2.66
Incurred in 6 months, paid in 12 months	\$2.66
Here is our target attachment factor. If you use a different factor, please enter it below and explain the difference.	\$909.78 PEPM
Attachment factor used, and reason for variance (enter 'N/A' if matching target attachment factor).	BCBSAZ agrees to \$909.78 per employee per month (PEPM).

Detail:

Attachments:

City of Peoria Stop-Loss RFP

6.2.3 Rates for \$100,000 Specific Deductible Per Individual per six(6) months

6.2.3.1 Specific Stoploss

6.2.3.1.1

Based on the data provided, please provide your Composite rates below.

Rates for Specific Stoploss

(Per Employee Per Month)

\$100,000 Specific Deductible Per Individual per six(6) months with \$2,000,000 underlying maximum lifetime medical benefit

Full-Time Employees

*Period of January 1, 2010 through June 30, 2010.

Rates must be guaranteed for the period January 1, 2010 through June 30, 2010.

	Composite Rate Estimated Enrollment: 1193
Incurred in 6 months, paid in 9 months	\$40.63
Incurred in 6 months, paid in 12 months	\$40.63

Detail:

Attachments:

City of Peoria Stop-Loss RFP

6.2.3.2 Aggregate Stoploss: 125%

6.2.3.2.1

Based on the data provided, please provide your Composite rates below.

Rates for Aggregate Stoploss: 125%

(Per Employee Per Month)

\$100,000 Specific Deductible Per Individual per six(6) months with \$2,000,000 underlying maximum lifetime medical benefit

Full-Time Employees

*Period of January 1, 2010 through June 30, 2010.

Rates must be guaranteed for the period January 1, 2010 through June 30, 2010.

	Composite Rate Estimated Enrollment: 1193
Incurred in 6 months, paid in 9 months	\$2.66
Incurred in 6 months, paid in 12 months	\$2.66
Here is our target attachment factor. If you use a different factor, please enter it below and explain the difference.	\$909.78 PEPM
Attachment factor used, and reason for variance (enter 'N/A' if matching target attachment factor).	BCBSAZ agrees to the \$909.78 per employee per month (PEPM).

Detail:

Attachments:

City of Peoria Stop-Loss RFP

6.3 Questions

6.3.1 Has your organization read and agreed to administer stop loss insurance in accordance with the City's plan as described in the current Plan Document in 6.1.3 and 6.1.4? If no, please explain any deviations.

Answer: Yes

Detail: BCBSAZ's legal exceptions are attached.

Attachments:

6.3.2 Please describe any underwriting contingencies.

Answer: Please see the sample stop loss master contract, Attachment D.

Attachments:

6.3.3 Do you agree to waive actively at work for employees and non-hospital confinement rules for dependents as of the effective date?

Answer: Yes

Detail:

Attachments:

6.3.4 Describe your renewal calculation especially in relation to whether you require lasers.

Answer: BCBSAZ's renewal rating process is as follows: We develop expected claims using a combination of methods including community statistics and experience rating. The credibility level will vary based on enrollment in BCBSAZ-administered plans and number of months of experience. All applicable factors are used to develop expected claims costs, administrative and stop loss fees for the group's rating/policy period. Stop loss charge levels are developed on a pooled basis taking into consideration the total block of business, not just one group's claims experience. BCBSAZ's contract does not allow us limit or exclude coverage for individuals who are disabled/receive treatment that we were not aware of through the RFP process.

We consider the following factors when developing specific stop loss renewal rates:

Claim diagnosis

Date of diagnosis

Severity of condition

Claims frequency

Prognosis

Demographics

Attachments:

6.3.5 Confirm that you can work with the City's ASO Administrator, BlueCross BlueShield of Arizona.

Answer: 1: Confirmed

Detail: BCBSAZ's quote assumes that BCBSAZ is the underlying Medical/Rx carrier.

Options:

1. Confirmed
2. Unconfirmed

Attachments:

City of Peoria Stop-Loss RFP

6.3.6 Please identify all requirements of the City's ASO administrator, BlueCross BlueShield of Arizona, for your insurance contract.

Answer: BCBSAZ does not have any requirements as we are the current Medical/Rx carrier/administrator.

Attachments:

6.3.7 Referring to the City's Plan Document in 6.1.3 and 6.1.4, do you agree to administer the stop loss insurance in accordance to the City's experimental and medically necessary definitions? If not explain any deviations.

Answer: 1: Agree

Detail:

Options:

1. Agree
2. Disagree

Attachments:

6.3.8 Are there any individuals who are being excluded from coverage or provided different/limited coverage under your contract?

Answer: No

Detail: Specific stop loss coverage is provided for all members administered by BCBSAZ; we do not "laser" or adjust deductible levels for high cost members. In addition, we do not exclude individuals from coverage based on their health status upon enrolling in the plan. However, any and all claims incurred prior to the quoted effective date based on BCBSAZ's proposal would be the responsibility of the plan sponsor and/or incumbent carrier.

Attachments:

6.3.9 Does your contract allow you to limit or exclude coverage on covered persons at renewal?

Answer: No

Detail: Specific stop loss coverage is provided for all members administered by BCBSAZ; we do not "laser" or adjust deductible levels for high cost members. In addition, we do not exclude individuals from coverage based on their health status upon enrolling in the plan. However, any and all claims incurred prior to the quoted effective date based on BCBSAZ's proposal would be the responsibility of the plan sponsor and/or incumbent carrier.

Attachments:

6.3.10 Do you require a disclosure statement be completed at renewal?

Answer: No

Detail:

Attachments:

6.3.11 If a disclosure statement is required to be completed, what is the maximum number of days in advance of the effective date it can be completed?

Answer: Not Applicable

Detail:

Attachments:

City of Peoria Stop-Loss RFP

6.3.12 If you require a disclosure statement, please include a copy with your response. Disclosure statement included?

Answer: No

Detail: BCBSAZ does not require a disclosure statement.

Attachments:

6.3.13 Will you accept the data from the claim administrator directly?

Answer: Yes

Detail: BCBSAZ is the current Medical/Rx carrier/administrator.

Attachments:

6.3.14 Define clearly the terms and conditions of your contract as they apply to termination.

Answer: Upon termination of this Agreement, the Parties shall have only those continuing duties of performance as provided herein; provided, however, upon completion of its performance under this Agreement, BCBSAZ shall cause the orderly transfer of records, if any, from BCBSAZ to the Employer or its designee in a time frame mutually agreed upon, but not to exceed six (6) months from the date of termination.

The Employer agrees to reimburse BCBSAZ for any and all amounts BCBSAZ is required to pay pursuant to an applicable grievance and/or appeals process regardless of whether BCBSAZ is still administering claims for the Employer at the time the appeal is conducted. The Employer also agrees to reimburse BCBSAZ for any and all amounts which Health Care Financing Administration or any other government agency requires BCBSAZ to pay because Medicare was not required to pay as primary, regardless of whether BCBSAZ is administering claims for the Employer at the time Health Care Financing Administration makes such determination.

Please see sample stop loss master contract for additional details, Attachment D.

Attachments:

6.3.15 After termination, what is the maximum number of days allowed for submission of a valid claim that was paid by the administrator within the contract period?

Answer: 365

Detail: BCBSAZ will allow the providers to submit a valid claim that was incurred prior to the date of termination within 12 months of the termination date.

Attachments:

6.3.16 Can you provide an annual report showing all reimbursements made, including claimant name and the month(s) of payment within 120 days of the end of the contract year?

Answer: Yes

Detail:

Attachments:

6.3.17 How soon after a claim is filed can the client expect reimbursement?

Answer: As both the medical claims administrator and stop loss vendor, reimbursements of stop loss claims will take place automatically. The reimbursements are in the form of claims credit the subsequent monthly claims invoice.

Attachments:

City of Peoria Stop-Loss RFP

6.3.18 Does your program include access to transplant centers of excellence so the City can utilize any pre-negotiated discounts?

Answer: Yes

Detail:

Attachments:

6.3.19 What is the maximum annual dollar amount that will be reimbursed if the aggregate attachment point is exceeded?

Answer: \$0.00

Detail: There is no ASL annual maximum other than the underlying medical plan lifetime maximum per member by product; otherwise there is no limitation per participant on the stop-loss coverage quoted. Our quote assumes there are no run-in claims in the first year of this policy.

Attachments:

6.3.20 Indicate your organization's ratings by all of the following agencies:

	Rating	Date of Rating
AM Best	Not applicable	Not applicable
Standard and Poor's (S&P)	Not applicable	Not applicable
Moody's	Not applicable	Not applicable
Fitch	Not applicable	Not applicable

Detail: TheStreet.com (Weiss): A+, April 2008, please see Attachment C.

BCBSAZ is a non-profit organization and is therefore not publicly rated. We are committed to compliance with the significant liquidity and capital requirements of the Blue Cross and Blue Shield Association and meeting Arizona's Department of Insurance Risk Based Capital Standards.

Attachments:

6.3.21 Has your organization been downgraded in any of your ratings in the last 12 months? If yes, please explain the nature and reason(s) for each change.

Answer: No

Detail:

Attachments:

City of Peoria Stop-Loss RFP

6.3.22 Provide two (2) current and one (1) former public sector client references of similar size as the City.

	Name	Contact Name	Phone Number and Client Location	Number of Employees	Contract Start Date
Current Client 1	City of Glendale	Lupe Sierra	(623) 930-2859 Glendale	2,341	5/1/1993
Current Client 2	Glendale Union High School District	Sharon Thompson	(623) 435-6036 Glendale	1,642	7/1/1989
Former Client 1	Paradise Valley Unified School District	Carol Priborsky	(602) 867-5136 Phoenix	2,886	7/1/2001

Detail:

Attachments:

6.3.23 Please provide a sample specimen Stop Loss contract.

Answer: 1: Attached

Detail: Please see sample stop loss master contract for additional details, Attachment D.

Options:

1. Attached
2. Not Attached

Attachments:

MAXIMUM AGGREGATE AND SPECIFIC LIABILITY AGREEMENT
(Minimum Premium)
GROUP CONTRACT NUMBER _____
(CLAIMS INCURRED DURING TERM OF AGREEMENT)

PARTIES:

The Parties to this Agreement are Blue Cross and Blue Shield of Arizona, Inc. ("BCBSAZ"), an Arizona non-profit corporation and an independent licensee of the Blue Cross and Blue Shield Association, and City of Peoria (the "Employer").

EFFECTIVE DATE:

The Effective Date of this Maximum Aggregate and Specific Liability Agreement (the "Agreement") is January 1, 2010.

RECITALS:

1. The Employer has established a self-funded, employee welfare benefit plan (the "Plan"), which provides certain hospital, medical and/or dental benefits to certain employees of the Employer and to certain dependents of such employees (collectively the "Participants"), on such terms and conditions as are more fully described in the Employer's Benefit Plan Booklet attached to the Employer's Administrative Services Contract as "Exhibit I" and by this reference made a part of this Agreement
2. The Employer has retained BCBSAZ to provide certain ministerial claims processing and related administrative services and utilization management services in conjunction with the Plan(s);
3. The Employer desires to accept liability for payments incurred for Covered Services (as those terms are defined in Section 1. below) subject to certain maximum liability limits (the "Maximum Liabilities") as described in Subsection 3.a.;
4. BCBSAZ is a hospital, medical, dental service corporation within the meaning of A.R.S. Section 20-821 et seq.;
5. Pursuant to its activities as a hospital, medical, dental service corporation, BCBSAZ has developed considerable expertise in assessing, minimizing and underwriting risks and costs associated with the provision of hospital, medical and dental services and supplies;
6. The Parties desire that BCBSAZ shall reimburse the Employer, or its agent the Benefit Administrator, for payments incurred for Covered Services to the extent that such payments exceed the Maximum Aggregate Claims Liabilities, on such terms and conditions as described below.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT:

1. Definitions.

For the purposes of this Agreement, the following terms shall have the meanings provided below:

- a. BCBSAZ Allowed Amount -the amount payable by or through BCBSAZ for a Covered Service, including any contracted discounts and amount payable by the Subscriber, i.e., deductibles, coinsurance or copayments.
- b. Contract Month - shall coincide with a calendar month within the Contract Period, the first Contract Month shall commence with the effective date of this Agreement and the last Contract Month shall terminate upon the termination of this Agreement.
- c. Contract Period - an initial period of six (6) months with subsequent periods of twelve- (12) months.
- d. Covered Services - health care services and supplies rendered or delivered to Participants for which benefits are available under the Plan.
- e. Eligible Participants or Participants. Collectively Employees and Dependents as defined in the Plan(s).
- f. Enrollment Units and Enrollment Categories. "Enrollment Unit" shall mean each employee, with or without dependents, enrolled for coverage under the respective Plan(s). Enrollment Units are categorized for rating purposes into "Enrollment Categories." Enrollment Categories are based upon whether the employee only or the employee and dependents are enrolled. In addition, Enrollment Categories may distinguish which dependents are enrolled along with the employee. For example: employee and spouse; employee and child(ren); employee and dependent(s) (spouse and/or child[ren]). Premiums and/or other cost factors are based on Enrollment Categories.
- g. Plan(s) - shall mean only that portion of the employee welfare benefit plan that provides for hospital, medical and/or dental benefits, as expressly set forth in the Summary Plan Descriptions, schedules of coverage and any amendments and endorsements attached thereto on the effective date of this Agreement or as may be added thereafter and approved as provided in Section 24. below.
- h. Providers/Provider Network(s) - health care providers with whom BCBSAZ has entered into a participation agreement and who comprise the Provider Network(s) to which the Employer and Participants have access.

2. Term of Agreement.

- a. On or before one hundred fifty (150) days prior to the end of this Agreement, BCBSAZ will forward to the Employer a Rate Renewal Packet which is BCBSAZ's offer to renew this Agreement for one (1) year period at the rates specified in the Employer's Rate Renewal Packet.

If BCBSAZ receives a "Bid/Renewal Rate Acceptance" form on or before the last day of the current contract period, this Agreement will renew for a one (1) year period at the rates specified in the "Bid/Renewal Rate Acceptance" form with the benefits the Employer has designated on the Form. The "Bid/Renewal Rate Acceptance" form attached to the Administrative Services Agreement as Exhibit J is incorporated herein by reference

If BCBSAZ has not received the "Bid/Renewal Rate Acceptance" form on or before the last day of the current contract period, BCBSAZ will consider the Employer's failure to forward the Form as the Employer's rejection of BCBSAZ's offer to renew and this Agreement will terminate as of the last day of the current contract period.

After this Agreement has been in effect for twelve (12) months, either Party may terminate this Agreement at any time, without cause, as of the last day of any calendar month by giving thirty (30) days' prior written notice to the other.

- b. **Termination.** Except as provided in Subsection 2 a. above, this Agreement may be terminated only as provided below:
- i. Either Party may terminate this Agreement at any time in the event of a material breach of this Agreement by the other, but only if said breach is not cured within thirty (30) days after written notice to the breaching Party.
 - ii. BCBSAZ may terminate this Agreement upon the occurrence of any of the following:
 - 1 Failure by the Employer to pay when due the fees and charges referred to on Schedule 1., but only if the failure is not cured pursuant to Subsection 8.c. of this Agreement.
 2. BCBSAZ reserves the right, upon five (5) days' prior written notice to the Employer, to terminate this Agreement in the event that the Employer fails to provide funds as required by Section VII. necessary to satisfy its liability for payments made for Covered Services as provided in the Employer's Administrative Services Contract.
 3. The sale, exchange or transfer of (i) all or substantially all of the assets of Employer to a third party, (ii) more than twenty-five percent (25%) of the outstanding stock in Employer or (iii) controlling interest in Employer, whichever is less.

4. Insolvency, appointment of a receiver or a trustee for Employer, assignment for the benefit of creditors by Employer, or the commencement of any proceedings under bankruptcy or insolvency laws by or against Employer that continues for sixty (60) days, or the attachment, levy or other seizure by legal process of any substantial part of the assets of Employer, and such attachment, levy or seizure is not quashed, stayed or released within sixty (60) days of its occurrence.
 5. Default by Employer under any other agreement with BCBSAZ.
 6. Fraud or misrepresentation by the Employer or a Participant.
 7. Changes to the Plan which are not acceptable by BCBSAZ as provided in Subsection II.D. of the Administrative Services Contract.
- iii. This Agreement will terminate automatically upon the occurrence of any of the following:
1. Termination of the Plan in its entirety.
 2. The enactment of any law or the promulgation of any regulation that makes it illegal to continue this Agreement or for BCBSAZ to perform any of the services required under this Agreement.
 3. The termination of the Employer's Administrative Services Contract.
- iv. After this Agreement has been in effect for twelve (12) months, either Party may terminate this Agreement at any time, without cause, as of the last day of any calendar month by giving thirty (30) days' prior written notice to the other
- c. Effect of Termination. Upon termination of this Agreement, the Parties shall have only those continuing duties of performance as provided herein; provided, however, upon completion of its performance under this Agreement, BCBSAZ shall cause the orderly transfer of records, if any, from BCBSAZ to the Employer or its designee in a time frame mutually agreed upon, but not to exceed six (6) months from the date of termination.

The Employer agrees to reimburse BCBSAZ for any and all amounts BCBSAZ is required to pay pursuant to an applicable grievance and/or appeals process regardless of whether BCBSAZ is still administering claims for the Employer at the time the appeal is conducted. The Employer also agrees to reimburse BCBSAZ for any and all amounts which Health Care Financing Administration or any other government agency requires BCBSAZ to pay because Medicare was

not required to pay as primary, regardless of whether BCBSAZ is administering claims for the Employer at the time Health Care Financing Administration makes such determination.

3. The Employer's Obligations

- a. Maximum Claims Liabilities. The Employer shall be liable for, and agrees, to provide funds sufficient to satisfy all payments made for Covered Services subject to a maximum aggregate claims liability applicable to the Contract Period (the "Maximum Aggregate Claims Liability"), and the cumulative claims incurred and reimbursed by BCBSAZ on behalf of any Participant for the Contract Period (the "Specific Claims Liability") as determined below:
- i. Except as otherwise specifically provided in Subsection 3.b. below, the Maximum Aggregate Claims Liability for the Contract Period is the sum of the monthly claims liability limits (Claims Liability Limit[s]) for that Contract Period.
 - ii. The Claims Liability Limit for any Contract Month shall be the greater of the minimum monthly attachment level (as set forth in Schedule 1) or the sum of the products of the applicable monthly claims liability factor for each Enrollment Category times the number of Enrollment Units in that Enrollment Category enrolled in the respective Plan(s), as described in the Employer's Summary Plan Description, for that Contract Month. The applicable monthly claims liability factors shall be as set forth on Schedule 1. and the number of applicable Enrollment Units shall be determined by BCBSAZ based on enrollment information provided to BCBSAZ by the Employer, and reported in accordance with Paragraph 3.a.vi., below .
 - iii. The Employer's Maximum Aggregate Claims Liability for the Contract Period shall be equal to the sum of the Monthly Claims Liability Limits, as set for in Paragraph 3.a.ii., above for each month in the Contract Period. Payments for Covered Services incurred within a Contract Period and paid within that Contract Period or within twelve (12) months following the close of that Contract Period shall be considered to be incurred during that Contract Period. Payments for Covered Services incurred during the Contract Period but paid more than twelve (12) months after the close of that Contract Period shall be considered to be incurred in the subsequent Contract Period. If there is no subsequent Contract Period, then payments for Covered Services incurred within the final Contract Period and paid within twenty-four (24) months after the close of the final Contract Period shall be considered to be incurred during the final Contract Period. Any payments for Covered Services incurred in excess of the Maximum Aggregate Claims Liability under this Agreement for the Contract Period shall be the claims liability of BCBSAZ.

- iv. In no event shall the Employer be liable for payments for Covered Services incurred during the Contract Period with respect to any individual Eligible Participant in excess of the Maximum Specific Claims Liability set forth on Schedule 1. Payments for Covered Services incurred during the Contract Period and paid during that Contract Period or within twelve (12) months following the close of that Contract Period shall be considered to be incurred in that Contract Period. Payments for Covered Services incurred during the Contract Period but paid more than twelve (12) months after the close of that Contract Period shall be considered to be incurred in the subsequent Contract Period. If there is no subsequent Contract Period, then payments for Covered Services incurred during the final Contract Period and paid within twenty-four (24) months after the close of the final Contract Period shall be considered to be incurred during the final Contract Period. Any payments made for Covered Services incurred in excess of the Maximum Specific Claims Liability under this Agreement for the Contract Period with respect to an individual Eligible Participant shall be the claims liability of BCBSAZ.
- v. Unless otherwise noted in Schedule 1, this Agreement has a twenty-four (24) month claims run-out period from the date of termination of this Agreement. For purposes of calculating the Maximum Claims Liabilities under this Agreement, claims for Covered Services incurred during a Contract Period and paid during the Contract Period and the claims run-out period immediately following will be attributed to the Contract Period in which the claims are incurred.
- vi. Monthly enrollment units maybe retroactively adjusted (up to 12 months after the reporting month) to reflect the appropriate enrollment within each enrollment category. Retroactive adjustments include, but are not limited to, additions and terminations reported to BCBSAZ subsequent to any reporting month.
- vii. Fees associated with BlueCard ("Blue Card fees"), including but not limited to, Access Fees and Administrative Expenses fee schedule (AEA), which will be charged as pass through group claim expenses. BlueCard fees will accumulate toward the Employer's specific and aggregate stoploss as described in Paragraphs i., ii. iii., iv. and v. of Subsection 3.a. and in Schedule 1. These fees are subject to change without prior notice as directed by the Blue Cross Blue Shield Association.

b. Employer's Liability Upon Termination.

- i. Following termination of this Agreement, the Employer shall be liable for all payments incurred while this Agreement was in force. The Employer's obligations under this Paragraph 3.b.i. shall survive the termination of this Agreement and shall remain in effect for twenty-four (24) months following the termination of this Agreement with respect to payments so incurred are outstanding and payable.

- ii. Where any payment is approved in relation to a contested claim, BCBSAZ shall determine, on the basis of the date on which payment is actually made, whether such payment or any portion of it is an obligation of the Employer or an obligation of BCBSAZ under the terms of this Agreement. Payments made in accordance with the terms of any judgment or settlement shall be considered payments made to Eligible Participants under the Plan, as described in the Employer's Summary Plan Description, during the period in which such judgment or settlement is satisfied, whether paid during the term of this Agreement or following the termination of this Agreement
- iii. Upon termination of this Agreement, the Employer's maximum liability for Covered Services incurred during the term of this Agreement, whether such Covered Services are paid prior or subsequent to termination, shall be equal to the Employer's Maximum Aggregate claims Liability for the final Contract Period; less the amount of Covered Services actually charged against the Maximum Aggregate Claims liability for the final Contract Period (as calculated pursuant to Paragraph 3.a.i.) on the date of termination.
- iv. If the term of this Agreement is less than twelve (12) months, the Employer's Maximum Aggregate Claims Liability will be annualized to reflect a complete twelve (12) month contract year.

4. Payments Applicable to the Employer's Maximum Claims Liabilities.

- a. Satisfaction of Maximum Claims Liabilities. Only the following payments may be applied to satisfy the Employer's Maximum Liabilities, as defined in Section 3., under the terms of this Agreement:
 - i. Except as otherwise specifically provided in this Paragraph 4.a.i., only payments made by the Employer, or the Benefit Administrator, in accordance with the terms and conditions of the respective Plan(s), as described in the Employer's Summary Plan Description, and incurred during the term of this Agreement by those Eligible Participants who are designated by class and coverage on Schedule 1. and who are otherwise eligible for Covered Services under the terms and conditions of the respective Plan(s), as described in the Employer's Summary Plan Description, (at the time that the relevant Covered Services are rendered or delivered) may be applied to satisfy the Employer's Maximum Liabilities, as defined in Section 3., for the applicable Contract Period under this Agreement.
 - ii. Notwithstanding anything in this Agreement to the contrary, payments made by the Employer, or the Benefit Administrator, relating to payments incurred during the term of this Agreement for which there has been or will be reimbursement by another insurance company, reinsurance

company or any other third party or payments incurred after the termination of this Agreement or for which BCBSAZ has otherwise reimbursed the Employer, or the Benefit Administrator, may not be applied to satisfy the Maximum Liabilities, as defined in Section 3., under this Agreement. In the event that the Employer, or the Benefit Administrator, receives any reimbursement from any third party as provided above, BCBSAZ shall be entitled to recover such amounts to the extent that BCBSAZ has reimbursed the Employer, or the Benefit Administrator, for those amounts. BCBSAZ shall be entitled to recover such amounts regardless of whether or not such reimbursement is received during the year in which the respective payments are incurred and whether or not such reimbursement is received during the term of this Agreement or after the termination of this Agreement. Moreover, to the extent that BCBSAZ has reimbursed the Employer, or the Benefit Administrator, for such amounts, BCBSAZ shall have the right to recover from the Employer, or the Benefit Administrator, any amounts recovered. Further, the Employer, and the Benefit Administrator, if applicable, shall cooperate to assure BCBSAZ's right to recover pursuant to this Paragraph 4.a.ii. Any payments that have been reimbursed under this Agreement as payments in excess of the Maximum Specific Liability, as defined in Section 3., for the Contract Period with respect to specific Eligible Participants, may not be applied to satisfy the Maximum Aggregate Claims Liability, as defined in Section 3., for such Contract Period.

iii. For purposes of this Agreement, only payments made pursuant to the terms of this Agreement and the respective Plan(s), as described in the Employer's Summary Plan Description, may be applied to satisfy the Employer's Maximum Liabilities, as defined in Section 3., for the Contract Period. Such payments shall be based upon Eligible Expenses as defined in Section 1. above. Such determination shall be in the sole discretion of BCBSAZ or its designated agent.

b. Application of Payments. Any payments made by the Employer or the Benefit Administrator shall be applied to the contract period during which the payments are actually made.

5. Payment of Benefits

a. BCBSAZ, whether acting in its capacity as administrator under the Administrative Services Contract or under this Agreement, shall:

i. Make a final determination of the amount of Covered Services, if any, to which a Participant may be entitled under the Plan and this Agreement and for which BCBSAZ is liable, pursuant to Paragraph 3.a iii. and iv. and Subsection 5.b.;

- ii. Make payment of all benefits payable under the Plan and this Agreement by BCBSAZ, pursuant to Paragraph 3.a.iii. and iv. and Subsection 5.b. Any and all payments made by BCBSAZ to any provider or participant are made on behalf of the Employer;
 - iii. Undertake the defense of any action brought in connection with any claim for benefits payable under the Plan and this Agreement by BCBSAZ, pursuant to Paragraph 3.a.iii. and iv. and Subsection 5.b., and make such disposition of such action as BCBSAZ deems appropriate.
- b. BCBSAZ shall provide certain health care management services under this Agreement, including, but not limited to precertification and medical necessity determinations in accordance with such guidelines stated in the Administrative Service Contract. In addition, BCBSAZ agrees to evaluate the medical care of a Participant for individual case management, as an alternative to Covered Services otherwise available under the Plan and the Administrative Service Contract. If the Employer, based on BCBSAZ's evaluation, determines that individual case management is appropriate, a plan of care will be developed by a registered nurse case manager and BCBSAZ's medical director, in coordination with the Participant's personal physician. BCBSAZ reserves the right to add to or modify these health care management services and to introduce new health care management services that it deems necessary and appropriate. However, no changes or additions to existing health care management services which change benefits under the Plan or this Agreement shall become effective without the prior written consent of the Employer.

6. BCBSAZ's Obligations.

- a. Reimbursement. BCBSAZ agrees to reimburse the Employer, or the Benefit Administrator, for payments made under the respective Plan(s), as described in the Employer's Summary Plan Description, by the Employer, or the Benefit Administrator, incurred during the term of this Agreement and paid to or on behalf of all Eligible Participants, to the extent that such payments are in excess of the Maximum Aggregate Claims Liability, as defined in Section 3., for the applicable Contract Period and to or on behalf of specific Eligible Participants, to the extent that such payments are in excess of the Maximum Specific Liability, as defined in Section 3., for the applicable Contract Period with respect to such specific Eligible Participants, subject to certain limitations as described more fully below:
 - i. BCBSAZ's liability under this Agreement is limited to reimbursement to the Employer, or its agent the Benefit Administrator, for payments for Covered Services to or on behalf of Eligible Participants under the terms of this Agreement and the terms and conditions of the respective Plan(s), as described in the Employer's Summary Plan Description.
 - ii. Except as otherwise specifically provided in this Agreement, BCBSAZ's obligations under this Agreement will apply only to payments made by the Employer, or the Benefit Administrator, in accordance with the terms and

conditions of the respective Plan(s), as described in the Employer's Summary Plan Description, incurred during the term of this Agreement by those Eligible Participants who are designated by class and coverage on Schedule 1, and are otherwise eligible to receive such payments (at the time that the relevant Covered Services are rendered or delivered) under the terms of this Agreement and the terms and conditions of the respective Plan(s), as described in the Employer's Summary Plan Description attached to the Employer's Administrative Services Contract as "Exhibit A". Following the termination of this Agreement, BCBSAZ's obligations under this Agreement will apply only to those payments incurred during the term of this Agreement, whether such payments are made prior or subsequent to the termination of this Agreement and otherwise meet the requirements of the preceding sentence.

- iii. Where any payment is approved in relation to a contested claim, BCBSAZ shall determine, on the basis of the date on which payment is actually made, whether such payment or any portion of it is an obligation of the Employer or an obligation of BCBSAZ under the terms of this Agreement. Benefit payments made in accordance with the terms of any judgment or settlement shall be considered benefits paid to Eligible Participants under the Plan during the period in which such judgment or settlement is satisfied, whether paid during the term of this Agreement or following the termination of this Agreement.

7. Contribution and Participation Requirements

- a. The Employer agrees to contribute at least seventy-five percent (75%) of the cost for all Eligible Participants or fifty percent (50%) of the total cost for all Eligible Participants.
- b. If the Employer contributes one hundred percent (100%) of the cost for Eligible Participants, all employees eligible for coverage under the Plan and this Agreement must be enrolled. If the Employer contributes less than one hundred percent (100%) of the cost for Eligible Participants, at least seventy-five percent (75%) of all employees eligible for coverage under the Plan and this Agreement must be enrolled; those employees eligible for coverage under the Plan and this Agreement who are covered under their spouse's group health plan, Medicare, AHCCCS, CHAMPUS or Indian Health Services shall not be considered for purposes of determining whether the Employer has satisfied this seventy-five percent (75%) requirement. In any event, at least one hundred (100) Eligible Participants must be enrolled on the effective date of this Agreement. If the Employer fails to meet the contribution or participation requirements as determined by BCBSAZ, BCBSAZ reserves the right to terminate this Agreement and any other applicable Agreements in effect between the Employer and BCBSAZ.
- c. The Employer agrees to comply with such other contribution and participation requirements as shall be mutually agreed upon by the Parties from time to time.

Such requirements shall become effective no sooner than sixty (60) days after BCBSAZ has given written notice to the Employer.

8. Compensation.

a. Premium Payments In consideration of BCBSAZ's performance under this Agreement, the Employer shall pay to BCBSAZ such premiums as established from time to time by BCBSAZ. The premiums payable as of the effective date of this Agreement are set out on Schedule 1. BCBSAZ will bill the Employer for such fees and charges which are due and payable on the first (1st) day of each calendar month. The interest rate will adjust each calendar year based on the Federal Discount Rate published in the Wall Street Journal as of January 1 each year, less 1/4 of a point. BCBSAZ reserves the right to adjust the interest rate at any time and will notify the groups affected.

b. Adjustments to Cost Factors.

BCBSAZ reserves the right to adjust the premium rates set out on Schedule 1 retroactive to the first day of any billing month in which the Employer's contribution (percentage or dollar amount) changes or enrollment of Employees varies by more than ten percent (10%) from that set out in Schedule 1.

c. Grace Period. This Agreement has a grace period of thirty-one (31) days. This means that if a premium is not paid on or before the date it is due it may be paid during the grace period. During the grace period, the Agreement shall remain in force; however, the Employer shall be liable for any premiums that are or become due.

If, by the last day of the applicable grace period, the Employer fails to pay the premiums which are due, the Agreement may be terminated, at the option of BCBSAZ, retroactive to the date on which the premiums first became due. In such case, the Employer shall be liable for all Covered Services rendered to Eligible Participants during the grace period, and the Employer agrees to hold BCBSAZ harmless from all costs therefor. In any event, the Employer agrees to hold BCBSAZ harmless from all costs for Covered Services rendered to Eligible Participants after the expiration of the grace period.

d. Adjustments Upon Changes in Applicable Law. Premium payments required under this Agreement are comprised of various components and cost factors. Premium tax is an example of one component that is required by state law. If federal or state law affecting premium payments, benefits, administrative procedures, etc., are amended during the term of this Agreement, BCBSAZ reserves the right to adjust, retroactively or prospectively, the premiums, premium rate restrictions/maximums then in effect accordingly. Further, BCBSAZ specifically reserves the right to recover from the Employer any premium tax deficiencies, which may be assessed against BCBSAZ with respect to prior periods of coverage under this Agreement, whether such deficiencies are assessed during the term of this Agreement or following its termination.

- e. Notice of Rate Changes Effective Upon Anniversary Date. Except as stated in Subsection 8.b., at least one hundred fifty (150) days days prior to each anniversary date of the commencement of this Agreement, BCBSAZ shall advise the Employer in writing whether BCBSAZ shall require any changes in the premium payments due under this Section 8., which changes shall be effective for the following Contract Period. BCBSAZ may not further change the payment terms until the next anniversary date, except as provided in Subsections 8.b. and d., and Section 24. below. For purposes of this Subsection 8.e., notice to the Broker/Consultant designated in Exhibit B of the Employer's Administrative Services Contract, as it may be amended or restated by the Parties from time to time, shall constitute notice to the Employer.

9 Records and Review

The Employer agrees to furnish to BCBSAZ all information that BCBSAZ may from time to time require in order to determine when the Employer's Maximum Liabilities, as defined in Section 3., for the Contract Period have been satisfied. The Employer shall notify BCBSAZ immediately as to any modification of the Plan(s), as described in the Employer's Summary Plan Description, or the termination thereof. BCBSAZ shall not be responsible for any delay or non-performance of its obligations under this Agreement that are caused or contributed to, in whole or in part, by the failure of the Employer to timely furnish any required information.

10. Limitation of Liability and Indemnification.

- a. Limitation of Liability and Indemnification Regarding Certain Liabilities. For purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (or any other comparable federal or state law applicable to the Employer in the event that ERISA is not applicable) and the Consolidated Omnibus Reconciliation Act of 1985, as amended ("COBRA"), BCBSAZ shall not be considered to be the Plan administrator of this Agreement, nor shall BCBSAZ be liable with respect to any liabilities, damages, penalties, losses, costs, and/or expenses, resulting from or arising out of the Employer's obligations with respect to its governmental reporting requirements and/or governmental regulation compliance, including, but not limited to, notification, reporting and disclosure requirements under ERISA and COBRA. Further, the Employer agrees to be liable to the extent permitted by applicable state and/or federal law and agrees to indemnify, hold harmless and defend BCBSAZ and its directors, officers, employees, or agents, from and against any and all actions, causes of action, suits, claims, judgments, settlements, liabilities, damages, penalties, losses, costs, and/or expenses, including, without limitation, extra contract damages, court costs, attorneys' fees, and punitive and exemplary damages, resulting from or arising out of or in connection with, any acts, omissions, or negligence of the Employer, its directors, officers, employees, or agents with respect to the Employer's governmental reporting requirements and/or governmental regulation compliance, including, but not limited to, notification, reporting and disclosure requirements under ERISA and COBRA. To the extent permitted by applicable

state and/or federal law, the Employer further agrees to indemnify, hold harmless and defend BCBSAZ, its directors, officers, employees and agents from and against any liability with respect to taxes, assessments and penalties incurred by or which may be levied upon BCBSAZ by reason of payments made or services performed under this Agreement, together with any interest thereon.

- b. Mutual Indemnifications. Except as otherwise specifically provided in Subsection 10.a. above, the Employer and BCBSAZ agree that each respective Party shall only be responsible for claims, losses, damages, liabilities, penalties, costs, expenses, and obligations, including attorneys' fees, arising out of or resulting from its own breach of the terms of this Agreement. To the extent permitted by applicable state and/or federal law, each Party shall indemnify, hold harmless and defend the other Party, its directors, officers, elected officials, employees, or agents from and against any and all actions, causes of action, suits, judgments, settlements, claims, losses, damages, liabilities, penalties, costs, and/or expenses arising out of or resulting from its own breach of this Agreement or negligent acts or omissions with respect to its obligations under the terms of this Agreement.
- c. BCBSAZ's Liability. BCBSAZ agrees to make payments to Eligible Participants and providers on behalf of the Employer and does not assume liability for any claims brought against BCBSAZ due to any payment made in accordance to the Plan(s) or as required by the Employer.

11. Claims for Reimbursement.

- a. Timeliness. If the Employer, or the Benefit Administrator, submits a claim for reimbursement (the "claim") to BCBSAZ under this Agreement, it must do so in writing to BCBSAZ's address as set forth in Section 20. below, or such other address of which the Employer receives notice under this Agreement, within ninety (90) days or within thirty (30) days of the date the health care provider submits the claim to BCBSAZ provided, however, that BCBSAZ shall have no liability to pay or reimburse for any claim submitted more than one (1) year after the date this Contract terminated. The Employer, or the Benefit Administrator, as the case may be, must provide BCBSAZ with such information as BCBSAZ shall reasonably request to support such claim, including proof of payment and satisfaction of the applicable Maximum Liabilities, as defined in Section 3.
- b. Determination. BCBSAZ shall make a determination as to the validity of a claim for reimbursement under this Agreement within thirty (30) days of receipt of such claim.
- c. Reconsideration. Upon written request, BCBSAZ shall reconsider its original determination. A written request for reconsideration must be filed with BCBSAZ within sixty (60) days following the date the first disallowance or payment notice is mailed. Additional documentation in support thereof must accompany the request, if appropriate. Failure to timely request reconsideration shall waive the Employer's right to reconsideration under this Agreement. BCBSAZ shall review

the request for reconsideration and shall notify the Employer, or the Benefit Administrator, as the case may be, of its decision in writing within sixty (60) days following receipt of the request for reconsideration.

12. Legal Action.

The Employer agrees that it shall not file suit or request arbitration until sixty (60) days after the date upon which the Employer, or the Benefit Administrator, submits proof of claim and satisfaction of applicable Maximum Liabilities, as defined in Section 3., as required under this Agreement.

13. Legal Fees.

In the event an action is brought to enforce or interpret any of the terms, covenants or obligations of this Agreement, the prevailing Party shall be entitled to recover all court costs and reasonable attorneys' fees actually incurred in any such action and fees incurred in enforcing any judgment obtained following entry of such judgment.

14. Confidentiality.

The Employer shall ensure that the Employer, its principals and agents, including, but not limited to, the Benefit Administrator, shall maintain the confidentiality of any and all proprietary information with respect to BCBSAZ acquired during the term of this Agreement. Such proprietary information shall not be divulged, disclosed or otherwise made available to anyone not a Party to this Agreement without BCBSAZ's prior written consent, nor shall such proprietary information be used to the detriment of BCBSAZ. The obligations of the Employer, its principals and agents under this Section 14. shall survive the termination of this Agreement.

15. Applicable Law and Venue.

This Agreement shall be governed by and construed according to the laws of the State of Arizona and applicable federal law. The Parties consent to the jurisdiction of and to venue for any dispute involving this Agreement in the state courts of the State of Arizona or the United States District Court for the District of Arizona.

16. Audit Rights.

Upon reasonable prior written notice to the other Party and during that Party's normal working hours, each Party may audit the records of payments made to providers and other data specifically related to performance of the Parties under this Agreement. Each Party agrees to provide reasonable assistance and information to the auditors without charge. Any costs of a routine audit will be borne by the Party performing the audit. If either Party has cause to perform a targeted audit of a specific area of performance under this Agreement, and such audit reveals a breach of contract or other failure to perform, the Party at fault will bear the costs of the audit. Notwithstanding any other agreement to the contrary, in the event the Employer has a right to audit the enrollment and/or claims, any audit for any plan year must be both commenced and finalized within

twenty-seven (27) months of the last day of the plan year being audited. BCBSAZ shall have no liability to pay based on any audit unless demand for payment based on such audit is received by BCBSAZ within thirty (30) months after the end of the plan year.

17. Changes in Plan(s).

No changes in the respective Plan(s), as described in the Employer's Summary Plan Description, shall be covered by this Agreement, nor shall any amounts paid by the Employer as payments resulting from any such changes in the respective Plan(s), as described in the Employer's Summary Plan Description, be applied toward the satisfaction of the Employer's Maximum Liabilities, as defined in Section 3., in the absence of prior written acceptance of such changes by BCBSAZ.

18. Prevailing Terms.

During the term of this Agreement, in the event that the terms of this Agreement are inconsistent with the terms of the respective Plan(s), as described in the Employer's Summary Plan Description, the terms of this Agreement shall prevail.

19. Waiver.

No waiver of any term, provision or condition of this Agreement will be valid unless in writing and signed by both Parties.

20. Paragraph Headings.

The headings of paragraphs contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

21. Notices.

All notices and other communications to a Party shall be (i) in writing, (ii) addressed to the other Party at its respective address set forth below or such other addresses as either Party may designate in writing to the other from time to time for such purposes and (iii) served or delivered by hand delivery or by U.S. mail. Notice shall be complete upon receipt by the Party. Notices and other communications in writing need not be mailed either by registered or certified mail. However, a signed return receipt received through the U.S. Post Office shall be conclusive proof as between the Parties of delivery of any notice or communication and of the date of such delivery. Notice to the Broker/Agent/Consultant designated on Exhibit B of the Employer's Administrative Services Contract, or as subsequently changed in writing to BCBSAZ by the Employer, shall constitute notice to the Employer

22. Severability.

If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal,

invalid or unenforceable provision had never comprised a part of it; and the remaining provisions shall remain in full force and effect and shall not be affected by such illegal, invalid or unenforceable provision or by its severance.

23. Use of Tradename.

Each Party expressly agrees not to use the corporate name or any tradename, trademark or service mark of the other Party in any advertising, publications, press releases, brochures or other public communications without the prior written consent of the other Party.

24. Amendment.

Except as otherwise specifically provided under this Agreement, this Agreement may be altered, amended or modified only in writing upon the mutual written consent of the Parties. BCBSAZ, however, specifically reserves the right to alter, amend or modify this Agreement and/or its performance under this Agreement as may be required by applicable state and/or federal law and/or as may be necessitated by the terms and conditions of various participation agreements with Providers into which BCBSAZ shall enter from time to time during the term of this Agreement.

25. Assignment.

Neither Party may assign or transfer any right, benefit, obligation or duty under the terms of this Agreement without the advance written consent of the other; except BCBSAZ may transfer and assign this Agreement to a subsidiary or parent or an entity or person acquiring control of BCBSAZ or its assets or acquiring a division of BCBSAZ providing administration services under this Agreement.

26. BCBSAZ's Relationship to the Blue Cross and Blue Shield Association.

Employer, on behalf of itself and its Participants, expressly acknowledges and agrees that:

- (i) This Agreement is a contract solely between Employer and BCBSAZ, which is an independent corporation operating under a license from the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, (the "Association") permitting BCBSAZ to use the Blue Cross and Blue Shield Service Marks in the State of Arizona;
- (ii) BCBSAZ is not contracting as the agent of the Association;
- (iii) Employer has not entered into this Agreement based on any representations by the Association, or any Blue Cross or Blue Shield plan other than BCBSAZ; and
- (iv) Employer shall not seek to hold the Association or any other Blue Cross or Blue Shield plan accountable or liable to Employer for any of BCBSAZ's obligations to the Employer or Participants created under this Agreement.

This Paragraph shall not create any additional obligations whatsoever on the part of BCBSAZ other than those obligations created under other provisions of this Agreement.

27. Entire Agreement

This Agreement, including all Exhibits, including but not limited to, the Administrative Services Contract, constitutes the entire arrangement between the Parties with respect to its subject matter. No promises, terms, conditions or obligations other than those contained in this Agreement will be valid or binding. Any prior oral or written agreements, statements, promises, negotiations, inducements or representations made by either Party or agents of either Party that are not contained in this Agreement are of no force or effect.

Intending to be legally bound, the Parties have executed this Contract as of its Effective Date.

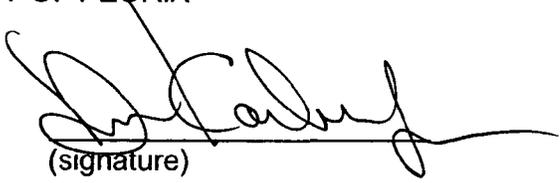
BLUE CROSS AND BLUE SHIELD
OF ARIZONA, INC., an Arizona
nonprofit corporation

By: _____
(signature)

Thomas H. Dameron
(printed)

Title: Vice President Sales

CITY OF PEORIA

By: 
(signature)

Herman Koeborgen
(printed)

Title: Materials Manager

A CON 65409

SCHEDULE 1

Employer Group Number: _____

Employer Name: City of Peoria

Claims Administrator: Blue Cross and Blue Shield of Arizona, Inc.

Contract Period: January 1, 2010 to June 30, 2010

Contract Type: **Initial Contract Period:** Incurred within six (6) months (the Contract Period) and paid within twelve (12) months
Subsequent Contract Period: Incurred within twelve (12) months (the Contract Period) and paid within twenty-four (24) months

Eligible Participants

All participants enrolled in and entitled to the covered benefits under the Plans during the Contract Period and as set forth below shall be covered under this Agreement:

Medical Dental Vision Hearing Prescription Drugs Mental Health

Premium Rates

The premium rates and other cost factors for the Contract Period listed above shall be as follows:

- | | | | |
|----|------------------------|-----------------|------------------|
| 1. | Premium Payments. | Specific | Aggregate |
| | Per Employee Per Month | \$40.63 | \$2.66 |
2. Incurred claims attachment point factor, calculated based on 125% of expected claims.
Per Employee Per Month \$909.78

Maximum Specific Liability (Specific Stoploss)

\$100,000 per Eligible Participant per Contract Period.

4. The Minimum Monthly Attachment Point for all products combined is \$950,630.
5. During the term of this Agreement and during the twenty four (24) month run-out-period, Employer will pay BCBSAZ's fees associated with the BlueCard Program ("BlueCard

Fees”). The BlueCard Fees include fees paid to other Blue Cross and Blue Shield Association Plans which are an Access Fee (generally 10% of claims savings not to exceed \$2,000 per claim) and an administrative expense fee schedule (AEA) (generally \$5.00 per physician claim and \$11.00 per hospital claim). The Access Fee is currently passed through as a claims expense. The BlueCard Fees also include other fees, paid by Blue Cross and Blue Shield of Arizona (“BCBSAZ”) to the Blue Cross and Blue Shield Association for the BlueCard Program including a Central Financial Agency Fee (charged by claim), an ITS Transaction Fee (charged by claim), 800 toll-free number fees, and provider directory fees that are not directly passed through as a claims expense but affect BCBSAZ’s administrative expenses. These claims expenses accumulate toward the Employer’s specific and aggregate stoploss as noted in Section 3.a.vii. The BlueCard Fees may be changed from time to time in accordance with the Association’s processes for changing such fees.

6.	Enrollment Assumption:	Employee	Family
		413	748



CONTRACT AMENDMENT

Materials Management Procurement
9875 N. 85th Ave., 2nd Fl.
Peoria, AZ 85345
Telephone: (623) 773-7115
Fax: (623) 773-7118

Solicitation No: P10-0024 Page 1 of 21
Description: Stop Loss
Amendment No: One (1) Date: 5/17/2011

Buyer: Lisa Houg, CPPB

In accordance with Special Terms and Conditions, **Contract Extension**, the above referenced contract shall expire on 6/30/2010. The new contract term is 7/1/2010 through 6/30/2011. The renewal rates are attached as Exhibit J.

In addition, the Maximum Aggregate and Specific Liability Agreement is hereby added to the contract.

Contractor hereby acknowledges receipt and agreement. A signed copy shall be filed with the City of Peoria, Materials Management Division.

[Signature] 8/18/11
Signature Date

Ken Stark, Account Executive
~~David L. Moon, CUU~~ Blue Cross Blue Shield of Arizona
Typed Name and Title Company Name

8220 N. 23rd Avenue, Building #2 Phoenix AZ 85021
Address City State Zip Code

Attested by:
[Signature]
Wanda Nelson, City Clerk

[Signature]
Dept. Rep: Nancy Fantasia, Benefits Administrator

[Signature]
Director: Wynette Reed, Human Resources Director



City Seal
(Rev 02/11/10)

CC Number
ACON65409A
Contract Number:
Official File

[Signature]
Approved as to Form: Stephen M. Kemp, City Attorney

The above referenced Contract Amendment is hereby Executed
October 19, 2011, at Peoria, Arizona.

[Signature]
Materials Manager



An Independent Licensee of the Blue Cross Blue Shield Association
 Bid / Renewal Rate Acceptance - Exhibit J

Legal Name of Group:	City of Peoria	Funding:	Incurred ASC WITH SSL/ASL
Name of Group Health Plan:	City of Peoria Group Health Plan	Bid or Renewal:	Renewal
Group ID:	18500	Stop Loss Rates Effective:	7/1/2010-6/30/2011
Account Executive:	Dave Moen	Days Notice:	150 (in concurrence with Medical contract)
Commission:	NA	Underwriter:	Lourdes Armenta
Commission:	NA	UW Code:	LQ
Broker Paid:	NA		
	PEPM (As a percentage of the Billed Rate)		

SOLD PLAN(S) AND RATES

Sold Benefits:	PPO \$100							
In-Network:	Ded/Copay: \$100	Coins: 90%	OOP Max: \$1,000	OVC: \$20	Specialist: \$35			
Rx: \$7/\$20/\$40								
Out-of-Network:	Deductible: \$2,000	Coins: 40%	OOP Max: \$10,000					

Sold Rates:	Employee (PEPM)
Specific SL: \$100,000	\$57.36
Aggregate SL: 125%	\$2.88
Stop Loss Billed Rate	\$60.24
Claims Attachment Point	\$983.85
Expected Liability	\$847.32
Maximum Liability	\$1,044.09

Enrollment: 98

Sold Benefits:	EPO						
In-Network:	Ded/Copay: n/a	Coins: 100%	OOP Max: \$0	OVC: \$15	Specialist: \$30		
Rx: \$7/\$20/\$40	IP Hosp Copay: \$350						
Out-of-Network: N/A	Deductible: n/a	Coins: n/a	OOP Max: n/a				

Sold Rates:	Employee (PEPM)
Specific SL: \$100,000	\$57.36
Aggregate SL: 125%	\$2.88
Billed Rate	\$60.24
Claims Attachment Point	\$983.85
Expected Liability	\$847.32
Maximum Liability	\$1,044.09

Enrollment: 1072

Total Enrollment: 1170

- Notes:**
- Stop Loss: Notification of sold stop loss (Aggregate and Specific) was communicated to BCBSAZ on 5/25/10. Stop Loss rates in place for 7/1/2010-6/30/2011. Stop Loss caveat reference: **Caveat # I-ASC-SL-7/2010-18500-1**
 - Please reference RAF signed on 10/16/09 for sold administration contract effective 1/1/2010-6/30/2011.
 - Capitation is included in the Incurred Claims Attachment Point. Capitation equates to: **\$7.12** PEPM
 - Mayo is INCLUDED ONLY on the PPO plan. It is NOT included in the EPO plan.

Minimum Monthly Attachment Point: **\$1,035,993**

All information from the Caveat # I-ASC-SL-7/2010-18500-1 is incorporated herein by reference. BCBSAZ reserves the right to adjust these premium rates retroactive to the first day of any billing month in which the group's enrollment of Employees varies by more than fifteen percent (15%) from that listed above.

This Rate Acceptance Form must be signed and returned prior to BCBSAZ issuing ID Cards. If any information on this Form is inaccurate, please provide the correct information on this Form.

Lourdes Armenta
 BCBSAZ Representative(s)

 Broker/Group Representative

10/1/09
 Date

 Title

 Date

**MAXIMUM AGGREGATE AND SPECIFIC LIABILITY AGREEMENT
GROUP CONTRACT NUMBER 18500
(CLAIMS INCURRED DURING TERM OF AGREEMENT)**

PARTIES:

The Parties to this Agreement are Blue Cross and Blue Shield of Arizona, Inc. ("BCBSAZ"), an Arizona non-profit corporation and an independent licensee of the Blue Cross and Blue Shield Association, and City of Peoria (the "Employer").

EFFECTIVE DATE:

The Effective Date of this Maximum Aggregate and Specific Liability Agreement (the "Agreement") is January 1, 2010.

RECITALS:

1. The Employer has established a self-funded, employee welfare benefit plan (the "Plan"), which provides certain hospital, medical and/or dental benefits to certain employees of the Employer and to certain dependents of such employees (collectively the "Participants"), on such terms and conditions as are more fully described in the Employer's Benefit Plan Booklet attached to the Employer's Administrative Services Contract as "Exhibit I" and by this reference made a part of this Agreement.
2. The Employer has retained BCBSAZ to provide certain ministerial claims processing and related administrative services and utilization management services in conjunction with the Plan(s);
3. The Employer desires to accept liability for payments incurred for Covered Services (as those terms are defined in Section 1, below) subject to certain maximum liability limits (the "Maximum Liabilities") as described in Subsection 3.a.;
4. BCBSAZ is a hospital, medical, dental service corporation within the meaning of A.R.S. Section 20-821 et seq.;
5. Pursuant to its activities as a hospital, medical, dental service corporation, BCBSAZ has developed considerable expertise in assessing, minimizing and underwriting risks and costs associated with the provision of hospital, medical and dental services and supplies;
6. The Parties desire that BCBSAZ shall reimburse the Employer, or its agent the Benefit Administrator, for payments incurred for Covered Services to the extent that such payments exceed the Maximum Aggregate Claims Liabilities, on such terms and conditions as described below.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT:

1. Definitions.

For the purposes of this Agreement, the following terms shall have the meanings provided below:

- a. BCBSAZ Allowed Amount -the amount payable by or through BCBSAZ for a Covered Service, including any contracted discounts and amount payable by the Subscriber, i.e., deductibles, coinsurance or copayments.
- b. Contract Month - shall coincide with a calendar month within the Contract Year; the first Contract Month shall commence with the effective date of this Agreement and the last Contract Month shall terminate upon the termination of this Agreement.
- c. Contract Year - a twelve- (12) month period during the term of this Agreement.
- d. Covered Services - health care services and supplies rendered or delivered to Participants for which benefits are available under the Plan.
- e. Eligible Participants or Participants. Collectively Employees and Dependents as defined in the Plan(s).
- f. Enrollment Units and Enrollment Categories. "Enrollment Unit" shall mean each employee, with or without dependents, enrolled for coverage under the respective Plan(s). Enrollment Units are categorized for rating purposes into "Enrollment Categories." Enrollment Categories are based upon whether the employee only or the employee and dependents are enrolled. In addition, Enrollment Categories may distinguish which dependents are enrolled along with the employee. For example: employee and spouse; employee and child(ren); employee and dependent(s) (spouse and/or child[ren]). Premiums and/or other cost factors are based on Enrollment Categories.
- g. Plan(s) - shall mean only that portion of the employee welfare benefit plan that provides for hospital, medical and/or dental benefits, as expressly set forth in the Summary Plan Descriptions, schedules of coverage and any amendments and endorsements attached thereto on the effective date of this Agreement or as may be added thereafter and approved as provided in Section 24. below.
- h. Providers/Provider Network(s) - health care providers with whom BCBSAZ has entered into a participation agreement and who comprise the Provider Network(s) to which the Employer and Participants have access.

2. Term of Agreement.

- a. On or before one hundred fifty (150) days prior to July 1, 2011 and all subsequent contract periods, BCBSAZ will forward to the Employer a Rate Renewal Packet which is BCBSAZ's offer to renew this Agreement for one (1) year period at the rates specified in the Employer's Rate Renewal Packet.

If BCBSAZ receives a "Bid/Renewal Rate Acceptance" form on or before the last day of the current contract period, this Agreement will renew for a one (1) year period at the rates specified in the "Bid/Renewal Rate Acceptance" form with the benefits the Employer has designated on the Form. The "Bid/Renewal Rate Acceptance" form attached to the Administrative Services Agreement as Exhibit C is incorporated herein by reference.

If BCBSAZ has not received the signed "Bid/Renewal Rate Acceptance" form on or before the last day of the current contract period, BCBSAZ will consider the Employer's failure to forward the Form as the Employer's rejection of BCBSAZ's offer to renew and this Agreement will terminate as of the last day of the current contract period.

After this Agreement has been in effect for twelve (12) months, either Party may terminate this Agreement at any time, without cause, as of the last day of any calendar month by giving thirty (30) days' prior written notice to the other.

- b. Termination. Except as provided in Subsection 2.a. above, this Agreement may be terminated only as provided below:

- i. Either Party may terminate this Agreement at any time in the event of a material breach of this Agreement by the other, but only if said breach is not cured within thirty (30) days after written notice to the breaching Party.
- ii. BCBSAZ may terminate this Agreement upon the occurrence of any of the following:
 1. Failure by the Employer to pay when due the fees, rates, taxes and/or other charges ("Fees and Charges") referred to in Exhibit C, which is attached hereto and incorporated herein, but only if the failure is not cured pursuant to Subsection 8.c. of this Agreement.
 2. BCBSAZ reserves the right, upon five (5) days' prior written notice to the Employer, to terminate this Agreement in the event that the Employer fails to provide funds as required by Section VII. necessary to satisfy its liability for payments made for Covered Services as provided in the Employer's Administrative Services Contract.

3. The sale, exchange or transfer of (i) all or substantially all of the assets of Employer to a third party, (ii) more than twenty-five percent (25%) of the outstanding stock in Employer or (iii) controlling interest in Employer, whichever is less.
 4. Insolvency, appointment of a receiver or a trustee for Employer, assignment for the benefit of creditors by Employer, or the commencement of any proceedings under bankruptcy or insolvency laws by or against Employer that continues for sixty (60) days, or the attachment, levy or other seizure by legal process of any substantial part of the assets of Employer, and such attachment, levy or seizure is not quashed, stayed or released within sixty (60) days of its occurrence.
 5. Default by Employer under any other agreement with BCBSAZ.
 6. Fraud or misrepresentation by the Employer or a Participant.
 7. Changes to the Plan which are not acceptable by BCBSAZ as provided in Section XII, of the Administrative Services Contract.
- iii. This Agreement will terminate automatically upon the occurrence of any of the following:
1. Termination of the Plan in its entirety.
 2. The enactment of any law or the promulgation of any regulation that makes it illegal to continue this Agreement or for BCBSAZ to perform any of the services required under this Agreement.
 3. The termination of the Employer's Administrative Services Contract.
- iv. After this Agreement has been in effect for twelve (12) months, either Party may terminate this Agreement at any time, without cause, as of the last day of any calendar month by giving thirty (30) days' prior written notice to the other.
- c. Effect of Termination. Upon termination of this Agreement, the Parties shall have only those continuing duties of performance as provided herein; provided, however, upon completion of its performance under this Agreement, BCBSAZ shall cause the orderly transfer of records, if any, from BCBSAZ to the Employer or its designee in a time frame mutually agreed upon, but not to exceed six (6) months from the date of termination.

The Employer agrees to reimburse BCBSAZ for any and all amounts BCBSAZ is required to pay pursuant to an applicable grievance and/or appeals process regardless of whether BCBSAZ is still administering claims for the Employer at

the time the appeal is conducted. The Employer also agrees to reimburse BCBSAZ for any and all amounts which Health Care Financing Administration or any other government agency requires BCBSAZ to pay because Medicare was not required to pay as primary, regardless of whether BCBSAZ is administering claims for the Employer at the time Health Care Financing Administration makes such determination.

3. The Employer's Obligations

- a. Maximum Claims Liabilities. The Employer shall be liable for, and agrees, to provide funds sufficient to satisfy all payments made for Covered Services subject to a maximum aggregate claims liability applicable to the Contract Year (the "Maximum Aggregate Claims Liability"), and the cumulative claims incurred and reimbursed by BCBSAZ on behalf of any Participant for the Contract Year (the "Specific Claims Liability") as determined below:
 - i. Except as otherwise specifically provided in Subsection 3.b. below, the Maximum Aggregate Claims Liability for the Contract Year is the sum of the monthly claims liability limits (Claims Liability Limit[s]) for that Contract Year.
 - ii. The Claims Liability Limit for any Contract Month shall be the greater of the minimum monthly attachment level (as set forth in Exhibit C) or the sum of the products of the applicable monthly claims liability factor for each Enrollment Category times the number of Enrollment Units in that Enrollment Category enrolled in the respective Plan(s), as described in the Employer's Summary Plan Description, for that Contract Month. The applicable monthly claims liability factors shall be as set forth in Exhibit C and the number of applicable Enrollment Units shall be determined by BCBSAZ based on enrollment information provided to BCBSAZ by the Employer, and reported in accordance with Paragraph 3.a.vi., below .
 - iii. The Employer's Maximum Aggregate Claims Liability for the Contract Year shall be equal to the sum of the Monthly Claims Liability Limits, as set for in Paragraph 3.a.ii., above for each month in the Contract Year. Payments for Covered Services incurred within a Contract Year and paid within that Contract Year or within twelve (12) months following the close of that Contract Year shall be considered to be incurred during that Contract Year. Payments for Covered Services incurred during the Contract Year but paid more than twelve (12) months after the close of that Contract Year shall be considered to be incurred in the subsequent Contract Year. If there is no subsequent Contract Year, then payments for Covered Services incurred within the final Contract Year and paid within twenty-four (24) months after the close of the final Contract Year shall be considered to be incurred during the final Contract Year. Any payments for Covered Services incurred in excess of the Maximum Aggregate Claims Liability under this Agreement for the Contract Year shall be the claims liability of BCBSAZ.

- iv. In no event shall the Employer be liable for payments for Covered Services incurred during the Contract Year with respect to any individual Eligible Participant in excess of the Maximum Specific Claims Liability set forth on Exhibit C. Payments for Covered Services incurred during the Contract Year and paid during that Contract Year or within twelve (12) months following the close of that Contract Year shall be considered to be incurred in that Contract Year. Payments for Covered Services incurred during the Contract Year but paid more than twelve (12) months after the close of that Contract Year shall be considered to be incurred in the subsequent Contract Year. If there is no subsequent Contract Year, then payments for Covered Services incurred during the final Contract Year and paid within twenty-four (24) months after the close of the final Contract Year shall be considered to be incurred during the final Contract Year. Any payments made for Covered Services incurred in excess of the Maximum Specific Claims Liability under this Agreement for the Contract Year with respect to an individual Eligible Participant shall be the claims liability of BCBSAZ.
 - v. Unless otherwise noted in Exhibit C, this Agreement has a twenty-four (24) month claims run-out period from the date of termination of this Agreement. For purposes of calculating the Maximum Claims Liabilities under this Agreement, claims for Covered Services incurred during a Contract Year and paid during the Contract Year and the claims run-out period immediately following will be attributed to the Contract Year in which the claims are incurred.
 - vi. Monthly enrollment units maybe retroactively adjusted (up to 12 months after the reporting month) to reflect the appropriate enrollment within each enrollment category. Retroactive adjustments include, but are not limited to, additions and terminations reported to BCBSAZ subsequent to any reporting month.
 - vii. Fees associated with BlueCard ("Blue Card fees"), including but not limited to, Access Fees and Administrative Expenses fee schedule (AEA), which will be charged as pass through group claim expenses. BlueCard fees will accumulate toward the Employer's specific and aggregate stoploss as described in Paragraphs i., ii. iii., iv. and v. of Subsection 3.a. and in Exhibit C. These fees are subject to change without prior notice as directed by the Blue Cross Blue Shield Association.
- b. Employer's Liability Upon Termination.
- i. Following termination of this Agreement, the Employer shall be liable for all payments incurred while this Agreement was in force. The Employer's obligations under this Paragraph 3.b.i. shall survive the termination of this Agreement and shall remain in effect for twenty-four (24) months following the termination of this Agreement with respect to payments so incurred are outstanding and payable.

- ii. Where any payment is approved in relation to a contested claim, BCBSAZ shall determine, on the basis of the date on which payment is actually made, whether such payment or any portion of it is an obligation of the Employer or an obligation of BCBSAZ under the terms of this Agreement. Payments made in accordance with the terms of any judgment or settlement shall be considered payments made to Eligible Participants under the Plan, as described in the Employer's Summary Plan Description, during the period in which such judgment or settlement is satisfied, whether paid during the term of this Agreement or following the termination of this Agreement.
- iii. Upon termination of this Agreement, the Employer's maximum liability for Covered Services incurred during the term of this Agreement, whether such Covered Services are paid prior or subsequent to termination, shall be equal to the Employer's Maximum Aggregate claims Liability for the final Contract Year; less the amount of Covered Services actually charged against the Maximum Aggregate Claims liability for the final Contract Year (as calculated pursuant to Paragraph 3.a.i.) on the date of termination.
- iv. If the term of this Agreement is less than twelve (12) months, the Employer's Maximum Aggregate Claims Liability will be annualized to reflect a complete twelve (12) month contract year.

4. Payments Applicable to the Employer's Maximum Claims Liabilities.

- a. Satisfaction of Maximum Claims Liabilities. Only the following payments may be applied to satisfy the Employer's Maximum Liabilities, as defined in Section 3., under the terms of this Agreement:
 - i. Except as otherwise specifically provided in this Paragraph 4.a.i., only payments made by the Employer, or the Benefit Administrator, in accordance with the terms and conditions of the respective Plan(s), as described in the Employer's Summary Plan Description, and incurred during the term of this Agreement by those Eligible Participants who are designated by class and coverage on Exhibit C. and who are otherwise eligible for Covered Services under the terms and conditions of the respective Plan(s), as described in the Employer's Summary Plan Description, (at the time that the relevant Covered Services are rendered or delivered) may be applied to satisfy the Employer's Maximum Liabilities, as defined in Section 3., for the applicable Contract Year under this Agreement.
 - ii. Notwithstanding anything in this Agreement to the contrary, payments made by the Employer, or the Benefit Administrator, relating to payments incurred during the term of this Agreement for which there has been or will be reimbursement by another insurance company, reinsurance

company or any other third party or payments incurred after the termination of this Agreement or for which BCBSAZ has otherwise reimbursed the Employer, or the Benefit Administrator, may not be applied to satisfy the Maximum Liabilities, as defined in Section 3., under this Agreement. In the event that the Employer, or the Benefit Administrator, receives any reimbursement from any third party as provided above, BCBSAZ shall be entitled to recover such amounts to the extent that BCBSAZ has reimbursed the Employer, or the Benefit Administrator, for those amounts. BCBSAZ shall be entitled to recover such amounts regardless of whether or not such reimbursement is received during the year in which the respective payments are incurred and whether or not such reimbursement is received during the term of this Agreement or after the termination of this Agreement. Moreover, to the extent that BCBSAZ has reimbursed the Employer, or the Benefit Administrator, for such amounts, BCBSAZ shall have the right to recover from the Employer, or the Benefit Administrator, any amounts recovered. Further, the Employer, and the Benefit Administrator, if applicable, shall cooperate to assure BCBSAZ's right to recover pursuant to this Paragraph 4.a.ii. Any payments that have been reimbursed under this Agreement as payments in excess of the Maximum Specific Liability, as defined in Section 3., for the Contract Year with respect to specific Eligible Participants, may not be applied to satisfy the Maximum Aggregate Claims Liability, as defined in Section 3., for such Contract Year.

- iii. For purposes of this Agreement, only payments made pursuant to the terms of this Agreement and the respective Plan(s), as described in the Employer's Summary Plan Description, may be applied to satisfy the Employer's Maximum Liabilities, as defined in Section 3., for the Contract Year. Such payments shall be based upon Eligible Expenses as defined in Exhibit C. above. Such determination shall be in the sole discretion of BCBSAZ or its designated agent.

- b. Application of Payments. Any payments made by the Employer or the Benefit Administrator shall be applied to the contract period during which the payments are actually made.

5. Payment of Benefits

- a. BCBSAZ, whether acting in its capacity as administrator under the Administrative Services Contract or under this Agreement, shall:
 - i. Make a final determination of the amount of Covered Services, if any, to which a Participant may be entitled under the Plan and this Agreement and for which BCBSAZ is liable, pursuant to Paragraph 3.a.iii. and iv. and Subsection 5.b.;

- ii. Make payment of all benefits payable under the Plan and this Agreement by BCBSAZ, pursuant to Paragraph 3.a.iii. and iv. and Subsection 5.b. Any and all payments made by BCBSAZ to any provider or participant are made on behalf of the Employer;
 - iii. Undertake the defense of any action brought in connection with any claim for benefits payable under the Plan and this Agreement by BCBSAZ, pursuant to Paragraph 3.a.iii. and iv. and Subsection 5.b., and make such disposition of such action as BCBSAZ deems appropriate.
- b. BCBSAZ shall provide certain health care management services under this Agreement, including, but not limited to precertification and medical necessity determinations in accordance with such guidelines stated in the Administrative Service Contract. In addition, BCBSAZ agrees to evaluate the medical care of a Participant for individual case management, as an alternative to Covered Services otherwise available under the Plan and the Administrative Service Contract. If the Employer, based on BCBSAZ's evaluation, determines that individual case management is appropriate, a plan of care will be developed by a registered nurse case manager and BCBSAZ's medical director, in coordination with the Participant's personal physician. BCBSAZ reserves the right to add to or modify these health care management services and to introduce new health care management services that it deems necessary and appropriate. However, no changes or additions to existing health care management services which change benefits under the Plan or this Agreement shall become effective without the prior written consent of the Employer.

6. BCBSAZ's Obligations.

- a. Reimbursement. BCBSAZ agrees to reimburse the Employer, or the Benefit Administrator, for payments made under the respective Plan(s), as described in the Employer's Summary Plan Description, by the Employer, or the Benefit Administrator, incurred during the term of this Agreement and paid to or on behalf of all Eligible Participants, to the extent that such payments are in excess of the Maximum Aggregate Claims Liability, as defined in Section 3., for the applicable Contract Year and to or on behalf of specific Eligible Participants, to the extent that such payments are in excess of the Maximum Specific Liability, as defined in Section 3., for the applicable Contract Year with respect to such specific Eligible Participants, subject to certain limitations as described more fully below:
 - i. BCBSAZ's liability under this Agreement is limited to reimbursement to the Employer, or its agent the Benefit Administrator, for payments for Covered Services to or on behalf of Eligible Participants under the terms of this Agreement and the terms and conditions of the respective Plan(s), as described in the Employer's Summary Plan Description.
 - ii. Except as otherwise specifically provided in this Agreement, BCBSAZ's obligations under this Agreement will apply only to payments made by the Employer, or the Benefit Administrator, in accordance with the terms and

conditions of the respective Plan(s), as described in the Employer's Benefit Plan Book, incurred during the term of this Agreement by those Eligible Participants who are designated by class and coverage in Exhibit C and are otherwise eligible to receive such payments (at the time that the relevant Covered Services are rendered or delivered) under the terms of this Agreement and the terms and conditions of the respective Plan(s), as described in the Employer's Benefit Plan Booklet attached to the Employer's Administrative Services Contract as "Exhibit I". Following the termination of this Agreement, BCBSAZ's obligations under this Agreement will apply only to those payments incurred during the term of this Agreement, whether such payments are made prior or subsequent to the termination of this Agreement and otherwise meet the requirements of the preceding sentence.

- iii. Where any payment is approved in relation to a contested claim, BCBSAZ shall determine, on the basis of the date on which payment is actually made, whether such payment or any portion of it is an obligation of the Employer or an obligation of BCBSAZ under the terms of this Agreement. Benefit payments made in accordance with the terms of any judgment or settlement shall be considered benefits paid to Eligible Participants under the Plan during the period in which such judgment or settlement is satisfied, whether paid during the term of this Agreement or following the termination of this Agreement.

7. Contribution and Participation Requirements

- a. The Employer agrees to contribute at least seventy-five percent (75%) of the cost for all Eligible Participants or fifty percent (50%) of the total cost for all Eligible Participants.
- b. If the Employer contributes one hundred percent (100%) of the cost for Eligible Participants, all employees eligible for coverage under the Plan and this Agreement must be enrolled. If the Employer contributes less than one hundred percent (100%) of the cost for Eligible Participants, at least seventy-five percent (75%) of all employees eligible for coverage under the Plan and this Agreement must be enrolled; those employees eligible for coverage under the Plan and this Agreement who are covered under their spouse's group health plan, Medicare, AHCCCS, CHAMPUS or Indian Health Services shall not be considered for purposes of determining whether the Employer has satisfied this seventy-five percent (75%) requirement. In any event, at least one hundred (100) Eligible Participants must be enrolled on the effective date of this Agreement. If the Employer fails to meet the contribution or participation requirements as determined by BCBSAZ, BCBSAZ reserves the right to terminate this Agreement and any other applicable Agreements in effect between the Employer and BCBSAZ.

- c. The Employer agrees to comply with such other contribution and participation requirements as shall be mutually agreed upon by the Parties from time to time. Such requirements shall become effective no sooner than sixty (60) days after BCBSAZ has given written notice to the Employer.

8. Compensation.

- a. Premium Payments. In consideration of BCBSAZ's performance under this Agreement, the Employer agrees: (i) to pay BCBSAZ such Fees and Charges as set forth in Exhibit C and/or as otherwise authorized in this Agreement, as amended from time to time by the Parties; and (ii) that the terms of Exhibit C(1) reflect the identical terms stated in Exhibit C. BCBSAZ will bill the Employer for such Fees and Charges which are due and payable on the first (1st) day of each calendar month. The interest rate will adjust each calendar year based on the Federal Discount Rate published in the Wall Street Journal as of January 1 each year, less 1/4 of a point. BCBSAZ reserves the right to adjust the interest rate at any time and will notify the groups affected.

- b. Adjustments to Cost Factors.

BCBSAZ reserves the right to adjust the premium rates set out in Schedule 1 retroactive to the first day of any billing month in which the Employer's contribution (percentage or dollar amount) changes or enrollment of Employees varies by more than ten percent (10%) from that set out in Schedule 1.

- c. Grace Period. This Agreement has a grace period of thirty-one (31) days. This means that if a premium is not paid on or before the date it is due it may be paid during the grace period. During the grace period, the Agreement shall remain in force; however, the Employer shall be liable for any premiums that are or become due.

If, by the last day of the applicable grace period, the Employer fails to pay the premiums which are due, the Agreement may be terminated, at the option of BCBSAZ, retroactive to the date on which the premiums first became due. In such case, the Employer shall be liable for all Covered Services rendered to Eligible Participants during the grace period, and the Employer agrees to hold BCBSAZ harmless from all costs therefor. In any event, the Employer agrees to hold BCBSAZ harmless from all costs for Covered Services rendered to Eligible Participants after the expiration of the grace period.

- d. Adjustments Upon Changes in Applicable Law. Premium payments required under this Agreement are comprised of various components and cost factors. Premium tax is an example of one component that is required by state law. If federal or state law affecting premium payments, benefits, administrative procedures, etc., are amended during the term of this Agreement, BCBSAZ reserves the right to adjust, retroactively or prospectively, the premiums, premium rate restrictions/maximums then in effect accordingly. Further,

BCBSAZ specifically reserves the right to recover from the Employer any premium tax deficiencies, which may be assessed against BCBSAZ with respect to prior periods of coverage under this Agreement, whether such deficiencies are assessed during the term of this Agreement or following its termination.

- e. Notice of Rate Changes: Except as stated in Subsection 8.b. and d. and Section 24. BCBSAZ reserves the right to change the premiums due under this Section 8. and will provide the Employer in writing notice of any changes at least one hundred fifty (150) days prior to the effective date of the changes. For purposes of this Subsection 8.e., notice to the Broker/Consultant designated in Exhibit G of the Employer's Administrative Services Contract, as it may be amended or restated by the Parties from time to time, shall constitute notice to the Employer.

9. Records and Review.

The Employer agrees to furnish to BCBSAZ all information that BCBSAZ may from time to time require in order to determine when the Employer's Maximum Liabilities, as defined in Section 3., for the Contract Year have been satisfied. The Employer shall notify BCBSAZ immediately as to any modification of the Plan(s), as described in the Employer's Summary Plan Description, or the termination thereof. BCBSAZ shall not be responsible for any delay or non-performance of its obligations under this Agreement that are caused or contributed to, in whole or in part, by the failure of the Employer to timely furnish any required information.

10. Limitation of Liability and Indemnification.

- a. Limitation of Liability and Indemnification Regarding Certain Liabilities. For purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (or any other comparable federal or state law applicable to the Employer in the event that ERISA is not applicable) and the Consolidated Omnibus Reconciliation Act of 1985, as amended ("COBRA"), BCBSAZ shall not be considered to be the Plan administrator of this Agreement, nor shall BCBSAZ be liable with respect to any liabilities, damages, penalties, losses, costs, and/or expenses, resulting from or arising out of the Employer's obligations with respect to its governmental reporting requirements and/or governmental regulation compliance, including, but not limited to, notification, reporting and disclosure requirements under ERISA and COBRA. Further, the Employer agrees to be liable to the extent permitted by applicable state and/or federal law and agrees to indemnify, hold harmless and defend BCBSAZ and its directors, officers, employees, or agents, from and against any and all actions, causes of action, suits, claims, judgments, settlements, liabilities, damages, penalties, losses, costs, and/or expenses, including, without limitation, extra contract damages, court costs, attorneys' fees, and punitive and exemplary damages, resulting from or arising out of or in connection with, any acts, omissions, or negligence of the Employer, its directors, officers, employees, or agents with respect to the Employer's governmental reporting requirements and/or governmental regulation compliance, including, but not limited to, notification, reporting and disclosure requirements under ERISA and COBRA. To the extent permitted by applicable

state and/or federal law, the Employer further agrees to indemnify, hold harmless and defend BCBSAZ, its directors, officers, employees and agents from and against any liability with respect to taxes, assessments and penalties incurred by or which may be levied upon BCBSAZ by reason of payments made or services performed under this Agreement, together with any interest thereon.

- b. Mutual Indemnifications. Except as otherwise specifically provided in Subsection 10.a. above, the Employer and BCBSAZ agree that each respective Party shall only be responsible for claims, losses, damages, liabilities, penalties, costs, expenses, and obligations, including attorneys' fees, arising out of or resulting from its own breach of the terms of this Agreement. To the extent permitted by applicable state and/or federal law, each Party shall indemnify, hold harmless and defend the other Party, its directors, officers, elected officials, employees, or agents from and against any and all actions, causes of action, suits, judgments, settlements, claims, losses, damages, liabilities, penalties, costs, and/or expenses arising out of or resulting from its own breach of this Agreement or negligent acts or omissions with respect to its obligations under the terms of this Agreement.
- c. BCBSAZ's Liability. BCBSAZ agrees to make payments to Eligible Participants and providers on behalf of the Employer and does not assume liability for any claims brought against BCBSAZ due to any payment made in accordance to the Plan(s) or as required by the Employer.

11. Claims for Reimbursement.

- a. Timeliness. If the Employer, or the Benefit Administrator, submits a claim for reimbursement (the "claim") to BCBSAZ under this Agreement, it must do so in writing to BCBSAZ's address as set forth in Section 20. below, or such other address of which the Employer receives notice under this Agreement, within ninety (90) days or within thirty (30) days of the date the health care provider submits the claim to BCBSAZ provided, however, that BCBSAZ shall have no liability to pay or reimburse for any claim submitted more than one (1) year after the date this Contract terminated. The Employer, or the Benefit Administrator, as the case may be, must provide BCBSAZ with such information as BCBSAZ shall reasonably request to support such claim, including proof of payment and satisfaction of the applicable Maximum Liabilities, as defined in Section 3.
- b. Determination. BCBSAZ shall make a determination as to the validity of a claim for reimbursement under this Agreement within thirty (30) days of receipt of such claim.
- c. Reconsideration. Upon written request, BCBSAZ shall reconsider its original determination. A written request for reconsideration must be filed with BCBSAZ within sixty (60) days following the date the first disallowance or payment notice is mailed. Additional documentation in support thereof must accompany the request, if appropriate. Failure to timely request reconsideration shall waive the Employer's right to reconsideration under this Agreement. BCBSAZ shall review

the request for reconsideration and shall notify the Employer, or the Benefit Administrator, as the case may be, of its decision in writing within sixty (60) days following receipt of the request for reconsideration.

12. Legal Action.

The Employer agrees that it shall not file suit or request arbitration until sixty (60) days after the date upon which the Employer, or the Benefit Administrator, submits proof of claim and satisfaction of applicable Maximum Liabilities, as defined in Section 3., as required under this Agreement.

13. Legal Fees.

In the event an action is brought to enforce or interpret any of the terms, covenants or obligations of this Agreement, the prevailing Party shall be entitled to recover all court costs and reasonable attorneys' fees actually incurred in any such action and fees incurred in enforcing any judgment obtained following entry of such judgment.

14. Confidentiality.

The Employer shall ensure that the Employer, its principals and agents, including, but not limited to, the Benefit Administrator, shall maintain the confidentiality of any and all proprietary information with respect to BCBSAZ acquired during the term of this Agreement. Such proprietary information shall not be divulged, disclosed or otherwise made available to anyone not a Party to this Agreement without BCBSAZ's prior written consent, nor shall such proprietary information be used to the detriment of BCBSAZ. The obligations of the Employer, its principals and agents under this Section 14. shall survive the termination of this Agreement.

15. Applicable Law and Venue.

This Agreement shall be governed by and construed according to the laws of the State of Arizona and applicable federal law. The Parties consent to the jurisdiction of and to venue for any dispute involving this Agreement in the state courts of the State of Arizona or the United States District Court for the District of Arizona.

16. Audit Rights.

Upon reasonable prior written notice to the other Party and during that Party's normal working hours, each Party may audit the records of payments made to providers and other data specifically related to performance of the Parties under this Agreement. Each Party agrees to provide reasonable assistance and information to the auditors without charge. Any costs of a routine audit will be borne by the Party performing the audit. If either Party has cause to perform a targeted audit of a specific area of performance under this Agreement, and such audit reveals a breach of contract or other failure to perform, the Party at fault will bear the costs of the audit. Notwithstanding any other agreement to the contrary, in the event the Employer has a right to audit the enrollment and/or claims, any audit for any plan year must be both commenced and finalized within

twenty-seven (27) months of the last day of the plan year being audited. BCBSAZ shall have no liability to pay based on any audit unless demand for payment based on such audit is received by BCBSAZ within thirty (30) months after the end of the plan year.

17. Changes in Plan(s).

No changes in the respective Plan(s), as described in the Employer's Summary Plan Description, shall be covered by this Agreement, nor shall any amounts paid by the Employer as payments resulting from any such changes in the respective Plan(s), as described in the Employer's Summary Plan Description, be applied toward the satisfaction of the Employer's Maximum Liabilities, as defined in Section 3. in the absence of prior written acceptance of such changes by BCBSAZ.

18. Prevailing Terms.

During the term of this Agreement, in the event that the terms of this Agreement are inconsistent with the terms of the respective Plan(s), as described in the Employer's Summary Plan Description, the terms of this Agreement shall prevail.

19. Waiver.

No waiver of any term, provision or condition of this Agreement will be valid unless in writing and signed by both Parties.

20. Paragraph Headings.

The headings of paragraphs contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

21. Notices.

All notices and other communications to a Party shall be (i) in writing, (ii) addressed to the other Party at its respective address set forth below or such other addresses as either Party may designate in writing to the other from time to time for such purposes and (iii) served or delivered by hand delivery or by U.S. mail. Notice shall be complete upon receipt by the Party. Notices and other communications in writing need not be mailed either by registered or certified mail. However, a signed return receipt received through the U.S. Post Office shall be conclusive proof as between the Parties of delivery of any notice or communication and of the date of such delivery. Notice to the Broker/Agent/Consultant designated on Exhibit G of the Employer's Administrative Services Contract, or as subsequently changed in writing to BCBSAZ by the Employer, shall constitute notice to the Employer.

22. Severability.

If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal,

invalid or unenforceable provision had never comprised a part of it; and the remaining provisions shall remain in full force and effect and shall not be affected by such illegal, invalid or unenforceable provision or by its severance.

23. Use of Tradename.

Each Party expressly agrees not to use the corporate name or any tradename, trademark or service mark of the other Party in any advertising, publications, press releases, brochures or other public communications without the prior written consent of the other Party.

24. Amendment.

Except as otherwise specifically provided under this Agreement, this Agreement may be altered, amended or modified only in writing upon the mutual written consent of the Parties. BCBSAZ, however, specifically reserves the right to alter, amend or modify this Agreement and/or its performance under this Agreement as may be required by applicable state and/or federal law and/or as may be necessitated by the terms and conditions of various participation agreements with Providers into which BCBSAZ shall enter from time to time during the term of this Agreement.

25. Assignment.

Neither Party may assign or transfer any right, benefit, obligation or duty under the terms of this Agreement without the advance written consent of the other; except BCBSAZ may transfer and assign this Agreement to a subsidiary or parent or an entity or person acquiring control of BCBSAZ or its assets or acquiring a division of BCBSAZ providing administration services under this Agreement.

26. BCBSAZ's Relationship to the Blue Cross and Blue Shield Association.

Employer, on behalf of itself and its Participants, expressly acknowledges and agrees that:

- (i) This Agreement is a contract solely between Employer and BCBSAZ, which is an independent corporation operating under a license from the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, (the "Association") permitting BCBSAZ to use the Blue Cross and Blue Shield Service Marks in the State of Arizona;
- (ii) BCBSAZ is not contracting as the agent of the Association;
- (iii) Employer has not entered into this Agreement based on any representations by the Association, or any Blue Cross or Blue Shield plan other than BCBSAZ; and
- (iv) Employer shall not seek to hold the Association or any other Blue Cross or Blue Shield plan accountable or liable to Employer for any of BCBSAZ's obligations to the Employer or Participants created under this Agreement.

This Paragraph shall not create any additional obligations whatsoever on the part of BCBSAZ other than those obligations created under other provisions of this Agreement.

27. Entire Agreement.

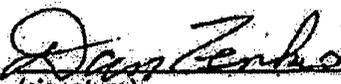
This Agreement, including all Exhibits, including but not limited to, the Administrative Services Contract, constitutes the entire arrangement between the Parties with respect to its subject matter. No promises, terms, conditions or obligations other than those contained in this Agreement will be valid or binding. Any prior oral or written agreements, statements, promises, negotiations, inducements or representations made by either Party or agents of either Party that are not contained in this Agreement are of no force or effect.

Intending to be legally bound, the Parties have executed this Contract as of its Effective Date.

BCBSAZ
BLUE CROSS AND BLUE SHIELD
OF ARIZONA, INC., an Arizona
nonprofit corporation

EMPLOYER
CITY OF PEORIA

By: 
(signature)

By: 
(signature)

Jeff Stelnik
(printed)

For Herman Koebergen
(printed)

Title: Senior Vice President
Strategy, Sales & Marketing

Title: Materials Manager

APPROVED AS TO FORM
BCBSAZ Legal Division
By: 
Attorney
Date: 7/13/11

SCHEDULE 1

Employer Group Number: 18500
 Employer Name: City of Peoria
 Claims Administrator: Blue Cross and Blue Shield of Arizona, Inc.
 Contract Period: January 1, 2010 through June 30, 2010
 Contract Type: Incurred within twelve (12) months (the Contract Year) and paid within twenty-four (24) months

Eligible Participants

All participants enrolled in and entitled to the covered benefits under the Plans during the Contract Period and as set forth below shall be covered under this Agreement:

Medical Dental Vision Hearing Prescription Drugs Mental Health

Premium Rates

The premium rates and other cost factors for the Contract Period listed above shall be as follows:

1. Premium Payments.

	Specific		
	PPO \$250	PPO Cobras Only	HMO/EPO
Employee (PEPM)	\$40.63	\$40.63	\$40.63
	Aggregate		
	PPO \$250	PPO Cobras Only	HMO/EPO
Employee (PEPM)	\$ 2.66	\$ 2.66	\$ 2.66

2. Incurred claims attachment point factor, calculated based on 125% of expected claims.

	PPO \$250	PPO Cobras Only	HMO/EPO
Employee (PEPM)	\$ 909.78	\$ 909.78	\$ 909.78

3. **Maximum Specific Liability (Specific Stoploss)**

\$100,000 per Eligible Participant per Contract Year.

4. The Minimum Monthly Attachment Point for all products combined is \$950,629.
5. During the term of this Agreement and during the twenty four (24) month run-out-period, Employer will pay BCBSAZ's fees associated with the BlueCard Program ("BlueCard Fees"). The BlueCard Fees include fees paid to other Blue Cross and Blue Shield Association Plans which are an Access Fee (generally 10% of claims savings not to exceed \$2,000 per claim) and an administrative expense fee schedule (AEA) (generally \$5.00 per physician claim and \$11.00 per hospital claim). The Access Fee is currently passed through as a claims expense. The BlueCard Fees also include other fees, paid by Blue Cross and Blue Shield of Arizona ("BCBSAZ") to the Blue Cross and Blue Shield Association for the BlueCard Program including a Central Financial Agency Fee (charged by claim), an ITS Transaction Fee (charged by claim), 800 toll-free number fees, and provider directory fees that are not directly passed through as a claims expense but affect BCBSAZ's administrative expenses. These claims expenses accumulate toward the Employer's specific and aggregate stoploss as noted in Section 3.a.vii. The BlueCard Fees may be changed from time to time in accordance with the Association's processes for changing such fees.
6. Enrollment Assumption:

	PPO \$250	PPO Cobras Only	HMO/EPO	TOTAL
Employee (PEPM)	138	0	1065	1203

Enrollment shall be determined as of the first day of that calendar month.