



**LOS ANGELES COUNTY  
DEPARTMENT OF MENTAL HEALTH**

JONATHAN E. SHERIN, M.D., Ph.D., Director  
ROBIN KAY, Ph.D., Chief Deputy Director  
RODERICK SHANER, M.D., Medical Director



**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

January 10, 2017

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

23 January 17, 2017

LORI GLASGOW  
EXECUTIVE OFFICER

Dear Supervisors:

**APPROVAL OF A PROPOSITION A AGREEMENT WITH MAGELLAN PHARMACY SOLUTIONS,  
INC., FOR PHARMACY BENEFIT MANAGEMENT SERVICES AND APPROVAL FOR HIRING  
AUTHORITY TO FILL AN ORDINANCE ITEM TO PROVIDE TECHNICAL SUPPORT  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request approval of a Proposition A Pharmacy Benefit Management Agreement with Magellan Pharmacy Solutions, Inc., an independent contractor, to manage Department of Mental Health's prescription drug services for uninsured clients, and request approval to add and fill one ordinance Full-Time Equivalent (FTE) position.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Make a finding, pursuant to Los Angeles County Code Section 2.121.420, that it is more economically sound for the Department of Mental Health (DMH) to contract with an independent Pharmacy Benefit Manager (PBM), as described herein.
2. Approve and authorize the Director of Mental Health (Director), or his designee, to execute a Proposition A (Prop A) PBM Agreement, substantially similar to Attachment I, with Magellan Pharmacy Solutions, Inc. (Magellan), to manage DMH's prescription drug services. The term of this agreement will be effective upon Board approval through June 30, 2017, with four optional one-year renewal periods. There is no maximum contract amount for this Agreement. The estimated cost for this Agreement for Fiscal Year (FY) 2016-17 is \$684,958 and includes the costs for medications. The annual estimated cost thereafter is \$7,172,541.

3. Delegate authority to the Director, or his designee, to prepare, sign, and execute future amendments to the PBM Agreement, as necessary: 1) to add additional ancillary services; 2) to increase the fee for ancillary services provided that the fee does not exceed 10 percent from the Board-approved fee for such services; 3) to increase the administrative fee for Magellan to perform additional services provided that the administrative fee does not exceed 20 percent from the Board-approved rate for such services; 4) to annually revise the prescription drugs effective rates up to 3 percent for generic drugs and up to 7 percent for brand drugs, which is the assumed inflation rate; 5) to annually increase dispensing fees up to 20 percent of the Board-approved rate for such services; 6) to provide additional services or to reflect programmatic and/or policy changes; 7) providing that your Board has appropriated sufficient funds for all changes; 8) following the approval by County Counsel as to form, prior to any such amendments; 9) providing the County and Contractor may, by written mutual agreement, reduce services and revise the applicable PBM Fees, as necessary; 10) following approval by Auditor-Controller for any such amendment in which the requisite costs analysis is at least \$500,000 and results in an aggregate increase in contract amount greater than 10 percent; and 11) following the notification of your Board and the Chief Executive Office (CEO) of Agreement changes in writing within 30 days after execution of each new amendment.

4. Authorize DMH to add and fill one ordinance Full-Time Equivalent (FTE) position, pursuant to Section 6.06.020 of the County Code, at the level of Senior Information Systems Analyst (SISA), in excess of what is provided in the Department's staffing ordinance, subject to allocation by the CEO.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Execution of a PBM Agreement would fully integrate both clinical and administrative functions associated with providing prescription drug services to uninsured DMH clients. Historically, DMH has used a Prescription Authorization and Tracking System (PATS) to communicate prescription information between clinic sites and contracted pharmacies and to manage its pharmacy benefit program for uninsured DMH clients. PATS is a system that incorporates e-Prescribing functionality and functionality normally provided by a PBM such as adjudication of pharmacy claims, medication history, formulary edits, and eligibility for medication benefits. DMH has implemented the Integrated Behavioral Health Information System (IBHIS) that includes an Electronic Health Record and an electronic prescribing module for use at all DMH directly-operated sites. IBHIS seamlessly integrates a broad range of functionality including referral management, client registration, clinical documentation, care management, claims management, administrative and clinical reporting, and provides the base for the electronic exchange of clinical information with other healthcare providers. To achieve DMH's goal of having a fully integrated Electronic Health Record and e-prescribing platform, DMH intends to replace PATS with Magellan, which will now administer the DMH prescription drug program for uninsured DMH clients receiving services throughout the County.

Approval of the first recommendation is necessary to comply with the Los Angeles County Code Section 2.121.420, which requires a finding that it is more economical for Magellan to provide prescription drug services for uninsured DMH clients rather than the County. Based on a Prop A cost savings analysis, DMH has determined that entering into this Agreement with Magellan is more economical. The Auditor Controller reviewed DMH's cost analysis and provided guidance as needed for approval of this analysis (Attachment II).

Approval of the second recommendation will allow the Director, or his designee, to execute a new Prop A PBM Agreement with Magellan, substantially similar to Attachment I, to administer prescription drug services on behalf of DMH, for uninsured clients who receive care at DMH's directly

operated and contracted clinics. The PBM Agreement with Magellan is expected to decrease medication costs, improve quality of care, and expand access to pharmacies for clients.

Approval of the third recommendation will allow DMH to amend the PBM Agreement with Magellan as necessary to address adjustments in rates, fees, programmatic details and/or policy changes. This will allow DMH greater capacity to amend the annual Total Contract Amount (TCA) for the Administrative Costs and Ancillary Services portion of the PBM agreement, excluding medication costs, to allow for the uninterrupted administration of the pharmacy program drug benefit for uninsured DMH clients. This type of specialized agreement is new to DMH and therefore the projected need for ancillary services and the projected claims volume is difficult to estimate. Board approval of the increased delegated authority will allow DMH to pay Magellan for administrative cost increases resulting from increased numbers of uninsured DMH clients requiring prescription drug services. Additionally, the PBM Agreement with Magellan will expand the network of retail pharmacy sites for uninsured DMH clients from 81 retail pharmacy sites to 1,700 sites throughout Los Angeles County. The Department has budgeted for audits of 10 percent of the retail pharmacy network annually. The increased delegated authority will allow DMH to target specific retail pharmacies due to routine audit results and/or client or provider complaints, as well as, provide the department with the option to increase the number of audits performed, should the need arise.

Approval of the fourth recommendation will provide DMH authority to hire a SISA to provide dedicated support to the Office of the Medical Director (OMD) in the technical operations of the PBM and its interfaces with the DMH electronic health system's e-prescribing and e-lab modules. Specifically, the SISA will act as program manager to analyze existing clinic workflows and propose necessary workflow changes, oversee the project implementation plan and timeline, and perform information systems analysis and oversight. The SISA will also be an integral part of the implementation team and will provide ongoing dedicated support in the maintenance of DMH and Magellan's systems integration, system updates, errors, and in the maintenance of electronic data uploads to the PBM.

### **Implementation of Strategic Plan Goals**

The recommended actions are consistent with the County's Strategic Plan Goal 3, Realize Tomorrow's Government Today, specifically, Strategies 3.3 and 3.4. Strategy 3.3 seeks to "Pursue operational effectiveness, fiscal responsibility, and accountability." Strategy 3.4 seeks to "Engage and share information with our customers, communities and partners to enable informed decision making and to support partnerships."

### **FISCAL IMPACT/FINANCING**

For FY 2016-17, the estimated prorated cost for the PBM Agreement with Magellan for one (1) month of prescription drug services, including medication cost and six (6) months of ancillary services is \$684,958, fully funded by State MHSA and 2011 Realignment revenue.

For subsequent fiscal years, the estimated cost is \$7,172,541 per year, including medication costs. The funding for these fiscal years will be requested in the annual budget request process.

The estimated cost of the requested ordinance position is \$145,908, including operating costs for FY 2016-17. This position is fully funded with 2011 Realignment revenue.

Sufficient appropriation for these services and the ordinance position is included in the DMH FY 2016

-17 Final Adopted Budget.

There is no increase in net County cost associated with the above recommendations.

## **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

DMH directly operates more than 80 programs and contracts with more than 400 agencies to serve about 100,000 unique individuals of all ages per month in all eight (8) DMH defined Service Areas of Los Angeles County. DMH maintains financial responsibility for uninsured clients. Historically, DMH uninsured clients were dispensed approximately 35,000 prescriptions monthly by DMH contracted pharmacies. Due to the recent implementation of the Affordable Care Act, this volume has fluctuated and is currently approximately 7,700 monthly. To track and dispense medication, DMH currently uses PATS, communicating prescriptions between directly operated and contracted provider clinic sites and the contracted pharmacies. This system incorporates adjudication of pharmacy claims, medication history, eligibility for medication benefits, and formulary management.

DMH initiated a Request for Proposal (RFP) process to replace PATS with a PBM to administer the prescription drug program. The RFP was issued on May 1, 2014. DMH received two proposals, and Magellan received the highest score.

To comply with Los Angeles County Code Section 2.121.420, DMH conducted a Prop A analysis and determined that the services to be provided are more economically performed by Magellan. The data collected for the Prop A analysis included Magellan's estimated staff costs, including employee benefits, Magellan's cost of support services needed at full implementation of services and the monthly prescription claims volume of approximately 7,700 claims for 3,000 uninsured DMH clients. The Prop A analysis considered the staffing and service requirements specific to the PBM contract, and utilized the Average Annual Guaranteed Rates for medication costs and 12 months of DMH prescription claims data yielding a projected annual medication cost of \$5,727,815.

The Auditor-Controller has reviewed DMH's Prop A cost analysis and concurs that it demonstrates that the contract is cost effective. However, the Auditor-Controller was unable to validate DMH's estimated avoidable costs for information technology related positions due to a lack of a comparable basis for estimating the number of staff that would be needed to create and maintain a specialized system that would perform the functions of Magellan's existing system. Taking this into consideration, the Auditor-Controller still concurs that the contract is cost effective.

DMH now seeks to enter into agreement with Magellan to provide PBM services. As the PBM, the primary responsibilities of Magellan will include: (1) contracting with retail pharmacies to fill prescriptions for uninsured DMH clients; (2) processing prescription drug claims submitted electronically to Magellan by retail pharmacies; (3) reimbursing retail pharmacies for prescription drugs dispensed to uninsured DMH clients; (4) operating a customer service call center to answer questions posed by participating pharmacies, DMH staff, contracted clinic staff, and uninsured DMH clients; (5) maintaining updates to DMH's drug formulary; (6) providing administrative oversight of a pharmacy network; (7) negotiating discounts and rebates with drug manufacturers, and; (8) providing clinical services, such as prior authorizations which are required when prescribers prescribe a medication that is not on the DMH formulary, and handling client appeals.

Magellan and the County have negotiated a drug pricing model which includes "pass through" savings to the County. Under this Agreement, Magellan will charge DMH exactly what Magellan pays the participating pharmacies to dispense drugs net of any co-payments, coinsurances or deductible

amounts, plus any applicable sales excise tax or other governmental charge. Magellan shall not retain any margin on such in-network participating pharmacy claims, and will pass through any rebates or discounts. Magellan will pay administrative fees on a per claim basis and Magellan will reimburse the participating pharmacies a negotiated pharmacy dispensing fee for their dispensing services on a per-prescription (claim) paid basis.

Administrative fees are reimbursed based on a flat fee of \$10.48 per claim, not to exceed the annual administrative costs associated with this Agreement. Magellan has also provided Average Annual Guarantees for retail drug costs to prevent cost fluctuations during each contract year. These guaranteed rates will result in a savings to DMH of up to 21 percent for Brand medications and 79 percent for Generic medications. Any findings of overpayment by DMH will result in a reimbursement from Magellan.

The department has evaluated and determined that Magellan fully complies with the requirements of the Living Wage program (Los Angeles County Code Chapter 2.201) and agrees to pay full-time and part-time employees providing County services a living wage. This Agreement will not result in unauthorized disclosure of confidential information.

## **CONTRACTING PROCESS**

On May 1, 2014, DMH released a RFP to identify a qualified agency to provide PBM services and received two bids. DMH Executive Management Team (EMT) concluded their review of these bids and selection based on the final scoring and recommendations by the evaluation committee. Magellan was the highest scoring bidder, which resulted in the selection as the PBM. This selection was approved by the Director, contingent successful Prop A analysis by the Auditor-Controller.

On April 29, 2015, DMH entered into negotiations with Magellan. During negotiations, Magellan proposed thirteen exceptions to the DMH Standard Terms and Conditions which are listed in the draft Agreement and Statement of Work (SOW). DMH agreed to these exceptions and received concurrence from County Counsel, as well as CEO Risk Management Branch, and outside counsel, as appropriate. The final listing of the approved thirteen exceptions is reflected in Attachment III.

One of these exceptions relates to the way the County will facilitate audits of the Magellan's network of retail pharmacies. As noted in Exception No. 12 on Attachment III, Magellan's existing agreements with each network retail pharmacy include exclusive audit rights through a separate audit company that independently subcontracts with Magellan. Under this arrangement, DMH may direct this subcontractor to perform audits of pharmacies used through Magellan's retail pharmacy network and share the audit findings with DMH. DMH will not be able to directly audit the involved pharmacies, and there is no direct contractual relationship between the County and the PBM's contracted auditor. It should be noted that this arrangement is a concern for the County Auditor-Controller. The concern is related to the lack of independence of Magellan's sub-contractor and its motivation to ensure that audit findings are appropriately pursued and reported. The County is reliant on the quality and thoroughness of the subcontractors' audit work. While this remains a concern of the Auditor-Controller, DMH has determined that there are adequate controls and sufficient access to audit data and documentation that will mitigate risk for the County.

In light of Magellan's listed exceptions and the Auditor Controller's concerns, DMH considered the review of the second agency that submitted a response to the RFP. After considering the second agency's qualifications as it relates to clinical benefits, and associated cost savings, DMH concluded

that Magellan was the only viable bid for PBM services. Hence, DMH continued negotiations with Magellan.

The PBM Agreement with Magellan will be executed upon Board approval, and full implementation of the PBM is expected to occur by June 2017. When this is achieved, the PBM will assume responsibility for administration of DMH's prescription drug program. Upon implementation of the new PBM, DMH will terminate its pharmacy agreements with the existing network of 81 retail pharmacies which are set to expire June 30, 2017.

#### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Prop A requires that departments assess any potential impact of the recommended Agreement. There is no significant risk exposure to the County. The award of this Agreement will not infringe on the role of the County in its relationship to its residents and the County's ability to respond to emergencies will not be impaired. The Agreement will not result in reduced services but will expand access to pharmacies for uninsured DMH clients from 81 pharmacies to 1,700 pharmacies. There is no employee impact as a result of this Agreement since the existing employees will be needed for oversight of the Agreement. In addition, the Department has determined that it has alternative resources available in the event of default.

Approval of the recommendations will ensure that uninsured DMH clients will have access to a large number of licensed pharmacies throughout Los Angeles County for their pharmaceutical needs, decrease medication costs, improve quality of care, and help achieve DMH's goal of having a fully integrated Electronic Health Record and e-prescribing platform.

Respectfully submitted,



Jonathan E. Sherin, M.D., Ph.D.

Director

JES:RS:MM:DH:pd

Enclosures

c: Executive Office, Board of Supervisors  
Chief Executive Office  
County Counsel  
Chairperson, Mental Health Commission

CONTRACTOR:

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Contract Number

Business Address:

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Reference Number(s)

Vendor Number

Supervisory District(s) \_\_\_\_\_

Mental Health Service Area(s) \_\_\_\_\_

**PHARMACY BENEFIT MANAGEMENT AGREEMENT****TABLE OF CONTENTS**

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EXHIBIT(S)

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- A-1. Information Security and Privacy Requirements
- A-2. County of Los Angeles Agreement for Acceptable Use and Confidentiality of County Information Technology Resources
- A-3. Confidentiality Oath Non-LACDMH Workforce Members
- B. Contractor Information Security Requirements
- C. Contractor Acknowledgement and Confidentiality Agreement
- D. Contractor Employee Acknowledgement and Confidentiality
- E. Contractor Non-Employee Acknowledgement and Confidentiality Agreement
- F. Contractor's EEO Certification
- G. Attestation Regarding Federally Funded Programs
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- M-10. LACDMH Audit Mandate
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- N. Pricing Schedule
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- O. Living Wage Ordinance (Living Wage Program)
- P. Living Wage Rate Annual Adjustments
- Q. Payroll Statement of Compliance

**LOS ANGELES COUNTY DEPARTMENT OF MENTAL HEALTH**  
**PHARMACY BENEFIT MANAGEMENT AGREEMENT**

THIS CONTRACT AND EXHIBITS made and entered into this \_\_\_\_ day of \_\_\_\_, 2016, by and between the County of Los Angeles, hereinafter referred to as County and Magellan Pharmacy Solutions, Inc., hereinafter referred to as Contractor is located at \_\_\_\_\_

\_\_\_\_\_

WHEREAS, pursuant to the provisions of section 5600 et seq., the Los Angeles County (LAC), through its Department of Mental Health (DMH), has established a Community Mental Health Program; and

WHEREAS, County, through its Community Mental Health Program and to the extent resources are available, provides mental health services to individuals who are eligible for and in need of such services; and

WHEREAS, County provides these mental health services through mental health clinics operated directly by LACDMH and through contracts established with mental health agencies in the community; and

WHEREAS, individuals receiving mental health services from mental health clinics operated directly by or under contract with LACDMH may be prescribed medications by licensed physicians and nurse practitioners; and

WHEREAS, some of the these individuals that may be prescribed medications are not Medi-Cal beneficiaries or otherwise covered by private or public insurance; and

WHEREAS, County desires, to the extent resources are available, that clients be provided medications by retail pharmacies that are conveniently located and easily accessible; that these pharmacies be reimbursed for the costs of such medications; and that pharmacies independently bill third party payors for those clients with third-party payor sources, including, but not limited to, the Medi-Cal program or private insurance; and

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WHEREAS, County desires to engage Contractor to administer LACDMH's prescription drug program upon the terms provided in this Agreement; and

WHEREAS, Contractor provides pharmacy and prescription benefit management services, is licensed or otherwise permitted by State law and whose principal employees possess the necessary licenses, and the competence, expertise, and capability required to provide such services; and

WHEREAS, County has determined that the services to be provided hereunder cannot be performed by County employees or through the recruitment of County employees because they are of a complex professional and technical nature for which LACDMH lacks the requisite infrastructure and County has demonstrated that it is more cost effective to contract out pharmacy benefit management services rather than provide services in-house with County employees and is therefore authorized under County Code Section 2.121.420; and

WHEREAS, this Contract is therefore authorized under Section 44.7 of the Los Angeles County Charter and Los Angeles County Codes Section 2.121.250 and Government Code Section 31000; and

NOW, THEREFORE, in consideration of the mutual covenants, conditions, representations and warranties contained herein, it is agreed by and between County and Contractor as follows:

**1.0 ADMINISTRATION:** The Director of Mental Health (Director) shall have the authority to administer this Agreement on behalf of County. All references to the actions or decisions to be made by the County in this Agreement shall be made by the Director unless otherwise expressly provided.

1.1 The Director may designate one of more persons to act as his designee for the purposes of administering this Agreement. Therefore "Director" shall mean "Director and/or his designee."

1.2 Contractor shall designate in writing a Contract Manager who shall function as liaison with County regarding Contractor's performance hereunder.

**2.0 DEFINITIONS:** The headings herein contained are for convenience and reference only and are not intended to define the scope of any provision thereof. The following words are used herein shall be construed to have the following meaning, unless otherwise apparent from the context in which they are used.

2.1 Contract or Agreement: Agreement executed between County and Contractor. It sets forth the items and conditions for the issuance and performance of the Statement of Work (SOW), Exhibit M.

2.2 Contractor or Pharmacy Benefit Management (PBM): The sole proprietor, partnership, or corporation that has entered into a contract with the County to perform or execute the work covered by the SOW.

2.3 Contractor Project Manager: The individual designated by Contractor to administer the Contract operations after the Contract award.

2.4 County Contract Project Monitor: Person with responsibility to oversee the administration of the Contract, including responsibility for inspections of any and all tasks, deliverables, goods, services and other work provided by Contractor.

2.5 County Project Director: Person designated by County with authority for County on contractual or administrative matters relating to the Contract that cannot be resolved by the County's Project Manager.

2.6 County Project Manager: Person designated by County's Project Director to manage the operations under the Contract.

2.7 Director: The Director of the Los Angeles County Department of Mental Health, or his/her designee.

2.8 Day(s): Calendar day(s) unless otherwise specified.

2.9 Fiscal Year: The 12-month period beginning July 1st and ending the following June 30th.

2.10 Holiday: State and nationally recognized holidays, including, but not necessarily limited to, New Year's Day, Dr. Martin Luther King Jr.'s Birthday, President's Birthday (combined Lincoln's and Washington's Birthdays), Cesar Chavez, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and the day after Thanksgiving, and Christmas Day.

**3.0 SERVICES TO BE PROVIDED:** Contractor shall provide services to County as set forth in Exhibit M, (Statement of Work) which is incorporated by reference as though fully set forth herein.

#### **4.0 TERM OF CONTRACT:**

4.1 The Agreement will be effective upon Board approval, \_\_\_\_\_, 2016 through June 30, 2017, with four (4) optional one-year renewal periods, without further action by the parties unless either party desires to terminate this Agreement in accordance with Section 8.0, Standard Terms and Conditions and/or give written notice to the other party.

4.2 Six (6) Months Notification of Agreement Expiration: Contractor shall notify County when this Agreement is within six (6) months of expiration. Contractor shall send such notice to those persons and addresses which are set forth in Paragraph 12.0 (NOTICES).

4.3 Contractor Alert Reporting Database (CARD): The County maintains databases that track/monitor contractor performance history. Information entered into such databases may be used for a variety of purposes, including determining whether the County will exercise a contract term extension option.

**5.0 COMPENSATION:** Contractor agrees to satisfactorily complete all work specified in SOW, Exhibit M. In consideration of the performance by Contractor in a manner satisfactory to County of the services described in SOW, Exhibit M, Contractor shall submit invoices to LACDMH Accounts Payable Division located at 550 South Vermont Avenue, 8th Floor, Los Angeles, CA 90020. Invoices shall be prepared using the approved Invoice, Exhibit N - 4, and shall be as described in 5.5.

5.1 Contractor shall submit invoices in accordance with the following:

A. Administrative Fee and Ancillary Services: Contractor shall submit monthly invoices to the County by the 15<sup>th</sup> calendar day of the month following the month of service. Contractor shall calculate its Administrative Fee each month, at the end of the month, based on the number of prescription Claims for that month and as indicated on the Invoice, Exhibit N - 4, compensation from Administrative Fees shall not exceed \$968,352 annually. Invoices with fees for ancillary services must be accompanied by documentation of ancillary services provided as described in the SOW, Exhibit M and Exhibit N - 3, Administrative Fee and Ancillary Services.

B. Prescription Claims: Every two (2) weeks, Contractor shall submit a complete, verified and correct invoice inclusive of Ingredient Cost, plus Dispensing Fees reflecting Prescription Drug Effective Rates and Dispensing Fees as described in Exhibit N, Pricing Schedule. Invoices must include the Claims Data Utilization Fields, including the number of Claims invoiced and prepared in the format described in 5.6.D.

5.2 LACDMH shall pay Contractor for services described in Exhibit N, Pricing Schedule:

A. Administrative Fee and Ancillary Services: LACDMH shall pay Contractor in arrears within 30 calendar days of receipt of complete, verified, and correct monthly invoices.

B. Prescription Claims: The parties acknowledge Contractor is not an insurer. LACDMH shall make an electronic payment to Contractor's provider payment funding account in arrears within five (5) business days of receipt of the invoice.

5.3 Contractor shall not be entitled to payment or reimbursement for any tasks or services performed, nor for any incidental or administrative expenses whatsoever incurred in or incidental to performance hereunder, except as specified herein. Assumption or takeover of any of Contractor's duties, responsibilities, or obligations, or performance of same by any entity other than Contractor, whether through assignment, subcontract, delegation, merger, buyout, or any other mechanism, with or without consideration for any reason whatsoever, shall occur only with the County's express prior written approval.

5.4 No-Payment for Services Provided Following Expiration/Termination of Contract: Contractor shall have no claim against County for payment of any money or reimbursement, of any kind whatsoever, for any service provided by Contractor after the expiration or other termination of the Contract. Should Contractor receive any such payment it shall immediately notify County and shall immediately repay all such funds to County. Payment by County for services rendered after expiration/termination of this Contract shall not constitute a waiver of County's right to recover such payment from Contractor. This provision shall survive the expiration or other termination of the Contract.

5.5 Invoices:

A. Contractor shall invoice County only for providing the tasks, deliverables, goods, services, and other work specified in Exhibit M, SOW and elsewhere hereunder. Contractor shall prepare invoices, which shall include the charges owed to Contractor by County under the terms of the Contract. Contractor's payments shall be provided in a Pricing Schedule upon execution of the Contract, and Contractor shall be paid only for the tasks, deliverables, goods, services, and other work approved in writing by County. If County does not approve work in writing no payment shall be due to Contractor for that work.

B. Contractor's invoices shall be priced in accordance with the Pricing Schedule, Exhibit N and as described in 5.1.

C. Contractor's invoices shall contain the information set forth in Exhibit M, SOW describing the tasks, deliverables, goods, services, work hours, and facility and/or other work for which payment is claimed.

D. The invoice shall include the total number of Claims invoiced and a Claims file that contains, at a minimum, for each Claim all fields listed in the SOW, Exhibit M - 8, Claims Data Utilization Fields without redaction or modification. Brand Drugs and Generic Drugs shall be classified in said Claims file using the definitions stated in this Agreement. Claims data shall be produced in a delimited flat file with a pipe character ( | ) as the delimiter and include a message with the file of the record count and file size. A separate file must be provided that includes a data dictionary of data layout/format. Layout/format must include: (a) field name; (b) data type; (c) length; and (d) description. File format must remain constant from submission to submission, unless additional fields need to be added. Contractor shall transmit all such electronic data to LACDMH, or to LACDMH auditor, or to both, as directed by LACDMH.

E. County shall have the right, annually, to renegotiate Contractor's above-referenced Administrative Fee. The newly negotiated Administrative Fee shall be memorialized in writing by the parties as an amendment to the Contract.

#### 5.6 County Approval of Invoices:

All invoices submitted by Contractor for payment must have the written approval of the LACDMH's Pharmacy Chief or his/her designated representative prior to any payment thereof. In no event shall the County be liable or responsible for any payment prior to such written approval. Approval for payment may not be unreasonably withheld.

#### 5.7 Suspension of Payments:

Payments to Contractor under the Contract shall be suspended if Director, for good cause, determines Contractor is in default under any of the provisions of the Contract. Except in cases of alleged fraud or similar intentional wrongdoing, at least 30 calendar days' notice of such suspension shall be provided to Contractor, including a statement of the reason(s) for such suspension. Thereafter, Contractor may, within 15 calendar days, request reconsideration of the Director's decision. Payments shall not be withheld pending the results of the reconsideration process.

#### 5.9 Budget Reductions:

In the event that the County's Board of Supervisors adopts, in any fiscal year, a County Budget which

provides for reductions in County contracts, the County reserves the right to reduce its payment obligation under the Contract to implement such Board reductions for that fiscal year and any subsequent fiscal year during the term of the Contract (including any extensions), and the services to be provided by Contractor under the Contract shall also be reduced correspondingly. County's notice to Contractor regarding said reduction in payment obligation shall be provided within five (5) business days of the Board's approval of such action. Except as set forth in the preceding sentence, Contractor shall continue to provide all of the services set forth in the Contract.

## **6.0 ADMINISTRATION OF CONTRACT – COUNTY**

County shall notify Contractor in writing of any change in the names or addresses shown.

### **6.1 County's Project Director:**

#### **A. Responsibilities of the County's Project Director include:**

- i. Meeting with Contractor's Project Manager on a regular basis; and
- ii. Inspecting any and all tasks, deliverables, goods, services, or other work

provided by or on behalf of Contractor.

B. The County's Project Director is not authorized to make any changes in any of the terms and conditions of the Contract and is not authorized to further obligate County in any respect whatsoever.

### **6.2 County's Project Manager:**

#### **A. The responsibilities of the County's Project Manager include:**

- i. Meeting with Contractor Project Manager on a regular basis; and
- ii. Inspecting any and all tasks, deliverables, goods, services, or other work

provided by or on behalf of Contractor.

B. The County's Project Manager is not authorized to make any changes in any of the terms and conditions of the Contract and is not authorized to further obligate County in any respect whatsoever.

### **6.3 County's Contract Project Monitor:**

A. The County's Contract Project Monitor is responsible for overseeing the administration of the Contract. For purposes of the Contract, the Contract Project Monitor reports to the County's Project Manager and has responsibility for inspections of any and all tasks, deliverables, goods,

services and other work provided by Contractor to ensure Contractor's compliance with the terms of the Contract.

B. The County's Project Monitor is not authorized to make any changes in any of the terms and conditions of this Contract and is not authorized to further obligate County in any respect whatsoever.

## **7.0 ADMINISTRATION OF CONTRACT – CONTRACTOR**

### **7.1 Contractor's Project Manager:**

A. Contractor shall notify County in writing of any change in the name or address of the Contractor's Project Manager.

B. Contractor's Project Manager shall be responsible for administering the Contract operations and ensuring compliance with the services outlined in the SOW after Contract award. Contractor's Project Manager shall coordinate with County's Project Manager and County's Contract Project Monitor on a regular basis for purposes of discussing the implementation of services, and the provision of ongoing services, as well as, invoicing and Audits performed by Subcontractor.

C. Contractor's Project Manager must have three (3) years of experience as a Pharmacy Benefit Management Account manager.

### **7.2 Approval of Contractor's Staff:**

County has the absolute right to approve or disapprove all of the Contractor's staff performing work hereunder and any proposed changes in the Contractor's staff, including, but not limited to, the Contractor's Project Manager.

### **7.3 Background and Security Investigations:**

A. Each of Contractor's staff performing services under the Contract who is in a designated sensitive position, as determined by County in County's sole discretion, shall undergo and pass a background investigation to the satisfaction of County as a condition of beginning and continuing to perform services under this Contract. Such background investigation must be obtained through fingerprints submitted to the California Department of Justice to include State, local, and federal-level review, which may include, but shall not be limited to, criminal conviction information. The fees associated with the background investigation shall be at the expense of Contractor, regardless if the member of Contractor's staff passes or fails the background investigation.

B. If a member of Contractor's staff does not pass the background investigation, County may request that the member of Contractor's staff be immediately removed from performing services under the Contract at any time during the term of the Contract. County will not provide to Contractor or to Contractor's staff any information obtained through the County's background investigation.

C. County, in its sole discretion, may immediately deny or terminate facility access to any member of Contractor's staff that does not pass such investigation to the satisfaction of the County or whose background or conduct is incompatible with County facility access.

D. Disqualification of any member of Contractor's staff pursuant to this Paragraph 7.3 shall not relieve Contractor of its obligation to complete all work in accordance with the terms and conditions of the Contract.

#### 7.4 Confidentiality:

A. Contractor shall maintain the confidentiality of all records and information in accordance with all applicable federal, State and local laws, rules, regulations, ordinances, directives, guidelines, policies and procedures relating to confidentiality, including, without limitation, County policies concerning information technology security and the protection of confidential records and information.

B. Contractor shall indemnify, defend, and hold harmless County, its officers, employees, and agents, from and against any and all claims, demands, damages, liabilities, losses, costs and expenses, including, without limitation, defense and legal costs, accounting and other expert, consulting, or professional fees, arising from, connected with, or related to any failure by Contractor, its officers, employees, agents, or Subcontractors, to comply with this Paragraph 7.4. Any legal defense pursuant to Contractor's indemnification obligations under this Paragraph 7.4, shall be conducted by Contractor and performed by counsel selected by Contractor and approved by County. Notwithstanding the preceding sentence, County shall have the right to participate in any such defense at its sole cost and expense. In the event Contractor fails to provide County with a full and adequate defense, County shall notify Contractor in writing and Contractor shall within 10 business days provide two (2) alternate counsels for consideration and selection by County. Contractor shall not have the right to enter into any settlement, agree to any injunction, or make any admission, in each case,

on behalf of County without County's prior written approval.

C. Contractor shall inform all of its officers, employees, agents and Subcontractors providing services hereunder of the confidentiality provisions of the Contract.

D. Contractor shall sign and adhere to the provisions of the "Contractor Acknowledgement and Confidentiality Agreement", Exhibit C. Contractor shall provide to County an executed Contractor Acknowledgement and Confidentiality Agreement with its signed Contract and prior to performing work under the Contract.

## **8.0 STANDARD TERMS AND CONDITIONS:**

8.1 Amendments: County reserves the right to change any portion of the work required under this Agreement or amend such other terms and conditions which may become necessary. Amendments to Proposition A Agreements in which the requisite costs analysis is at least \$500,000 and results in an aggregate increase in contract amount greater than 10% must be reviewed and approved by the Auditor Controller. Any such changes or Amendments shall be accomplished in the following manner:

A. For any change which affects the SOW, term, contract sum, payments, or any term or condition included under the Contract, an Amendment shall be prepared and executed by Contractor and by Director subject to the following limits.

i. Ancillary Services: Any increase to the fees for Ancillary Services shall not exceed 10% from the approved fee, unless approved by the County's Board of Supervisors.

ii. Administrative Fee: Any increase to the Administrative Fee shall not exceed 20% from the approved fee, unless approved by the County's Board of Supervisors.

In the event that there is mutual agreement by Contractor and by Director to exceed the above limits for Ancillary Services Fees and Administrative Fees, amendments shall be prepared by Contractor and by Director and shall be subject to approval by the County's Board of Supervisors.

B. The County's Board of Supervisors or Chief Executive Officer (CEO) or designee may require the addition and/or change of certain terms and conditions in the Contract during the term of this Contract. The County reserves the right to add and/or change such provisions as

required by the County's Board of Supervisors or CEO. To implement such changes, an Amendment to the Contract shall be prepared and executed by Contractor and by Director.

C. The Director, may at his/her sole discretion, authorize extensions of time beyond the term stated in Paragraph 4.0, Term of the Contract. Contractor agrees that such extensions of time shall not change any other term or condition of the Contract during the period of such extensions. To implement an extension of time, an Amendment to the Contract shall be prepared and executed by Contractor and by Director.

D. Amendment due to Material Change: In the event of a Material Change, the parties agree to amend this Agreement to reflect as nearly as possible the economic factors that were the basis for this Agreement prior to the Material Change. The term "Material Change" means (i) a material change in the methodology for calculating AWP; or (ii) a change in Law or regulation applicable to a party to this Agreement that materially adversely affects the benefits such party reasonable expected to receive under this Agreement; (iii) material changes in Plan Design and Formulary so that actual utilization pattern (i.e. drug mix, scripts per member, etc.) differs substantially (defined as an adverse financial impact to Contractor that is greater than 5%) from current utilization (e.g. if Claims per member, Generic Drug rate, pharmacy mix and drug mix) changes are greater than 10 percent from the book of business data and information provided upon execution of the agreement; or (iv) monthly Claims volume falls below 5,000 Claims.

E. In the event that the Parties despite good faith efforts are unable to reach an agreement pursuant to Section A through D above within 45 days of the commencement of such good faith efforts as described herein, then either Party may terminate the Agreement upon at least 120 days written notice to the other, provided that with respect to a Material Change, County shall remit to Contractor the specified amounts set forth under Section 8.41.D to offset any actual financial losses under this Agreement that are directly attributable to the Material Change.

## 8.2 Assignment and Delegation:

A. Contractor shall not assign its rights or delegate its duties under the Contract, or both, whether in whole or in part, without the prior written consent of County, in its discretion, and any attempted assignment or delegation without such consent shall be null and void. For purposes of this sub-paragraph, County consent shall require a written amendment to the Contract, which is formally

approved and executed by the parties. Any payments by County to any approved delegate or assignee on any claim under the Contract shall be deductible, at County's sole discretion, against the Claims, which Contractor may have against County.

B. Shareholders, partners, members, or other equity holders of Contractor may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein. However, in the event any such sale, transfer, exchange, assignment, or divestment is effected in such a way as to give majority control of Contractor to any person(s), corporation, partnership, or legal entity other than the majority controlling interest therein at the time of execution of the Contract, such disposition is an assignment requiring the prior written consent of County in accordance with applicable provisions of the Contract.

C. Any assumption, assignment, delegation, or takeover of any of Contractor's duties, responsibilities, obligations, or performance of same by any entity other than Contractor, whether through assignment, subcontract, delegation, merger, buyout, or any other mechanism, with or without consideration for any reason whatsoever without County's express prior written approval, shall be a material breach of the Contract which may result in the termination of the Contract. In the event of such termination, County shall be entitled to pursue the same remedies against Contractor as it could pursue in the event of default by Contractor.

D. The parties acknowledge that Participating Pharmacies are not assignees or delegates.

8.3 Authorization Warranty: Contractor represents and warrants that the person executing the Contract for Contractor is an authorized agent who has actual authority to bind Contractor to each and every term, condition, and obligation of the Contract and that all requirements of Contractor have been fulfilled to provide such actual authority.

8.4 Budget Reductions: In the event that County's Board of Supervisors adopts, in any fiscal year, a County Budget which provides for reductions in the salaries and benefits paid to the majority of County employees and imposes similar reductions with respect to County Contracts, the County reserves the right to reduce its payment obligation under the Contract correspondingly for that fiscal year and any subsequent fiscal year during the term of the Contract (including any extensions), and the services to be provided by Contractor under the Contract shall also be reduced

correspondingly. County's notice to Contractor regarding said reduction in payment obligation shall be provided within 30 calendar days of the Board's approval of such actions. Except as set forth in the preceding sentence, Contractor shall continue to provide all of the services set forth in Contract.

8.5 Complaints: Contractor shall develop, maintain and operate procedures for receiving, investigating and responding to complaints.

A. Within five (5) business days after the Contract is fully executed, Contractor shall provide County with Contractor's policy for receiving, investigating, and responding to user complaints.

B. County will review Contractor's policy and provide Contractor with approval of said plan or with requested changes.

C. If County requests changes in Contractor's policy, Contractor shall make such changes and resubmit the plan within 15 business days for County approval.

D. If, at any time, Contractor wishes to change Contractor's policy, Contractor shall submit proposed changes to County for approval before the policy is implemented.

E. Contractor shall preliminarily investigate all complaints and notify County's Project Manager of the status of the investigation within five (5) business days of receiving the complaint.

F. When complaints cannot be resolved informally, a system of follow-through shall be instituted which adheres to formal plans for specific actions and strict time deadlines.

G. Copies of all written responses shall be sent to the County's Project Manager within 30 calendar days of mailing to the complainant.

8.6 Compliance with Applicable Law:

A. In the performance of the Contract, Contractor shall comply with all applicable federal, State and local laws, rules, regulations, ordinances, directives, guidelines, policies and procedures, and all provisions required thereby to be included in the Contract are hereby incorporated herein by reference.

B. Contractor shall indemnify, defend, and hold harmless County, its officers, employees, and agents, from and against any and all Claims, demands, damages, liabilities, losses, costs, and expenses, including, without limitation, defense costs and legal, accounting and other expert, consulting or professional fees, arising from, connected with, or related to any failure by

Contractor, its officers, employees, agents, or Subcontractors, to comply with any such laws, rules, regulations, ordinances, directives, guidelines, policies, or procedures, as determined by County in its sole judgment. Any legal defense pursuant to Contractor's indemnification obligations under this Paragraph 8.6 shall be conducted by Contractor and performed by counsel selected by Contractor and approved by County. Notwithstanding the preceding sentence, County shall have the right to participate in any such defense at its sole cost and expense. In the event Contractor fails to provide County with a full and adequate defense, County shall notify Contractor in writing and Contractor shall within ten (10) business days provide two (2) alternate counsels for consideration and selection by LACDMH. Contractor shall not have the right to enter into any settlement, agree to any injunction or other equitable relief, or make any admission, in each case, on behalf of County without County's prior written approval.

8.7 Compliance with Civil Rights Laws: Contractor hereby assures that it will comply with Subchapter VI of the Civil Rights Act of 1964, 42 USC Sections 2000 (e) (1) through 2000 (e) (17), to the end that no person shall, on the grounds of race, creed, color, sex, religion, ancestry, age, condition of physical handicap, marital status, political affiliation, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this Contract or under any project, program, or activity supported by the Contract. Contractor shall comply with Exhibit F, Contractor's EEO Certification.

8.8 Compliance with the County's Jury Service Program:

A. Jury Service Program

The Contract is subject to the provisions of County's ordinance entitled Contractor Employee Jury Service ("Jury Service Program") as codified in Sections 2.203.010 through 2.203.090 of the Los Angeles County Code, a copy of which is attached as Exhibit J and incorporated by reference into and made a part of the Contract.

B. Written Employee Jury Service Policy

i. Unless Contractor has demonstrated to the County's satisfaction either that Contractor is not a "Contractor" as defined under the Jury Service Program (Section 2.203.020 of the County Code) or that Contractor qualifies for an exception to the Jury Service Program (Section 2.203.070 of the County Code), Contractor shall have and adhere to a written policy that provides that its Employees shall receive from Contractor, on an annual basis, no less than five (5) days of regular pay

for actual jury service. The policy may provide that Employees deposit any fees received for such jury service with Contractor or that Contractor deduct from the Employee's regular pay the fees received for jury service.

ii. For purposes of this sub-paragraph, "Contractor" means a person, partnership, corporation or other entity which has a contract with the County or a subcontract with a County Contractor and has received or will receive an aggregate sum of \$50,000 or more in any 12-month period under one (1) or more County contracts or subcontracts. "Employee" means any California resident who is a full-time employee of Contractor. "Full-time" means 40-hours or more worked per week, or a lesser number of hours if: 1) the lesser number is a recognized industry standard as determined by the County, or 2) Contractor has a long standing practice that defines the lesser number of hours as full-time. Full-time employees providing short-term, temporary services of 90 days or less within a 12-month period are not considered full-time for purposes of the Jury Service Program. If Contractor uses any Subcontractor to perform services for the County under the Contract, the Subcontractor shall also be subject to the provisions of this sub-paragraph. The provisions of this sub-paragraph shall be inserted into any such subcontract agreement and a copy of the Jury Service Program shall be attached to the agreement.

iii. If Contractor is not required to comply with the Jury Service Program when the Contract commences, Contractor shall have a continuing obligation to review the applicability of its "exception status" from the Jury Service Program, and Contractor shall immediately notify the County if Contractor at any time either comes within the Jury Service Program's definition of "Contractor" or if the Contractor no longer qualifies for an exception to the Jury Service Program. In either event, Contractor shall immediately implement a written policy consistent with the Jury Service Program. The County may also require, at any time during Contract and at its sole discretion, that Contractor demonstrate, to the County's satisfaction that Contractor either continues to remain outside of the Jury Service Program's definition of "Contractor" and/or that Contractor continues to qualify for an exception to the Program.

iv. Contractor's violation of this sub-paragraph of the Contract may constitute a material breach of the Contract. In the event of such material breach, County may, in its

sole discretion, terminate the Contract and/or bar the Contractor from the award of future County contracts for a period of time consistent with the seriousness of the breach.

**8.9 Conflict of Interest:**

A. No County employee whose position with the County enables such employee to influence the award of the Contract or any competing Contract, and no spouse or economic dependent of such employee, shall be employed in any capacity by Contractor or have any other direct or indirect financial interest in the Contract. No officer or employee of Contractor who may financially benefit from the performance of work hereunder shall in any way participate in the County's approval, or ongoing evaluation, of such work, or in any way attempt to unlawfully influence the County's approval or ongoing evaluation of such work.

B. Contractor shall comply with all conflict of interest laws, ordinances, and regulations now in effect or hereafter to be enacted during the term of the Contract. Contractor warrants that it is not now aware of any facts that create a conflict of interest. If Contractor hereafter becomes aware of any facts that might reasonably be expected to create a conflict of interest, it shall immediately make full written disclosure of such facts to the County. Full written disclosure shall include, but is not limited to, identification of all persons implicated and a complete description of all relevant circumstances. Failure to comply with the provisions of this sub-paragraph shall be a material breach of the Contract.

**8.10 Consideration of Hiring County Employees Targeted for Layoff/or Re-Employment List:** Should Contractor require additional or replacement personnel after the execution of the Contract to perform the services set forth herein, Contractor shall give first consideration for such employment openings to qualified, permanent County employees who are targeted for layoff or qualified, former County employees who are on a re-employment list during the life of the Contract.

**8.11 Consideration of Hiring Gain/Grow Program Participants:**

A. Should Contractor require additional or replacement personnel after the execution of the Contract, Contractor shall give consideration for any such employment openings to participants in the County's Department of Public Social Services Greater Avenues for Independence (GAIN) Program or General Relief Opportunity for Work (GROW) Program who meet Contractor's minimum qualifications for the open position. For this purpose, consideration shall mean that Contractor will interview qualified candidates. The County will refer GAIN/GROW participants by job category to Contractor.

B. In the event that both laid-off County employees and GAIN/GROW participants are available for hiring, County employees shall be given first priority.

8.12 Contractor Responsibility and Debarment:

A. Responsible Contractor

A responsible Contractor is a Contractor who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the contract. It is the County's policy to conduct business only with responsible Contractors.

B. Chapter 2.202 of the County Code

Contractor is hereby notified that, in accordance with Chapter 2.202 of the County Code, if the County acquires information concerning the performance of Contractor on this or other contracts which indicates that Contractor is not responsible, the County may, in addition to other remedies provided in the contract, debar Contractor from bidding or proposing on, or being awarded, and/or performing work on County contracts for a specified period of time, which generally will not exceed five (5) years but may exceed five (5) years or be permanent if warranted by the circumstances, and terminate any or all existing contracts Contractor may have with the County.

C. Contract Hearing Board

i. If there is evidence that Contractor may be subject to debarment, the Department will notify Contractor in writing of the evidence which is the basis for the proposed debarment and will advise Contractor of the scheduled date for a debarment hearing before the Contractor Hearing Board.

ii. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. Contractor and/or Contractor's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a tentative proposed decision, which shall contain a recommendation regarding whether Contractor should be debarred, and, if so, the appropriate length of time of the debarment. Contractor and the Department shall be provided an opportunity to object to the tentative proposed decision prior to its presentation to the Board of Supervisors.

iii. After consideration of any objections, or if no objections are submitted, a record of the hearing, the proposed decision, and any other recommendation of the Contractor Hearing

Board shall be presented to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny, or adopt the proposed decision and recommendation of the Contractor Hearing Board.

iv. If a Contractor has been debarred for a period longer than five (5) years, Contractor may after the debarment has been in effect for at least five (5) years, submit a written request for review of the debarment determination to reduce the period of debarment or terminate the debarment. The County may, in its discretion, reduce the period of debarment or terminate the debarment if it finds that Contractor has adequately demonstrated one or more of the following: (1) elimination of the grounds for which the debarment was imposed; (2) a bona fide change in ownership or management; (3) material evidence discovered after debarment was imposed; or (4) any other reason that is in the best interests of the County.

v. The Contractor Hearing Board will consider a request for review of a debarment determination only where: (1) Contractor has been debarred for a period longer than five (5) years; (2) the debarment has been in effect for at least five (5) years; and (3) the request is in writing, states one (1) or more of the grounds for reduction of the debarment period or termination of the debarment, and includes supporting documentation. Upon receiving an appropriate request, the Contractor Hearing Board will provide notice of the hearing on the request. At the hearing, the Contractor Hearing Board shall conduct a hearing where evidence on the proposed reduction of debarment period or termination of debarment is presented. This hearing shall be conducted and the request for review decided by the Contractor Hearing Board pursuant to the same procedures as for a debarment hearing.

vi. The Contractor Hearing Board's proposed decision shall contain a recommendation on the request to reduce the period of debarment or terminate the debarment. Contractor Hearing Board shall present its proposed decision and recommendation to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny, or adopt the proposed decision and recommendation of the Contractor Hearing Board.

#### D. Contract Hearing Board

These terms shall also apply to Subcontractors of County Contractors.

#### 8.13 Contractor's Acknowledgement of County's Commitment to the Safely Surrendered Baby Law:

Contractor acknowledges that the County places a high priority on the implementation of the Safely Surrendered Baby Law. Contractor understands that it is the County's policy to encourage all County

Contractors to voluntarily post the County's "Safely Surrendered Baby Law" poster in a prominent position at Contractor's place of business. Contractor will also encourage its Subcontractors, if any, to post this poster in a prominent position in Subcontractor's place of business. The County's Department of Children and Family Services will supply Contractor with the poster to be used. Information on how to receive the poster can be found on the Internet at [www.babysafela.org](http://www.babysafela.org).

8.14 Contractor's Warranty of Adherence to County's Child Support Compliance Program:

A. Contractor acknowledges that the County has established a goal of ensuring that all individuals who benefit financially from the County through the Contract are in compliance with their court-ordered child, family and spousal support obligations in order to mitigate the economic burden otherwise imposed upon the County and its taxpayers.

B. As required by the County's Child Support Compliance Program (County Code Chapter 2.200) and without limiting Contractor's duty under the Contract to comply with all applicable provisions of law, Contractor warrants that it is now in compliance and shall during the term of the Contract maintain in compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or Child Support Services Department Notices of Wage and Earnings Assignment for Child, Family or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

8.15 County's Quality Assurance Plan:

The County or its agent will evaluate Contractor's performance under the Contract on not less than an annual basis. Such evaluation will include assessing Contractor's compliance with all Contract terms and conditions and performance standards. Contractor deficiencies which the County determines are severe or continuing and that may place performance of the Contract in jeopardy if not corrected will be reported to the Board of Supervisors. The report will include improvement/corrective action measures taken by County and Contractor. If improvement does not occur consistent with the corrective action measures, the County may terminate the Contract or impose other penalties as specified in the Contract.

8.16 Damage to County Facilities, Buildings or Grounds:

A. Contractor shall repair, or cause to be repaired, at its own cost, any and all damage to County facilities, buildings, or grounds caused by Contractor or employees or agents of

Contractor. Such repairs shall be made immediately after Contractor has become aware of such damage, but in no event later than 30 days after the occurrence.

B. If Contractor fails to make timely repairs, County may make any necessary repairs. All costs incurred by County, as determined by County, for such repairs shall be repaid by Contractor by cash payment upon demand.

#### 8.17 Employment Eligibility Verification:

A. Contractor warrants that it fully complies with all federal and State statutes and regulations regarding the employment of aliens and others and that all its employees performing work under the Contract meet the citizenship or alien status requirements set forth in federal and State statutes and regulations. Contractor shall obtain, from all employees performing work hereunder, all verification and other documentation of employment eligibility status required by federal and State statutes and regulations including, but not limited to, the Immigration Reform and Control Act of 1986, (P.L. 99-603), or as they currently exist and as they may be hereafter amended. Contractor shall retain all such documentation for all covered employees for the period prescribed by law.

B. Contractor shall indemnify, defend, and hold harmless, County, its agents, officers, and employees from employer sanctions and any other liability which may be assessed against Contractor or County or both in connection with any alleged violation of any federal or State statutes or regulations pertaining to the eligibility for employment of any persons performing work under the Contract.

#### 8.18 Facsimile Representations:

County and Contractor hereby agree to regard facsimile representations of original signatures of authorized officers of each party, when appearing in appropriate places on the Amendments prepared pursuant to sub-paragraph 8.1, and received via communications facilities, as legally sufficient evidence that such original signatures have been affixed to Amendments to the Contract, such that the parties need not follow up facsimile transmissions of such documents with subsequent (non-facsimile) transmission of "original" versions of such documents.

#### 8.19 Fair Labor Standards:

Contractor shall comply with all applicable provisions of the Federal Fair Labor Standards Act and shall indemnify, defend, and hold harmless the County and its agents, officers, and employees from any and all liability, including, but not limited to, wages, overtime pay, liquidated damages, penalties,

court costs, and attorneys' fees arising under any wage and hour law, including, but not limited to, the Federal Fair Labor Standards Act, for work performed by Contractor's employees for which County may be found jointly or solely liable.

8.20 Force Majeure:

A. Neither party shall be liable for such party's failure to perform its obligations under and in accordance with the Contract, if such failure arises out of fires, floods, epidemics, quarantine restrictions, other natural occurrences, strikes, lockouts (other than a lockout by such party or any of such party's subcontractors), freight embargoes, or other similar events to those described above, but in every such case the failure to perform must be totally beyond the control and without any fault or negligence of such party (such events are referred to in this sub-paragraph as "force majeure events").

B. Notwithstanding the foregoing, a default by a subcontractor of Contractor shall not constitute a force majeure event, unless such default arises out of causes beyond the control of both Contractor and such subcontractor, and without any fault or negligence of either of them. In such case, Contractor shall not be liable for failure to perform, unless the goods or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit Contractor to meet the required performance schedule. As used in this sub-paragraph, the term "subcontractor" and "subcontractors" mean subcontractors at any tier.

C. In the event Contractor's failure to perform arises out of a force majeure event, Contractor agrees to use commercially reasonable best efforts to obtain goods or services from other sources, if applicable, and to otherwise mitigate the damages and reduce the delay caused by such force majeure event.

8.21 Governing Law, Jurisdiction, and Venue:

The Contract shall be governed by, and construed in accordance with, the laws of the State of California. Contractor agrees and consents to the exclusive jurisdiction of the courts of the State of California for all purposes regarding the Contract and further agrees and consents that venue of any action brought hereunder shall be exclusively in the County of Los Angeles.

8.22 Independent Contractor Status:

A. The Contract is by and between County and Contractor and is not intended, and

shall not be construed, to create the relationship of agent, servant, employee, partnership, joint venture, or association, as between County and Contractor. The employees and agents of one party shall not be, or be construed to be, the employees or agents of the other party for any purpose whatsoever.

B. Contractor shall be solely liable and responsible for providing to, or on behalf of, all persons performing work pursuant to the Contract all compensation and benefits. County shall have no liability or responsibility for the payment of any salaries, wages, unemployment benefits, disability benefits, federal, State, or local taxes, or other compensation, benefits, or taxes for any personnel provided by or on behalf of Contractor.

C. Contractor understands and agrees that all persons performing work pursuant to the Contract are, for purposes of Workers' Compensation liability, solely employees of Contractor and not employees of the County. Contractor shall be solely liable and responsible for furnishing any and all Workers' Compensation benefits to any person as a result of any injuries arising from or connected with any work performed by or on behalf of Contractor pursuant to the Contract.

D. Contractor shall adhere to the provisions stated in sub-paragraph 7.4, Confidentiality.

#### 8.23 Indemnification:

Contractor shall indemnify, defend and hold harmless the County, its Special Districts, elected and appointed officers, employees, agents and volunteers ("County Indemnitees") from and against any and all liability, including but not limited to demands, Claims, actions, fees, costs and expenses (including attorney and expert witness fees), arising from and/or relating to the Contract, except for such loss or damage arising from the sole negligence or willful misconduct of the County Indemnitees.

#### 8.24 General Provisions for All Insurance Coverage:

Without limiting Contractor's indemnification of County, and in the performance of the Contract and until all of its obligations pursuant to the Contract have been met, Contractor shall provide and maintain at its own expense insurance coverage satisfying the requirements specified in Sections 8.23 and 8.24 of the Contract. These minimum insurance coverage terms, types and limits (the "Required Insurance") also are in addition to and separate from any other contractual obligation imposed upon Contractor pursuant to the Contract. The County in no way warrants that the Required Insurance is sufficient to protect the Contractor for liabilities which may arise from or relate to the Contract.

A. Evidence of Coverage and Notice to County

i. Certificate(s) of insurance coverage (Certificate) satisfactory to County, confirming County and its Agents (defined below) has been given Additional Insured status under Contractor's General Liability policy, shall be delivered to County at the address shown below and provided prior to commencing services under the Contract.

ii. Renewal Certificates shall be provided to County not less than ten (10) days after Contractor's policy expiration dates. The County reserves the right to obtain complete, certified copies of any required Contractor and/or Subcontractor insurance policies at any time.

iii. Certificates shall identify all Required Insurance coverage types and limits specified herein, reference the Contract by name or number, and be signed by an authorized representative of the insurer(s). The Insured party named on the Certificate shall match the name of Contractor identified as the contracting party in the Contract. Certificates shall provide the full name of each insurer providing coverage, its NAIC (National Association of Insurance Commissioners) identification number, its financial rating, the amounts of any policy deductibles or self-insured retentions exceeding Fifty Thousand (\$50,000) dollars, and list any County required endorsement forms.

iv. Neither the County's failure to obtain, nor the County's receipt of, or failure to object to a non-complying insurance certificate or endorsement, or any other insurance documentation or information provided by Contractor, its insurance broker(s) and/or insurer(s), shall be construed as a waiver of any of the Required Insurance provisions.

Certificates and copies of any required endorsements shall be sent to:

**Los Angeles County - Department of Mental Health  
Contracts Development and Administration Division  
550 S. Vermont Ave., 5<sup>th</sup> Floor, Room 500  
Los Angeles, CA 90020**

Contractor also shall promptly report to County any injury or property damage accident or incident, including any injury to a Contractor employee occurring on County property, and any loss, disappearance, destruction, misuse, or theft of County property, monies or securities entrusted to Contractor. Contractor also shall promptly notify County of any third party claim or suit filed against Contractor or any of its Subcontractors which arises from or relates to the Contract, and could result in the

filing of a Claim or lawsuit against Contractor and/or County.

**B. Additional Insured Status and Scope of Coverage**

The County of Los Angeles, its Special Districts, Elected Officials, Officers, Agents, Employees and Volunteers (collectively County and its Agents) shall be provided additional insured status under Contractor's General Liability policy with respect to liability arising out of Contractor's ongoing and completed operations performed on behalf of the County. County and its Agents additional insured status shall apply with respect to liability and defense of suits arising out of Contractor's acts or omissions, whether such liability is attributable to Contractor or to the County. The full policy limits and scope of protection also shall apply to the County and its Agents as an additional insured, even if they exceed the County's minimum Required Insurance specifications herein. Use of an automatic additional insured endorsement form is acceptable providing it satisfies the Required Insurance provisions herein.

**C. Cancellation of or Changes in Insurance**

Contractor shall provide County with, or Contractor's insurance policies shall contain a provision that County shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to County at least ten (10) days in advance of cancellation for non-payment of premium and 30 days in advance for any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance may constitute a material breach of the Contract, in the sole discretion of the County, upon which the County may suspend or terminate this Contract.

**D. Failure to Maintain Insurance**

Contractor's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall constitute a material breach of the Contract, upon which County immediately may withhold payments due to Contractor, and/or suspend or terminate this Contract. County, at its sole discretion, may obtain damages from Contractor resulting from said breach. Alternatively, the County may purchase the Required Insurance, and without further notice to Contractor, deduct the premium cost from sums due to Contractor or pursue Contractor reimbursement.

**E. Insurer Financial Ratings**

Coverage shall be placed with insurers acceptable to the County with A.M. Best ratings of not less than A:VII unless otherwise approved by County.

F. Contractor's Insurance Shall Be Primary

Contractor's insurance policies, with respect to any Claims related to the Contract, shall be primary with respect to all other sources of coverage available to Contractor. Any County maintained insurance or self-insurance coverage shall be in excess of and not contribute to any Contractor coverage.

G. Waivers of Subrogation

To the fullest extent permitted by law, Contractor hereby waives its rights and its insurer(s)' rights of recovery against County under all the Required Insurance for any loss arising from or relating to the Contract. Contractor shall require its insurers to execute any waiver of subrogation endorsements which may be necessary to affect such waiver.

H. Subcontractor Insurance Coverage Requirements

Contractor shall include all Subcontractors as insureds under Contractor's own policies, or shall provide County with each Subcontractor's separate evidence of insurance coverage. Contractor shall be responsible for verifying each Subcontractor complies with the Required Insurance provisions herein, and shall require that each Subcontractor name the County and Contractor as additional insureds on the Subcontractor's General Liability policy. Contractor shall obtain County's prior review and approval of any subcontractor request for modification of the Required Insurance.

I. Deductibles and Self-Insured Retentions (SIRs)

Contractor's policies shall not obligate the County to pay any portion of any Contractor deductible or SIR.

J. Claims Made Coverage

If any part of the Required Insurance is written on a Claims made basis, any policy retroactive date shall precede the effective date of the Contract. Contractor understands and agrees it shall maintain such coverage for a period of not less than three (3) years following the Contract expiration, termination or cancellation.

K. Application of Excess Liability Coverage

Contractors may use a combination of primary and excess insurance policies which provide coverage as broad as the underlying primary policies, to satisfy the Required Insurance provisions.

L. Separation of Insureds

All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO

(Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations.

M. Alternative Risk Financing Programs

The County reserves the right to review, and then approve, Contractor use of self-insurance, risk retention groups, risk purchasing groups, pooling arrangements and captive insurance to satisfy the Required Insurance provisions. The County and its Agents shall be designated as an Additional Covered Party under any approved program.

N. County Review and Approval of Insurance Requirements

The County reserves the right to review and adjust the Required Insurance provisions, conditioned upon County's determination of changes in risk exposures.

8.25 Insurance Coverage:

A. Commercial insurance (providing scope of coverage equivalent to ISO policy form CG 00 01), naming County and its Agents as an additional insured, with limits of not less than:

|                                          |             |
|------------------------------------------|-------------|
| General Aggregate:                       | \$2 million |
| Products/Completed Operations Aggregate: | \$1 million |
| Personal and Advertising Injury:         | \$1 million |
| Each Occurrence:                         | \$1 million |

B. Automobile Liability insurance (providing scope of coverage equivalent to ISO policy form CA 00 01) with limits of not less than \$1 million for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Insurance shall cover liability arising out of Contractor's use of autos pursuant to the Contract, including owned, leased, hired, and/or non-owned autos, as each may be applicable.

C. Workers Compensation and Employers' Liability insurance or qualified self-insurance satisfying statutory requirements, which includes Employers' Liability coverage with limits of not less than \$1 million per accident. If Contractor will provide leased employees, or, is an employee leasing or temporary staffing firm or a professional employer organization (PEO), coverage also shall include an Alternate Employer Endorsement (providing scope of coverage equivalent to ISO policy form WC 00 03 01 A) naming the County as the Alternate Employer, and the endorsement form shall be modified to provide that County will receive not less than 30 days advance written notice of cancellation of this coverage provision. If applicable to Contractor's operations, coverage also shall be arranged to satisfy the requirements of any federal workers or workmen's compensation law or any federal occupational disease

law.

D. Professional Liability/Errors and Omissions

Insurance covering Contractor's liability arising from or related to this Contract, with limits of not less than \$1 million per Claim and \$2 million aggregate. Further, Contractor understands and agrees it shall maintain such coverage for a period of not less than one (1) year following this Agreement's expiration, termination or cancellation.

E. Technology Errors and Omissions Coverage

Technology Errors & Omissions insurance, including cover for liabilities arising from errors, omissions, or negligent acts in rendering or failing to render computer or information technology services and technology products with limits not less than \$10 million.

F. Privacy/Network Security (Cyber) Coverage

Privacy/Network Security (Cyber) liability coverage providing protection against liability with limits not less than \$15 million. No exclusion/restriction for unencrypted portable devices/media may be on the policy."

8.26 Liquidated Damages:

A. If, in the judgment of the Director, or his/her designee, Contractor is deemed to be non-compliant with the terms and obligations assumed hereby, the Department Head, or his/her designee, at his/her option, in addition to, or in lieu of, other remedies provided herein, may withhold the entire monthly payment or deduct pro rata from Contractor's invoice for work not performed. A description of the work not performed and the amount to be withheld or deducted from payments to the Contractor from the County, will be forwarded to Contractor by the Department Head, or his/her designee, in a written notice describing the reasons for said action.

B. If the Director, or his/her designee, determines that there are deficiencies in the performance of the Contract that the Department Head, or his/her designee, deems are correctable by Contractor over a certain time span, the Department Head, or his/her designee, will provide a written notice to Contractor to correct the deficiency within specified time frames. Should Contractor fail to correct deficiencies within said time frame, the Department Head, or his/her designee, may: (a) Deduct from Contractor's payment, pro-rata, those applicable portions of the Monthly Contract Sum; and/or (b) Deduct liquidated damages. The parties agree that it will be impracticable or extremely difficult to fix the extent of

actual damages resulting from the failure of Contractor to correct a deficiency within the specified time frame. The parties hereby agree that under the current circumstances a reasonable estimate of such damages is as specified in the Performance Requirements Summary (PRS) Chart, as defined in SOW, Exhibit M - 9, hereunder, and that Contractor shall be liable to the County for liquidated damages in said amount. Said amount shall be deducted from the County's payment to Contractor; and/or (c) Upon giving five (5) days' notice to Contractor for failure to correct the deficiencies, the County may correct any and all deficiencies and the total costs incurred by the County for completion of the work by an alternate source, whether it be County forces or a separate private Contractor, will be deducted and forfeited from the payment to Contractor from the County, as determined by the County.

C. The action noted in sub-paragraph 8.26 shall not be construed as a penalty, but as an adjustment of payment to Contractor to recover the County cost due to the failure of Contractor to complete or comply with the provisions of the Contract.

D. This sub-paragraph shall not, in any manner, restrict or limit the County's right to damages for any breach of the Contract provided by law or as specified in the PRS or sub-paragraph 8.26, and shall not, in any manner, restrict or limit the County's right to terminate the Contract as agreed to herein.

**8.27 Most Favored Public Entity:**

If Contractor's prices decline, or should Contractor at any time during the term of the Contract provide the same goods or services under similar quantity and delivery conditions to the State of California or any county, municipality, or district of the State at prices below those set forth in the Contract, then such lower prices shall be immediately extended to the County. This section applies to Magellan Pharmacy Solutions, Inc., only and does not apply to any existing or future Magellan Pharmacy Solutions, Inc. affiliate.

**8.28 Nondiscrimination and Affirmative Action:**

A. Contractor certifies and agrees that all persons employed by it, its affiliates, subsidiaries, or holding companies are and shall be treated equally without regard to or because of race, color, religion, ancestry, national origin, sex, age, physical or mental disability, marital status, or political affiliation, in compliance with all applicable federal and State anti-discrimination laws and regulations.

B. Contractor shall certify to, and comply with, the provisions of Exhibit F, Contractor's EEO Certification.

C. Contractor shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to race, color, religion, ancestry, national origin, sex, age, physical or mental disability, marital status, or political affiliation, in compliance with all applicable federal and State anti-discrimination laws and regulations. Such action shall include, but is not limited to: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

D. Contractor certifies and agrees that it will deal with its Subcontractors, bidders, or vendors without regard to or because of race, color, religion, ancestry, national origin, sex, age, physical or mental disability, marital status, or political affiliation.

E. Contractor certifies and agrees that it, its affiliates, subsidiaries, or holding companies shall comply with all applicable federal and State laws and regulations to the end that no person shall, on the grounds of race, color, religion, ancestry, national origin, sex, age, physical or mental disability, marital status, or political affiliation, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under the Contract or under any project, program, or activity supported by the Contract.

F. Contractor shall allow County representatives access to Contractor's employment records during regular business hours to verify compliance with the provisions of this sub-paragraph 8.28 when so requested by the County.

G. If County finds that any provisions of this sub-paragraph 8.28 have been violated, such violation shall constitute a material breach of the Contract upon which the County may terminate or suspend the Contract.

While County reserves the right to determine independently that the anti-discrimination provisions of the Contract have been violated, in addition, a determination by the California Fair Employment and Housing Commission or the Federal Equal Employment Opportunity Commission that Contractor has violated federal or State anti-discrimination laws or regulations shall constitute a finding by the County that Contractor has violated the anti-discrimination provisions of the Contract.

H. The parties agree that in the event Contractor violates any of the anti-discrimination provisions of the Contract, County shall, at its sole option, be entitled to the sum of Five

Hundred Dollars (\$500) for each such violation pursuant to California Civil Code Section 1671 as liquidated damages in lieu of terminating or suspending the Contract.

**8.29 Non Exclusivity:**

Nothing herein is intended nor shall be construed as creating any exclusive arrangement with Contractor. The Contract shall not restrict Department from acquiring similar, equal or like goods and/or services from other entities or sources.

**8.30 Notice of Delays:**

Except as otherwise provided under the Contract, when either party has knowledge that any actual or potential situation is delaying or threatens to delay the timely performance of the Contract, that party shall, within one (1) business day, give notice thereof, including all relevant information with respect thereto, to the other party.

**8.31 Notice of Disputes:**

Contractor shall bring to the attention of the County's Project Manager and/or County's Project Director any dispute between County and Contractor regarding the performance of services as stated in the Contract. If the County's Project Manager or County's Project Director is not able to resolve the dispute, the Director, or designee shall resolve it.

**8.32 Notice to Employees Regarding the Federal Earned Income Credit:**

Contractor shall notify its employees, and shall require each Subcontractor to notify its employees, that they may be eligible for the Federal Earned Income Credit under the federal income tax laws. Such notice shall be provided in accordance with the requirements set forth in Internal Revenue Service (IRS) Notice No. 1015.

**8.33 Notice to Employees Regarding the Safely Surrendered Baby Law:**

Contractor shall notify and provide to its employees, and shall require each Subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The "Safely Surrendered Baby Law" Fact Sheet is set forth in Exhibit H of the Contract and is also available on the Internet at [www.babysafela.org](http://www.babysafela.org) for printing purposes.

**8.34 Prohibition Against Inducement or Persuasion:**

Notwithstanding the above, Contractor and the County agree that, during the term of the Contract and

for a period of one (1) year thereafter, neither party shall in any way intentionally induce or persuade any employee of one party to become an employee or agent of the other party. No bar exists against any hiring action initiated through a public announcement.

8.35 Public Records Act:

A. Any documents submitted by Contractor; all information obtained in connection with the County's right to audit and inspect Contractor's documents, books, and accounting records pursuant to sub-paragraph 8.37, Record Retention and Inspection/Audit Settlement of the Contract; as well as those documents which were required to be submitted in response to the Request for Proposals (RFP) used in the solicitation process for the Contract, become the exclusive property of the County. All such documents become a matter of public record and shall be regarded as public records. Exceptions will be those elements in the California Government Code Section 6250 et seq. (Public Records Act) and which are marked "trade secret", "confidential", or "proprietary". The County shall not in any way be liable or responsible for the disclosure of any such records including, without limitation, those so marked, if disclosure is required by law, or by an order issued by a court of competent jurisdiction.

B. In the event the County is required to defend an action on a Public Records Act request for any of the aforementioned documents, information, books, records, and/or contents of a proposal marked "trade secret", "confidential", or "proprietary", Contractor agrees to defend and indemnify the County from all costs and expenses, including reasonable attorney's fees, in action or liability arising under the Public Records Act.

8.36 Publicity:

A. Contractor shall not disclose any details in connection with the Contract to any person or entity except as may be otherwise provided hereunder or required by law. However, in recognizing Contractor's need to identify its services and related clients to sustain itself, the County shall not inhibit Contractor from publishing its role under the Contract within the following conditions:

- i. Contractor shall develop all publicity material in a professional manner;  
and
- ii. During the term of the Contract, Contractor shall not, and shall not authorize another to, publish or disseminate any commercial advertisements, press releases, feature articles, or other materials using the name of the County without the prior written consent of the County's

Project Director. The County shall not unreasonably withhold written consent.

B. Contractor may, without the prior written consent of County, indicate in its proposals and sales materials that it has been awarded the Contract with the County of Los Angeles, provided that the requirements of this sub-paragraph 8.36 shall apply.

**8.37 Record Retention and Inspection/Audit Settlement:**

Contractor shall maintain accurate and complete financial records of its activities and operations relating to the Contract in accordance with generally accepted accounting principles. Contractor shall also maintain accurate and complete employment and other records relating to its performance of the Contract. Contractor agrees that the County, or its authorized representatives, shall have access to and the right to examine, audit, excerpt, copy, or transcribe any pertinent transaction, activity, or record relating to the Contract as further described in Exhibit M - 10 of the SOW. All such material, including, but not limited to, all financial records, bank statements, cancelled checks or other proof of payment, timecards, sign-in/sign-out sheets and other time and employment records, and proprietary data and information, shall be kept and maintained by Contractor and shall be made available to the County during the term of the Contract and for a period of five (5) years thereafter unless the County's written permission is given to dispose of any such material prior to such time. All such material shall be maintained by Contractor at a location in Los Angeles County, provided that if any such material is located outside Los Angeles County, then, at the County's option, Contractor shall pay the County for travel, per diem, and other costs incurred by the County to examine, audit, excerpt, copy, or transcribe such material at such other location.

A. In the event that an audit of Contractor is conducted specifically regarding the Contract by any federal or State auditor, or by any auditor or accountant employed by Contractor or otherwise, then Contractor shall file a copy of such audit report with the County's Auditor-Controller within 30 days of Contractor's receipt thereof, unless otherwise provided by applicable federal or State law or under the Contract. Subject to applicable law, the County shall make a reasonable effort to maintain the confidentiality of such audit report(s).

B. Failure on the part of Contractor to comply with any of the provisions of this sub-paragraph 8.37 shall constitute a material breach of the Contract upon which the County may terminate or suspend the Contract.

C. If, at any time during the term of the Contract or within five (5) years after the expiration or termination of the Contract, representatives of the County conduct an audit of Contractor regarding the work performed under the Contract, and if such audit finds that the County's dollar liability for any such work is less than payments made by the County to Contractor, then the difference shall be either: a) repaid by Contractor to the County by cash payment upon demand or b) at the sole option of the County's Auditor-Controller, deducted from any amounts due to Contractor from the County, whether under the Contract or otherwise. If such audit finds that the County's dollar liability for such work is more than the payments made by the County to Contractor, then the difference shall be paid to Contractor by the County by cash payment, provided that in no event shall the County's maximum obligation for the Contract exceed the funds appropriated by the County for the purpose of the Contract.

8.38 Recycled Bond Paper:

Consistent with the Board of Supervisors' policy to reduce the amount of solid waste deposited at the County landfills, Contractor agrees to use recycled-content paper to the maximum extent possible on the Contract.

8.39 Subcontracting:

A. The requirements of the Contract may not be subcontracted by Contractor without the advance approval of the County. Any attempt by Contractor to subcontract without the prior consent of the County may be deemed a material breach of the Contract.

B. If Contractor desires to subcontract, Contractor shall provide the following information promptly at the County's request:

- i. A description of the work to be performed by Subcontractor;
- ii. A draft copy of the proposed subcontract; and
- iii. Other pertinent information and/or certifications requested by the County.

C. Contractor shall indemnify and hold the County harmless with respect to the activities of each and every Subcontractor in the same manner and to the same degree as if such Subcontractor(s) were Contractor employees.

D. Contractor shall remain fully responsible for all performances required of it under the Contract, including those that Contractor has determined to subcontract, notwithstanding the County's approval of Contractor's proposed subcontract.

E. The County's consent to subcontract shall not waive the County's right to prior and continuing approval of any and all personnel, including Subcontractor employees, providing services under the Contract. Contractor is responsible to notify its Subcontractors of this County right.

F. The County's Project Director is authorized to act for and on behalf of the County with respect to approval of any subcontract and Subcontractor employees. After approval of the subcontract by the County, Contractor shall forward a fully executed subcontract to the County for their files.

G. Contractor shall be solely liable and responsible for all payments or other compensation to all Subcontractors and their officers, employees, agents, and successors in interest arising through services performed hereunder, notwithstanding the County's consent to subcontract.

H. Contractor shall obtain certificates of insurance, which establish that Subcontractor maintains all the programs of insurance required by the County from each approved Subcontractor. Contractor shall ensure delivery of all such documents to:

Margo Morales, Administrative Deputy  
Contracts Development and Administration Division  
County of Los Angeles - Department of Mental Health  
550 South Vermont Avenue, 5<sup>th</sup> Floor, Room 500  
Los Angeles, CA 90020  
E-mail address: [MaMorales@dmh.lacounty.gov](mailto:MaMorales@dmh.lacounty.gov)

Fax #: (213) 381-7092

8.40 Termination for Breach of Warranty to Maintain Compliance with County's Child Support Compliance Program:

Failure of Contractor to maintain compliance with the requirements set forth in sub-paragraph 8.14, Contractor's Warranty of Adherence to County's Child Support Compliance Program, shall constitute default under the Contract. Without limiting the rights and remedies available to the County under any other provision of the Contract, failure of Contractor to cure such default within 90 calendar days of written notice shall be grounds upon which the County may terminate the Contract pursuant to sub-paragraph 8.42, Termination for Default and pursue debarment of Contractor, pursuant to County Code Chapter 2.202.

8.41 Termination for Convenience:

A. The Contract may be terminated, in whole or in part, from time to time, when such action is deemed by the County, in its sole discretion, to be in its best interest. Termination of work hereunder shall be effected by notice of termination to Contractor specifying the extent to which performance of work is terminated and the date upon which such termination becomes effective. The date upon which such termination becomes effective shall be no less than 120 days after the notice is sent.

B. After receipt of a notice of termination and except as otherwise directed by the County, Contractor shall:

- i. Stop work under the Contract on the date and to the extent specified in such notice, and
- ii. Complete performance of such part of the work as shall not have been terminated by such notice

C. All material including books, records, documents, or other evidence bearing on the costs and expenses of Contractor under the Contract shall be maintained by Contractor in accordance with sub-paragraph 8.37, Record Retention and Inspection/Audit Settlement.

D. Termination Fees and Reimbursement: In the event this Agreement terminates under Section 8.1.E. or 8.41 or 8.46, because of the difficulty in determining the actual damages to Contractor in the event of such termination, the County shall remit the specified amounts set forth below to Contractor, based on the date County notifies Contractor of its intent to terminate this Agreement (as liquidated damages and not as a penalty):

| Notice received:                                                                   | Early Termination Fee Due to Contractor |
|------------------------------------------------------------------------------------|-----------------------------------------|
| Less than or equal to 1 year from Go-Live start date                               | \$600,000                               |
| Greater than 1 year, but less than or equal to 2 years from operations start date  | \$450,000                               |
| Greater than 2 years, but less than or equal to 3 years from operations start date | \$300,000                               |

This section does not apply in the event that LACDMH has exercised its option to not renew pursuant to section 4.2 of the Agreement.

8.42 Termination for Default:

A. The County may, by written notice to Contractor, terminate the whole or any part of this Contract, if, in the judgment of County's Project Director:

- i. Contractor has materially breached the Contract; or
- ii. Contractor fails to timely provide and/or satisfactorily perform any task, deliverable, service, or other work required under the Contract; or
- iii. Contractor fails to demonstrate a high probability of timely fulfillment of performance requirements under the Contract, or of any obligations of the Contract and in either case, fails to demonstrate convincing progress toward a cure within five (5) working days (or such longer period as the County may authorize in writing) after receipt of written notice from the County specifying such failure.

B. In the event that the County terminates the Contract in whole or in part as provided in sub-paragraph 8.42, the County may procure, upon such terms and in such manner as the County may deem appropriate, goods and services similar to those so terminated. Contractor shall be liable to the County for any and all excess costs incurred by the County, as determined by the County, for such similar goods and services. Contractor shall continue the performance of the Contract to the extent not terminated under the provisions of this sub-paragraph.

C. Except with respect to defaults of any Subcontractor, Contractor shall not be liable for any such excess costs of the type identified in sub-paragraph 8.42 if its failure to perform the Contract arises out of causes beyond the control and without the fault or negligence of Contractor. Such causes may include, but are not limited to: acts of God or of the public enemy, acts of the County in either its sovereign or contractual capacity, acts of federal or State governments in their sovereign capacities, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather; but in every case, the failure to perform must be beyond the control and without the fault or negligence of Contractor. If the failure to perform is caused by the default of a Subcontractor, and if such default arises out of causes beyond the control of both Contractor and Subcontractor, and without the fault or negligence of either of them, Contractor shall not be liable for any such excess costs for failure to perform, unless the

goods or services to be furnished by Subcontractor were obtainable from other sources in sufficient time to permit Contractor to meet the required performance schedule. As used in this sub-paragraph, the term "Subcontractor(s)" means Subcontractor(s) at any tier.

D. If, after the County has given notice of termination under the provisions of this sub-paragraph 8.42, it is determined by the County that Contractor was not in default under the provisions of this sub-paragraph 8.42, or that the default was excusable under the provisions of sub-paragraph 8.42.iii, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to sub-paragraph 8.41, Termination for Convenience.

E. The rights and remedies of the County provided in this sub-paragraph 8.42 shall not be exclusive and are in addition to any other rights and remedies provided by law or under the Contract.

#### 8.43 Termination for Improper Consideration:

A. The County may, by written notice to Contractor, immediately terminate the right of Contractor to proceed under the Contract if it is found that consideration, in any form, was offered or given by Contractor, either directly or through an intermediary, to any County officer, employee, or agent with the intent of securing the Contract or securing favorable treatment with respect to the award, amendment, or extension of the Contract or the making of any determinations with respect to Contractor's performance pursuant to the Contract. In the event of such termination, the County shall be entitled to pursue the same remedies against Contractor as it could pursue in the event of default by Contractor.

B. Contractor shall immediately report any attempt by a County officer or employee to solicit such improper consideration. The report shall be made either to the County manager charged with the supervision of the employee or to the County Auditor-Controller's Employee Fraud Hotline at (800) 544-6861.

C. Among other items, such improper consideration may take the form of cash, discounts, service, the provision of travel or entertainment, or tangible gifts.

#### 8.44 Termination for Insolvency:

A. The County may terminate this Contract forthwith in the event of the occurrence of any of the following:

- i. Insolvency of Contractor. Contractor shall be deemed to be insolvent

if it has ceased to pay its debts for at least 60 days in the ordinary course of business or cannot pay its debts as they become due, whether or not a petition has been filed under the Federal Bankruptcy Code and whether or not Contractor is insolvent within the meaning of the Federal Bankruptcy Code;

ii. The filing of a voluntary or involuntary petition regarding Contractor under the Federal Bankruptcy Code;

iii. The appointment of a Receiver or Trustee for Contractor; or

iv. The execution by Contractor of a general assignment for the benefit of creditors.

B. The rights and remedies of the County provided in this sub-paragraph 8.44 shall not be exclusive and are in addition to any other rights and remedies provided by law or under the Contract.

**8.45 Termination for Non-Adherence of County Lobbyist Ordinance:**

Contractor, and each County Lobbyist or County Lobbying firm as defined in County Code Section 2.160.010 retained by Contractor, shall fully comply with the County's Lobbyist Ordinance, County Code Chapter 2.160. Failure on the part of Contractor or any County Lobbyist or County Lobbying firm retained by Contractor to fully comply with the County's Lobbyist Ordinance shall constitute a material breach of the Contract, upon which the County may in its sole discretion, immediately terminate or suspend the Contract.

**8.46 Termination for Non-Appropriation of Funds:**

Notwithstanding any other provision of the Contract, the County shall not be obligated for Contractor's performance hereunder or by any provision of the Contract during any of the County's future fiscal years unless and until the County's Board of Supervisors appropriates funds for the Contract in the County's Budget for each such future fiscal year. In the event that funds are not appropriated for the Contract, then the Contract shall terminate as of June 30 of the last fiscal year for which funds were appropriated. The County shall notify Contractor in writing of any such non-allocation of funds at the earliest possible date.

**8.47 Validity:**

If any provision of the Contract or the application thereof to any person or circumstance is held invalid, the remainder of the Contract and the application of such provision to other persons or circumstances

shall not be affected thereby.

8.48 Waiver:

No waiver by the County of any breach of any provision of the Contract shall constitute a waiver of any other breach or of such provision. Failure of the County to enforce at any time, or from time to time, any provision of the Contract shall not be construed as a waiver thereof. The rights and remedies set forth in this sub-paragraph 8.48 shall not be exclusive and are in addition to any other rights and remedies provided by law or under the Contract.

8.49 Warranty Against Contingent Fees:

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

B. For breach of this warranty, the County shall have the right to terminate the Contract and, at its sole discretion, deduct from Contract price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee.

8.50 Warranty of Compliance with County's Defaulted Property Tax Reduction Program:

Contractor acknowledges that County has established a goal of ensuring that all individuals and businesses that benefit financially from County through the contract are current in paying their property tax obligations (secured and unsecured roll) in order to mitigate the economic burden otherwise imposed upon County and its taxpayers. Unless Contractor qualifies for an exemption or exclusion, Contractor warrants and certifies that to the best of its knowledge it is now in compliance, and during the term of the contract will maintain compliance, with Los Angeles County Code Chapter 2.206.

8.51 Termination for Breach of Warranty to Maintain Compliance with County's Defaulted Property Tax Reduction Program:

Failure of Contractor to maintain compliance with the requirements set forth in Paragraph 8.50 "Warranty of Compliance with County's Defaulted Property Tax Reduction Program" shall constitute default under this contract. Without limiting the rights and remedies available to County under any other provision of the Contract, failure of Contractor to cure such default within ten (10) days of notice shall be grounds upon which County may terminate the Contract and/or pursue debarment of Contractor, pursuant to County

Code Chapter 2.206.

8.52 Time Off for Voting:

Contractor shall notify its employees, and shall require each Subcontractor to notify and provide to its employees, information regarding the time off for voting law (Elections Code Section 14000). Not less than ten (10) days before every statewide election, every Contractor and Subcontractors shall keep posted conspicuously at the place of work, if practicable, or elsewhere where it can be seen as employees come or go to their place of work, a notice setting forth the provisions of Section 14000.

**9.0 UNIQUE TERMS AND CONDITIONS:**

9.1 Compliance with the County's Living Wage Program:

A. Living Wage Program:

The Contract is subject to the provisions of the County's ordinance entitled Living Wage Program as codified in Sections 2.201.010 through 2.201.100 of the Los Angeles County Code, a copy of which is attached as Exhibit O and incorporated by reference into and made a part of the Contract.

B. Payment of Living Wage Rates:

1. Unless Contractor has demonstrated to the County's satisfaction either that Contractor is not an "Employer" as defined under the Program (Section 2.201.020 of the County Code) or that Contractor qualifies for an exception to the Living Wage Program (Section 2.201.090 of the County Code), Contractor shall pay its Employees no less than the applicable hourly living wage rate, as set forth in Exhibit P, for the Employees' services provided to the County, including, without limitation, "Travel Time" as defined below at subsection 5 of this Subparagraph 9.0 under the Contract:

2. For purposes of this subparagraph, "Contractor" includes any Subcontractor engaged by Contractor to perform services for the County under the Contract. If Contractor uses any subcontractor to perform services for the County under the Contract, Subcontractor shall be subject to the provisions of this subparagraph. The provisions of this subparagraph shall be inserted into any such subcontract and a copy of the Living Wage Program shall be attached to the subcontract. "Employee" means any individual, who is an employee of Contractor under the laws of California, and who is providing full-time or part-time services to Contractor, which are provided to the County under the Contract. "Full-time" means a minimum of 40-hours worked per week, or a lesser number of hours, if the lesser number is a recognized industry standard and is approved as such by the County; however, fewer than 35-

hours worked per week will not, in any event, be considered full-time.

3. If Contractor is required to pay a living wage when the Contract commences, Contractor shall continue to pay a living wage for the entire term of the Contract, including any option period.

4. If Contractor is not required to pay a living wage when the Contract commences, Contractor shall have a continuing obligation to review the applicability of its "exemption status" from the living wage requirement. Contractor shall immediately notify the County if Contractor at any time either comes within the Living Wage Program's definition of "Employer" or if Contractor no longer qualifies for an exception to the Living Wage Program. In either event, Contractor shall immediately be required to commence paying the living wage and shall be obligated to pay the living wage for the remaining term of the Contract, including any option period. The County may also require, at any time during the Contract and at its sole discretion, that Contractor demonstrate to the County's satisfaction that Contractor either continues to remain outside of the Living Wage Program's definition of "Employer" and/or that Contractor continues to qualify for an exception to the Living Wage Program. Unless Contractor satisfies this requirement within the time frame permitted by the County, Contractor shall immediately be required to pay the living wage for the remaining term of the Contract, including any option period.

5. For purposes of Contractor's obligation to pay its Employees the applicable hourly living wage rate under the Contract, "Travel Time" shall have the following two (2) meanings, as applicable: 1) With respect to travel by an Employee that is undertaken in connection with the Contract, Travel Time shall mean any period during which an Employee physically travels to or from a County facility if Contractor pays the Employee any amount for that time or if California law requires Contractor to pay the Employee any amount for that time; and 2) With respect to travel by an Employee between County facilities that are subject to two (2) different contracts between Contractor and the County (of which both contracts are subject to the Living Wage Program), Travel Time shall mean any period during which an Employee physically travels to or from, or between such County facilities if Contractor pays the Employee any amount for that time or if California law requires Contractor to pay the Employee any amount for that time.

C. Contractor's Submittal of Certified Monitoring Reports:

Contractor shall submit to the County certified monitoring reports at a frequency instructed by the County. The certified monitoring reports shall list all of Contractor's Employees during the reporting period. The certified monitoring reports shall also verify the number of hours worked and the hourly wage rate paid, for each of its Employees. All certified monitoring reports shall be submitted on forms provided by the County, Exhibit Q, or other form approved by the County which contains the above information. The County reserves the right to request any additional information it may deem necessary. If the County requests additional information, Contractor shall promptly provide such information. Contractor, through one of its officers, shall certify under penalty of perjury that the information contained in each certified monitoring report is true and accurate.

D. Contractor's Ongoing Obligation to Report Labor Law/Payroll Violations and Claims:

During the term of the Contract, if Contractor becomes aware of any labor law-payroll violation or any complaint, investigation or proceeding ("Claim") concerning any alleged labor law-payroll violation (including but not limited to any violation or Claim pertaining to wages, hours and working conditions such as minimum wage, prevailing wage, living wage, the Fair Labor Standards Act, employment of minors, or unlawful employment discrimination), Contractor shall immediately inform the County of any pertinent facts known by Contractor regarding same. This disclosure obligation is not limited to any labor law-payroll violation or claim arising out of Contractor's contract with the County, but instead applies to any labor law-payroll violation or Claim arising out of any of Contractor's operations in California.

E. County Auditing of Contractor Records:

Upon a minimum of 24-hours written notice, the County may audit, at Contractor's place of business, any of Contractor's records pertaining to the Contract, including all documents and information relating to the certified monitoring reports. Contractor is required to maintain all such records in California until the expiration of four (4) years from the date of final payment under the Contract. Authorized agents of the County shall have access to all such records during normal business hours for the entire period that records are to be maintained.

F. Notifications to Employees:

Contractor shall place County-provided living wage posters at each of Contractor's places of business and locations where Contractor's Employees are working. Contractor shall also distribute County-provided notices to each of its Employees at least once per year. Contractor shall translate posters and handouts into Spanish and any other language spoken by a significant number of Employees.

E. Enforcement and Remedies:

If Contractor fails to comply with the requirements of this sub-paragraph, the County shall have the rights and remedies described in this sub-paragraph in addition to any rights and remedies provided by law or equity.

1. Remedies For Submission of Late or Incomplete Certified Monitoring Reports: If Contractor submits a certified monitoring report to the County after the date it is due or if the report submitted does not contain all of the required information or is inaccurate or is not properly certified, any such deficiency shall constitute a breach of the Contract. In the event of any such breach, the County may, in its sole discretion, exercise any or all of the following rights/remedies:

a. Withholding of Payment: If Contractor fails to submit accurate, complete, timely and properly certified monitoring reports, the County may withhold from payment to Contractor up to the full amount of any invoice that would otherwise be due, until Contractor has satisfied the concerns of the County, which may include required submittal of revised certified monitoring reports or additional supporting documentation.

b. Liquidated Damages: It is mutually understood and agreed that Contractor's failure to submit an accurate, complete, timely and properly certified monitoring report will result in damages being sustained by the County. It is also understood and agreed that the nature and amount of the damages will be extremely difficult and impractical to fix; that the liquidated damages set forth herein are the nearest and most exact measure of damages for such breach that can be fixed at this time; and that the liquidated damages are not intended as a penalty or forfeiture for Contractor's breach. Therefore, in the event that a certified monitoring report is deficient, including but not limited to being late, inaccurate, incomplete or uncertified, it is agreed that the County may, in its sole discretion, assess against Contractor liquidated damages in the amount of \$100 per monitoring report for each day until the County has been provided with a properly prepared, complete and certified

monitoring report. The County may deduct any assessed liquidated damages from any payments otherwise due Contractor.

c. Termination: Contractor's continued failure to submit accurate, complete, timely and properly certified monitoring reports may constitute a material breach of the Contract. In the event of such material breach, the County may, in its sole discretion, terminate the Contract.

2. Remedies for Payment of Less Than the Required Living Wage: If Contractor fails to pay any Employee at least the applicable hourly living wage rate, such deficiency shall constitute a breach of the Contract. In the event of any such breach, the County may, in its sole discretion, exercise any or all of the following rights/remedies:

a. Withholding Payment: If Contractor fails to pay one (1) or more of its Employees at least the applicable hourly living wage rate, the County may withhold from any payment otherwise due to Contractor the aggregate difference between the living wage amounts that Contractor was required to pay its Employees for a given pay period and the amount actually paid to the employees for that pay period. The County may withhold said amount until Contractor has satisfied the County that any underpayment has been cured, which may include required submittal of revised certified monitoring reports or additional supporting documentation.

b. Liquidated Damages: It is mutually understood and agreed that Contractor's failure to pay any of its employees at least the applicable hourly living wage rate will result in damages being sustained by County. It is also understood and agreed that the nature and amount of the damages will be extremely difficult and impractical to fix; that the liquidated damages set forth herein are the nearest and most exact measure of damages for such breach that can be fixed at this time; and that the liquidated damages are not intended as a penalty or forfeiture for Contractor's breach. Therefore, it is agreed that the County may, in its sole discretion assess against Contractor's liquidated damages of \$50 per Employee per day for each and every instance of an underpayment to an employee. The County may deduct any assessed liquidated damages from any payments otherwise due to Contractor.

c. Termination: Contractor's continued failure to pay any of its Employees the applicable hourly living wage rate may constitute a material breach of the Contract. In the event of such material breach, the County may, in its sole discretion, terminate the Contract.

3. Debarment: In the event Contractor breaches a requirement of this sub-paragraph, the County may, in its sole discretion, bar Contractor from the award of future County contracts for a period of time consistent with the seriousness of the breach, in accordance with Los Angeles County Code, Chapter 2.202, Determinations of Contractor Non-Responsibility and Contractor Debarment.

H. Use of Full-Time Employees:

Contractor shall assign and use full-time Employees of Contractor to provide services under the Contract unless the Contractor can demonstrate to the satisfaction of the County that it is necessary to use non-full-time Employees based on staffing efficiency or County requirements for the work to be performed under the Contract. It is understood and agreed that Contractor shall not, under any circumstance, use non-full-time Employees for services provided under the Contract unless and until the County has been provided written authorization for the use of same. Contractor submitted with its proposal a full-time Employee staffing plan. If Contractor changes its full-time Employee staffing plan, Contractor shall immediately provide a copy of the new staffing plan to the County.

I. Contractor Retaliation Prohibited:

Contractor and/or its Employees shall not take any adverse action which would result in the loss of any benefit of employment, any contract benefit, or any statutory benefit for any Employee, person or entity who has reported a violation of the Living Wage Program to the County or to any other public or private agency, entity or person. A violation of the provisions of this sub-paragraph may constitute a material breach of the Contract. In the event of such material breach, the County may, in its sole discretion, terminate the Contract.

J. Contractor Standards:

During the term of the Contract, Contractor shall maintain business stability, integrity in employee relations and the financial ability to pay a living wage to its employees. If requested to do so by the County, Contractor shall demonstrate to the satisfaction of the County that Contractor is complying with this requirement.

K. Neutrality in Labor Relations:

Contractor shall not use any consideration received under the Contract to hinder, or to further, organization of, or collective bargaining activities by or on behalf of Contractor's employees, except that this restriction shall not apply to any expenditure made in the course of good faith collective bargaining, or

to any expenditure pursuant to obligations incurred under a bona fide collective bargaining Contract, or which would otherwise be permitted under the provisions of the National Labor Relations Act.

9.2 Health Insurance Portability and Accountability Act:

The County is subject to the Administrative Simplification requirements and prohibitions of the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (HIPAA), and regulations promulgated thereunder, including the Privacy, Security, Breach Notification, and Enforcement Rules at 45 Code of Federal Regulations (C.F.R.) Parts 160 and 164 (collectively, the "HIPAA Rules"). Under this Agreement, Contractor provides services to County and Contractor creates, has access to, receives, maintains, or transmits Protected Health Information as defined in Exhibit A in order to provide those services. County and Contractor therefore agree to the terms of Exhibit A, "Business Associate Under Health Insurance Portability and Accountability Act of 1996 ("HIPAA").

9.3 Local Small Business Enterprise (SBE) Preference Program:

A. The Contract is subject to the provisions of the County's ordinance entitled Local Small Business Enterprise Preference Program, as codified in Chapter 2.204 of the Los Angeles County Code.

B. Contractor shall not knowingly and with the intent to defraud, fraudulently obtain, retain, attempt to obtain or retain, or aid another in fraudulently obtaining or retaining or attempting to obtain or retain certification as a Local Small Business Enterprise.

C. Contractor shall not willfully and knowingly make a false statement with the intent to defraud, whether by affidavit, report, or other representation, to a County official or employee for the purpose of influencing the certification or denial of certification of any entity as a Local Small Business Enterprise.

D. If Contractor has obtained certification as a Local Small Business Enterprise by reason of having furnished incorrect supporting information or by reason of having withheld information, and which knew, or should have known, the information furnished was incorrect or the information withheld was relevant to its request for certification, and which by reason of such certification has been awarded the Contract to which it would not otherwise have been entitled, shall:

i. Pay to the County any difference between the Contract amount and what the County's costs would have been if the Contract had been properly awarded;

ii. In addition to the amount described in subdivision (1), be assessed a penalty in an amount of not more than ten percent (10%) of the amount of the Contract; and

iii. Be subject to the provisions of Chapter 2.202 of the Los Angeles County Code (Determinations of Contractor Non-responsibility and Contractor Debarment). The above penalties shall also apply to any business that has previously obtained proper certification, however, as a result of a change in their status would no longer be eligible for certification, and fails to notify the State, the Department of Consumer Affairs and Business Affairs and Internal Services Department (ISD) of this information prior to responding to a solicitation or accepting a contract award.

9.4 Ownership of Materials, Software and Copyright:

A. County shall be the sole owner of all right, title and interest, including copyright, in and to all software, plans, diagrams, facilities, and tools (hereafter "materials") which are originated or created through Contractor's work pursuant to the Contract. Contractor, for valuable consideration herein provided, shall execute all documents necessary to assign and transfer to, and vest in the County all of Contractor's right, title and interest in and to such original materials, including any copyright, patent and trade secret rights which arise pursuant to Contractor's work under this Contract.

B. During the term of the Contract and for five (5) years thereafter, Contractor shall maintain and provide security for all of Contractor's working papers prepared under the Contract. County shall have the right to inspect, copy and use at any time during and subsequent to the term of the Contract, any and all such working papers and all information contained therein.

C. Any and all materials, software and tools which are developed or were originally acquired by Contractor outside the scope of the Contract, which Contractor desires to use hereunder, and which Contractor considers to be proprietary or confidential, must be specifically identified by Contractor to the County's Project Manager as proprietary or confidential, and shall be plainly and prominently marked by Contractor as "Proprietary" or "Confidential" on each appropriate page of any document containing such material.

D. The County will use reasonable means to ensure that Contractor's proprietary and/or confidential items are safeguarded and held in confidence. The County agrees not to reproduce, distribute or disclose to non-County entities any such proprietary and/or confidential items without the prior written consent of Contractor.

E. Notwithstanding any other provision of the Contract, the County will not be obligated to Contractor in any way under sub-paragraph 9.4. for any of Contractor's proprietary and/or confidential items which are not plainly and prominently marked with restrictive legends as required by sub-paragraph 9.4 or for any disclosure which the County is required to make under any state or federal law or order of court.

F. All the rights and obligations of this sub-paragraph 9.4 shall survive the expiration or termination of the Contract.

9.5 Patent, Copyright and Trade Secret Indemnification:

A. Contractor shall indemnify, hold harmless and defend County from and against any and all liability, damages, costs, and expenses, including, but not limited to, defense costs and attorneys' fees, for or by reason of any actual or alleged infringement of any third party's patent or copyright, or any actual or alleged unauthorized trade secret disclosure, arising from or related to the operation and utilization of Contractor's work under the Contract. County shall inform Contractor as soon as practicable of any claim or action alleging such infringement or unauthorized disclosure, and shall support Contractor's defense and settlement thereof.

B. In the event any equipment, part thereof, or software product becomes the subject of any complaint, claim, or proceeding alleging infringement or unauthorized disclosure, such that County's continued use of such item is formally restrained, enjoined, or subjected to a risk of damages, Contractor, at its sole expense, and providing that County's continued use of the system is not materially impeded, shall either:

i. Procure for County all rights to continue use of the questioned equipment, part, or software product; or

ii. Replace the questioned equipment, part, or software product with a non-questioned item; or

iii. Modify the questioned equipment, part, or software so that it is free of claims.

C. Contractor shall have no liability if the alleged infringement or unauthorized disclosure is based upon a use of the questioned product, either alone or in combination with other items not supplied by Contractor, in a manner for which the questioned product was not designed nor

intended.

9.6 Contractor's Charitable Activities Compliance:

The Supervision of Trustees and Fundraisers for Charitable Purposes Act regulates entities receiving or raising charitable contributions. The "Nonprofit Integrity Act of 2004" (SB 1262, Chapter 919) increased Charitable Purposes Act requirements. By requiring Contractors to complete the Charitable Contributions Certification, Exhibit I, the County seeks to ensure that all County contractors which receive or raise charitable contributions comply with California law in order to protect the County and its taxpayers. A Contractor which receives or raises charitable contributions without complying with its obligations under California law commits a material breach subjecting it to either contract termination or debarment proceedings or both. (County Code Chapter 2.202).

9.7 Transitional Job Opportunities Preference Program:

A. The Contract is subject to the provisions of the County's ordinance entitles Transitional Job Opportunities Preference Program, as codified in Chapter 2.205 of the Los Angeles County Code.

B. Contractor shall not knowingly and with the intent to defraud, fraudulently obtain, retain, attempt to obtain or retain, or aid another in fraudulently obtaining or retaining or attempting to obtain or retain certification as a Transitional Job Opportunity vendor.

C. Contractor shall not willfully and knowingly make a false statement with the intent to defraud, whether by affidavit, report, or other representation, to a County official or employee for the purpose of influencing the certification or denial of certification of any entity as a Transitional Job Opportunity vendor.

D. If Contractor has obtained County certification as a Transitional Job Opportunity vendor by reason of having furnished incorrect supporting information or by reason of having withheld information, and which knew, or should have known, the information furnished was incorrect or the information withheld was relevant to its request for certification, and which by reason of such certification has been awarded this contract to which it would not otherwise have been entitled, shall:

i. Pay to the County any difference between the contract amount and what the County's costs would have been if the contract had been properly awarded;

ii. In addition to the amount described in subdivision (1), be assessed a

penalty in an amount of not more than ten percent (10%) of the amount of the contract; and

iii. Be subject to the provisions of Chapter 2.202 of the Los Angeles County Code (Determinations of Contractor Non-responsibility and Contractor Debarment). The above penalties shall also apply to any entity that has previously obtained proper certification, however, as a result of a change in their status would no longer be eligible for certification, and fails to notify the certifying department of this information prior to responding to a solicitation or accepting a contract award.

9.8 Disabled Veteran Business Enterprise Preference Program:

A. The Contract is subject to the provisions of the County's ordinance entitled Disabled Veteran Business Enterprise Preference Program, as codified in Chapter 2.211 of the Los Angeles County Code.

B. Contractor shall not knowingly and with the intent to defraud, fraudulently obtain, retain, attempt to obtain or retain, or aid another in fraudulently obtaining or retaining or attempting to obtain or retain certification as a Disabled Veteran Business Enterprise.

C. Contractor shall not willfully and knowingly make a false statement with the intent to defraud, whether by affidavit, report, or other representation, to a County official or employee for the purpose of influencing the certification or denial of certification of any entity as a Disabled Veteran Business Enterprise.

D. If Contractor has obtained certification as a Disabled Veteran Business Enterprise by reason of having furnished incorrect supporting information or by reason of having withheld information, and which knew, or should have known, the information furnished was incorrect or the information withheld was relevant to its request for certification, and which by reason of such certification has been awarded this contract to which it would not otherwise have been entitled, shall:

i. Pay to the County any difference between the contract amount and what the County's costs would have been if the contract had been properly awarded;

ii. In addition to the amount described in subdivision (1), be assessed a penalty in an amount of not more than ten percent (10%) of the amount of the contract; and

iii. Be subject to the provisions of Chapter 2.202 of the Los Angeles County Code (Determinations of Contractor Non-responsibility and Contractor Debarment).

The above penalties shall also apply to any business that has previously obtained

proper certification, however, as a result of a change in their status would no longer be eligible for certification, and fails to notify the state and ISD of this information prior to responding to a solicitation or accepting a contract award.

#### **10. DATA DESTRUCTION:**

Contractor(s) and Vendor(s) that have maintained, processed, or stored the County of Los Angeles' ("County") data and/or information, implied or expressed, have the sole responsibility to certify that the data and information have been appropriately destroyed consistent with the National Institute of Standards and Technology (NIST) Special Publication SP 800-88 titled Guidelines for Media Sanitization. Available at: <http://csrc.nist.gov/publications/PubsDrafts.html#SP-800-88 Rev.%201>

The data and/or information may be stored on purchased, leased, or rented electronic storage equipment (e.g., printers, hard drives) and electronic devices (e.g., servers, workstations) that are geographically located within the County, or external to the County's boundaries. The County must receive within ten (10) business days of removal from Contractor's data center, a signed document from Contractor(s) and Vendor(s) that certifies and validates the data and information were placed in one or more of the following stored states: unusable, unreadable, and indecipherable.

Vendor shall certify that any County data stored on purchased, leased, or rented electronic storage equipment and electronic devices, including, but not limited to printers, hard drives, servers, and/or workstations are destroyed consistent with the current National Institute of Standard and Technology (NIST) Special Publication SP-800-88, *Guidelines for Media Sanitization*. Vendor shall provide County with written certification, within ten (10) business days of removal from Contractor's data center of any electronic storage equipment and devices that validates that any and all County data was destroyed and is unusable, unreadable, and/or undecipherable.

At the termination of the Agreement, upon written request of County, Contractor shall render the data and/or information unusable, unreadable, and indecipherable in accordance with Contractor's Data Destruction Policy as approved by LACDMH. Notwithstanding the foregoing, to extent data and/or information includes Protected Health Information, Contractor shall comply with the HIPAA BAA at Exhibit A. The parties understand and agree that it is infeasible for Contractor to destroy the data prior to the end of the life of the hardware, because of the shared environment of enterprise components.

**11. CONTRACTOR'S EXCLUSION FROM PARTICIPATING IN A FEDERALLY FUNDED PROGRAM:**

Contractor hereby warrants that neither it nor any of its staff members is restricted, excluded or suspended from providing services under any health care program funded by the federal government, directly or indirectly, in whole or in part, and Contractor will notify Director within 30 calendar days in writing of: (1) any event that would require Contractor or a staff member's mandatory exclusion or suspension from participation in a federally funded health care program; and (2) any exclusionary or suspension action taken by any agency of the federal or State governments against Contractor or one or more staff members barring it or the staff members from participation in a federally funded health care program, whether such bar is direct or indirect, or whether such bar is in whole or in part. This warranty and notice requirements apply equally to suspensions from the Medi-Cal program as well as any other federally funded health care programs including but not limited to Medicare and Healthy Families.

There are a variety of different reasons why an individual or entity may be excluded from participating in a federally funded health care program. Sometimes, the exclusion is mandatory and in other cases the Office of Inspector General (OIG), and State officials have the discretion not to exclude.

The mandatory bases for federal exclusion include: (1) felony convictions for program related crimes, including fraud or false claims, or for offenses related to the dispensing or use of controlled substances, or (2) convictions related to patient abuse.

Permissive exclusions may be based on: (1) conviction of a misdemeanor related to fraud or financial misconduct involving a government program; (2) obstructing an investigation; (3) failing to provide access to documents or premises as required by federal health care program officials; (4) conviction of a misdemeanor related to controlled substances; (5) failing to disclose information about the entity itself, its subcontractors or its significant business transactions; (6) loss of a State license to practice a health care profession; (7) default on a student loan given in connection with education in a health profession; (8) charging excessive amounts to a federally funded health care program or furnishing services of poor quality or which are substantially in excess of the needs of the patients; (9) paying a kickback or submitting a false or fraudulent claim. Persons controlling or managing excluded entities who knew of the conduct leading to the exclusion can themselves be excluded, and entities which are owned and controlled by excluded individuals can also be excluded. Mandatory

exclusions under State law from Medi-Cal are similar but also include convictions of a misdemeanor for fraud or abuse involving the Medi-Cal program or a Medi-Cal beneficiary.

Contractor shall indemnify and hold County harmless against any and all loss or damage County may suffer arising from any federal or State exclusion or suspension of Contractor or its staff members from such participation in a federally funded health care program. Contractor shall provide the certification set forth in Exhibit G (Attestation Regarding Federally Funded Program) as part of its obligation under this Paragraph 11.

Contractor shall also comply with LACDMH Policy "Contractors Eligibility to Provide Goods and Services to Federally Funded Health Care Programs and to Secure Federally Funded Contracts" which includes the following topics: 1) Contractor's responsibility for any and all Civil Monetary Penalties associated with repayments for claims submitted for excluded or suspended agencies or individuals; and 2) Contractor's responsibility to provide employee identification information within three (3) business days should LACDMH or its representatives request it related to sanction list screening compliance.

Failure by Contractor to meet the requirements of this Paragraph 11 shall constitute a material breach of Agreement upon which County may immediately terminate or suspend this Agreement.

**12. NOTICES:**

All notices or demands required or permitted to be given or made under the Contract shall be in writing and shall be hand delivered with signed receipt or mailed by first-class registered or certified mail, postage prepaid, addressed to the parties as identified in Exhibits K, County's Administration and L, Contractor's Administration. Addresses may be changed by either party giving ten (10) days' prior written notice thereof to the other party. The Director or his/her designee shall have the authority to issue all notices or demands required or permitted by the County under the Contract.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Agreement to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Agreement to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By \_\_\_\_\_  
Jonathan E. Sherin, M.D., Ph.D.  
Director of Mental Health

\_\_\_\_\_  
CONTRACTOR

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_  
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM  
OFFICE OF THE COUNTY COUNSEL

APPROVED AS TO CONTRACT  
ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By \_\_\_\_\_  
Administrative Deputy, Contracts Development  
and Administration Division

PBMAgreement.FY2016-17

## EXHIBITS

- A. BUSINESS ASSOCIATE AGREEMENT UNDER THE HEALTH INSURANCE PORTABILITY ACCOUNTABILITY ACT OF 1996 (HIPAA)
- A-1. INFORMATION SECURITY AND PRIVACY REQUIREMENTS
- A-2. COUNTY OF LOS ANGELES AGREEMENT FOR ACCEPTABLE USE AND CONFIDENTIALITY OF COUNTY INFORMATION TECHNOLOGY RESOURCES
- A-3. CONFIDENTIALITY OATH NON-LACDMH WORKFORCE MEMBERS
- B. CONTRACTOR INFORMATION SECURITY REQUIREMENTS
- C. CONTRACTOR ACKNOWLEDGEMENT AND CONFIDENTIALITY AGREEMENT
- D. CONTRACTOR EMPLOYEE ACKNOWLEDGEMENT AND CONFIDENTIALITY
- E. CONTRACTOR NON-EMPLOYEE ACKNOWLEDGEMENT AND CONFIDENTIALITY AGREEMENT
- F. CONTRACTOR'S EEO CERTIFICATION
- G. ATTESTATION REGARDING FEDERALLY FUNDED PROGRAMS
- H. "SAFELY SURRENDERED BABY LAW" FACT SHEET
- I. CHARITABLE CONTRIBUTIONS CERTIFICATION
- J. CONTRACTOR EMPLOYEE JURY SERVICE
- K. COUNTY'S ADMINISTRATION
- L. CONTRACTOR'S ADMINISTRATION
- M. STATEMENT OF WORK
- M-1. CONTRACT DISCREPANCY REPORT
- M-2. LACDMH LIST OF CURRENT CONTRACTED PHARMACY SITES
- M-3. LIST OF ACRONYMS, TERMS, AND DEFINITIONS
- M-4. LACDMH FORMULARY AND BENEFIT PLAN
- M-5. LACDMH'S MEDICATION TREATMENT AUTHORIZATION REQUEST (M-TAR)
- M-6. LACDMH'S LIST OF REQUIRED HARD EDITS
- M-7. LACDMH'S CURRENT LIST OF IDENTIFIED FUND ONE DRUGS
- M-8. CLAIMS DATA UTILIZATION FIELDS TO BE PROVIDED BY CONTRACTOR
- M-9. PBM PERFORMANCE REQUIREMENTS SUMMARY (PRS) CHART
- M-10. LACDMH AUDIT MANDATE
- M-11. LACDMH PARTICIPATING PHARMACY DRUG PRICING AND GUARANTEES
- N. PRICING SCHEDULE
- N-1. PRESCRIPTION DRUG EFFECTIVE RATES & DISPENSING FEES
- N-2. FEE SCHEDULE
- N-3. ADMINISTRATIVE FEE AND ANCILLARY SERVICES
- N-4. INVOICE
- O. LIVING WAGE ORDINANCE (LIVING WAGE PROGRAM)
- P. LIVING WAGE RATE ANNUAL ADJUSTMENTS
- Q. PAYROLL STATEMENT OF COMPLIANCE

## **BUSINESS ASSOCIATE AGREEMENT UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 ("HIPAA")**

County is a Covered Entity as defined by, and subject to the requirements and prohibitions of, the Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA"), and regulations promulgated thereunder, including the Privacy, Security, Breach Notification, and Enforcement Rules at 45 Code of Federal Regulations (C.F.R.) Parts 160 and 164 (collectively, the "HIPAA Rules").

Contractor performs or provides functions, activities or services to County that require Contractor in order to provide such functions, activities or services to create, access, receive, maintain, and/or transmit information that includes or that may include Protected Health Information, as defined by the HIPAA Rules. As such, Contractor is a Business Associate, as defined by the HIPAA Rules, and is therefore subject to those provisions of the HIPAA Rules that are applicable to Business Associates.

The HIPAA Rules require a written agreement ("Business Associate Agreement") between County and Contractor in order to mandate certain protections for the privacy and security of Protected Health Information, and these HIPAA Rules prohibit the disclosure to or use of Protected Health Information by Contractor if such an agreement is not in place.

This Business Associate Agreement and its provisions are intended to protect the privacy and provide for the security of Protected Health Information disclosed to or used by Contractor in compliance with the HIPAA Rules.

Therefore, the parties agree as follows:

### **1. DEFINITIONS**

- 1.1 "Breach" has the same meaning as the term "breach" at 45 C.F.R. § 164.402.
- 1.2 "Business Associate" has the same meaning as the term "business associate" at 45 C.F.R. § 160.103. For the convenience of the parties, a "business associate" is a person or entity, other than a member of the workforce of covered entity, who performs functions or activities on behalf of, or provides certain services to, a covered entity that involve access by the business associate to Protected Health Information. A "business associate" also is a subcontractor that creates, receives, maintains, or transmits Protected Health Information on behalf of another business associate. And in reference to the party to this Business Associate Agreement "Business Associate" shall mean Contractor.
- 1.3 "Covered Entity" has the same meaning as the term "covered entity" at 45 CFR § 160.103, and in reference to the party to this Business Associate Agreement, "Covered Entity" shall mean County.
- 1.4 "Data Aggregation" has the same meaning as the term "data aggregation" at 45 C.F.R. § 164.501.

- 1.5 "De-identification" refers to the de-identification standard at 45 C.F.R. § 164.514.
- 1.6 "Designated Record Set" has the same meaning as the term "designated record set" at 45 C.F.R. § 164.501.
- 1.7 "Disclose" and "Disclosure" mean, with respect to Protected Health Information, the release, transfer, provision of access to, or divulging in any other manner of Protected Health Information outside Business Associate's internal operations or to other than its workforce. (See 45 C.F.R. § 160.103.)
- 1.8 "Electronic Health Record" means an electronic record of health-related information on an individual that is created, gathered, managed, and consulted by authorized health care clinicians and staff. (See 42 U.S. C. § 17921.)
- 1.9 "Electronic Media" has the same meaning as the term "electronic media" at 45 C.F.R. § 160.103. For the convenience of the parties, electronic media means (1) Electronic storage material on which data is or may be recorded electronically, including, for example, devices in computers (hard drives) and any removable/transportable digital memory medium, such as magnetic tape or disk, optical disk, or digital memory card; (2) Transmission media used to exchange information already in electronic storage media. Transmission media include, for example, the Internet, extranet or intranet, leased lines, dial-up lines, private networks, and the physical movement of removable/transportable electronic storage media. Certain transmissions, including of paper, via facsimile, and of voice, via telephone, are not considered to be transmissions via electronic media if the information being exchanged did not exist in electronic form immediately before the transmission.
- 1.10 "Electronic Protected Health Information" has the same meaning as the term "electronic protected health information" at 45 C.F.R. § 160.103, limited to Protected Health Information created or received by Business Associate from or on behalf of Covered Entity. For the convenience of the parties, Electronic Protected Health Information means Protected Health Information that is (i) transmitted by electronic media; (ii) maintained in electronic media.
- 1.11 "Health Care Operations" has the same meaning as the term "health care operations" at 45 C.F.R. § 164.501.
- 1.12 "Individual" has the same meaning as the term "individual" at 45 C.F.R. § 160.103. For the convenience of the parties, Individual means the person who is the subject of Protected Health Information and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502 (g).
- 1.13 "Law Enforcement Official" has the same meaning as the term "law enforcement official" at 45 C.F.R. § 164.103.
- 1.14 "Minimum Necessary" refers to the minimum necessary standard at 45 C.F.R. § 162.502 (b).

- 1.15 "Protected Health Information" has the same meaning as the term "protected health information" at 45 C.F.R. § 160.103, limited to the information created or received by Business Associate from or on behalf of Covered Entity. For the convenience of the parties, Protected Health Information includes information that (i) relates to the past, present or future physical or mental health or condition of an Individual; the provision of health care to an Individual, or the past, present or future payment for the provision of health care to an Individual; (ii) identifies the Individual (or for which there is a reasonable basis for believing that the information can be used to identify the Individual); and (iii) is created, received, maintained, or transmitted by Business Associate from or on behalf of Covered Entity, and includes Protected Health Information that is made accessible to Business Associate by Covered Entity. "Protected Health Information" includes Electronic Protected Health Information.
- 1.16 "Required by Law" " has the same meaning as the term "required by law" at 45 C.F.R. § 164.103.
- 1.17 "Secretary" has the same meaning as the term "secretary" at 45 C.F.R. § 160.103
- 1.18 "Security Incident" has the same meaning as the term "security incident" at 45 C.F.R. § 164.304.
- 1.19 "Services" means, unless otherwise specified, those functions, activities, or services in the applicable underlying Agreement, Contract, Master Agreement, Work Order, or Purchase Order or other service arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate.
- 1.20 "Subcontractor" has the same meaning as the term "subcontractor" at 45 C.F.R. § 160.103.
- 1.21 "Unsecured Protected Health Information" has the same meaning as the term "unsecured protected health information" at 45 C.F.R. § 164.402.
- 1.22 "Use" or "Uses" means, with respect to Protected Health Information, the sharing, employment, application, utilization, examination or analysis of such Information within Business Associate's internal operations. (See 45 C.F.R § 164.103.)
- 1.23 Terms used, but not otherwise defined in this Business Associate Agreement, have the same meaning as those terms in the HIPAA Rules.

## **2. PERMITTED AND REQUIRED USES AND DISCLOSURES OF PROTECTED HEALTH INFORMATION**

- 2.1 Business Associate may only Use and/or Disclose Protected Health Information as necessary to perform Services, and/or as necessary to comply with the obligations of this Business Associate Agreement.

- 2.2 Business Associate may Use Protected Health Information for de-identification of the information if de-identification of the information is required to provide Services.
- 2.3 Business Associate may Use or Disclose Protected Health Information as Required by Law.
- 2.4 Business Associate shall make Uses and Disclosures and requests for Protected Health Information consistent with the applicable Covered Entity's Minimum Necessary policies and procedures.
- 2.5 Business Associate may Use Protected Health Information as necessary for the proper management and administration of its business or to carry out its legal responsibilities.
- 2.6 Business Associate may Disclose Protected Health Information as necessary for the proper management and administration of its business or to carry out its legal responsibilities, provided the Disclosure is Required by Law.
- 2.7 Business Associate may provide Data Aggregation services relating to Covered Entity's Health Care Operations if such Data Aggregation services are necessary in order to provide Services.

**3. PROHIBITED USES AND DISCLOSURES OF PROTECTED HEALTH INFORMATION**

- 3.1 Business Associate shall not Use or Disclose Protected Health Information other than as permitted or required by this Business Associate Agreement or as Required by Law.
- 3.2 Business Associate shall not Use or Disclose Protected Health Information in a manner that would violate Subpart E of 45 C.F.R. Part 164 if done by Covered Entity, except for the specific Uses and Disclosures set forth in Sections 2.5 and 2.6.
- 3.3 Business Associate shall not Use or Disclose Protected Health Information for de-identification of the information except as set forth in section 2.2.

**4. OBLIGATIONS TO SAFEGUARD PROTECTED HEALTH INFORMATION**

- 4.1 Business Associate shall implement, use, and maintain appropriate safeguards to prevent the Use or Disclosure of Protected Health Information other than as provided for by this Business Associate Agreement.
- 4.2 Business Associate shall comply with Subpart C of 45 C.F.R Part 164 with respect to Electronic Protected Health Information, to prevent the Use or Disclosure of such information other than as provided for by this Business Associate Agreement.

**5. REPORTING NON-PERMITTED USES OR DISCLOSURES, SECURITY INCIDENTS, AND BREACHES OF UNSECURED PROTECTED HEALTH INFORMATION**

- 5.1 Business Associate shall report to Covered Entity any Use or Disclosure of Protected Health Information not permitted by this Business Associate Agreement, any Security Incident, and/ or any Breach of Unsecured Protected Health Information as further described in Sections 5.1.1, 5.1.2, and 5.1.3.
- 5.1.1 Business Associate shall report to Covered Entity any Use or Disclosure of Protected Health Information by Business Associate, its employees, representatives, agents or Subcontractors not provided for by this Agreement of which Business Associate becomes aware.
- 5.1.2 Business Associate shall report to Covered Entity any Security Incident of which Business Associate becomes aware.
- 5.1.3 Business Associate shall report to Covered Entity any Breach by Business Associate, its employees, representatives, agents, workforce members, or Subcontractors of Unsecured Protected Health Information that is known to Business Associate or, by exercising reasonable diligence, would have been known to Business Associate. Business Associate shall be deemed to have knowledge of a Breach of Unsecured Protected Health Information if the Breach is known, or by exercising reasonable diligence would have been known, to any person, other than the person committing the Breach, who is an employee, officer, or other agent of Business Associate, including a Subcontractor, as determined in accordance with the federal common law of agency.
- 5.2 Except as provided in Section 5.3, for any reporting required by Section 5.1, Business Associate shall provide, to the extent available, all information required by, and within the times frames specified in, Sections 5.2.1 and 5.2.2.
- 5.2.1 Business Associate shall make an immediate telephonic report upon discovery of the non-permitted Use or Disclosure of Protected Health Information, Security Incident or Breach of Unsecured Protected Health Information to **(562) 940-3335** that minimally includes:
- (a) A brief description of what happened, including the date of the non-permitted Use or Disclosure, Security Incident, or Breach and the date of Discovery of the non-permitted Use or Disclosure, Security Incident, or Breach, if known;
  - (b) The number of Individuals whose Protected Health Information is involved;
  - (c) A description of the specific type of Protected Health Information involved in the non-permitted Use or Disclosure, Security Incident, or Breach (such as whether full name, social security number, date of birth, home address, account number, diagnosis, disability code or other types of information were involved);

- (d) The name and contact information for a person highly knowledgeable of the facts and circumstances of the non-permitted Use or Disclosure of PHI, Security Incident, or Breach

5.2.2 Business Associate shall make a written report without unreasonable delay and in no event later than three (3) business days from the date of discovery by Business Associate of the non-permitted Use or Disclosure of Protected Health Information, Security Incident, or Breach of Unsecured Protected Health Information and to the **Chief HIPAA Privacy Officer at: Chief HIPAA Privacy Officer, Kenneth Hahn Hall of Administration, 500 West Temple Street, Suite 525, Los Angeles, California 90012, HIPAA@auditor.lacounty.gov**, that includes, to the extent possible:

- (a) A brief description of what happened, including the date of the non-permitted Use or Disclosure, Security Incident, or Breach and the date of Discovery of the non-permitted Use or Disclosure, Security Incident, or Breach, if known;
- (b) The number of Individuals whose Protected Health Information is involved;
- (c) A description of the specific type of Protected Health Information involved in the non-permitted Use or Disclosure, Security Incident, or Breach (such as whether full name, social security number, date of birth, home address, account number, diagnosis, disability code or other types of information were involved);
- (d) The identification of each Individual whose Unsecured Protected Health Information has been, or is reasonably believed by Business Associate to have been, accessed, acquired, Used, or Disclosed;
- (e) Any other information necessary to conduct an assessment of whether notification to the Individual(s) under 45 C.F.R. § 164.404 is required;
- (f) Any steps Business Associate believes that the Individual(s) could take to protect him or herself from potential harm from the non-permitted Use or Disclosure, Security Incident, or Breach;
- (g) A brief description of what Business Associate is doing to investigate, to mitigate harm to the Individual(s), and to protect against any further similar occurrences; and
- (h) The name and contact information for a person highly knowledgeable of the facts and circumstances of the non-permitted Use or Disclosure of PHI, Security Incident, or Breach.

5.2.3 If Business Associate is not able to provide the information specified in Section 5.2.1 or 5.2.2 at the time of the required report, Business Associate shall provide such information promptly thereafter as such information becomes available.

- 5.3 Business Associate may delay the notification required by Section 5.1.3, if a law enforcement official states to Business Associate that notification would impede a criminal investigation or cause damage to national security.
- 5.3.1 If the law enforcement official's statement is in writing and specifies the time for which a delay is required, Business Associate shall delay its reporting and/or notification obligation(s) for the time period specified by the official.
- 5.3.2 If the statement is made orally, Business Associate shall document the statement, including the identity of the official making the statement, and delay its reporting and/or notification obligation(s) temporarily and no longer than 30 days from the date of the oral statement, unless a written statement as described in Section 5.3.1 is submitted during that time.

## **6. WRITTEN ASSURANCES OF SUBCONTRACTORS**

- 6.1 In accordance with 45 C.F.R. § 164.502 (e)(1)(ii) and § 164.308 (b)(2), if applicable, Business Associate shall ensure that any Subcontractor that creates, receives, maintains, or transmits Protected Health Information on behalf of Business Associate is made aware of its status as a Business Associate with respect to such information and that Subcontractor agrees in writing to the same restrictions, conditions, and requirements that apply to Business Associate with respect to such information.
- 6.2 Business Associate shall take reasonable steps to cure any material breach or violation by Subcontractor of the agreement required by Section 6.1.
- 6.3 If the steps required by Section 6.2 do not cure the breach or end the violation, Contractor shall terminate, if feasible, any arrangement with Subcontractor by which Subcontractor creates, receives, maintains, or transmits Protected Health Information on behalf of Business Associate.
- 6.4 If neither cure nor termination as set forth in Sections 6.2 and 6.3 is feasible, Business Associate shall immediately notify County.
- 6.5 Without limiting the requirements of Section 6.1, the agreement required by Section 6.1 (Subcontractor Business Associate Agreement) shall require Subcontractor to contemporaneously notify Covered Entity in the event of a Breach of Unsecured Protected Health Information.
- 6.6 Without limiting the requirements of Section 6.1, agreement required by Section 6.1 (Subcontractor Business Associate Agreement) shall include a provision requiring Subcontractor to destroy, or in the alternative to return to Business Associate, any Protected Health Information created, received, maintained, or transmitted by Subcontractor on behalf of Business Associate so as to enable Business Associate to comply with the provisions of Section 18.4.
- 6.7 Business Associate shall provide to Covered Entity, at Covered Entity's request, a copy of any and all Subcontractor Business Associate Agreements required by Section 6.1.

- 6.8 Sections 6.1 and 6.7 are not intended by the parties to limit in any way the scope of Business Associate's obligations related to Subcontracts or Subcontracting in the applicable underlying Agreement, Contract, Master Agreement, Work Order, Purchase Order, or other services arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate.

## **7. ACCESS TO PROTECTED HEALTH INFORMATION**

- 7.1 To the extent Covered Entity determines that Protected Health Information is maintained by Business Associate or its agents or Subcontractors in a Designated Record Set, Business Associate shall, within two (2) business days after receipt of a request from Covered Entity, make the Protected Health Information specified by Covered Entity available to the Individual(s) identified by Covered Entity as being entitled to access and shall provide such Individuals(s) or other person(s) designated by Covered Entity with a copy the specified Protected Health Information, in order for Covered Entity to meet the requirements of 45 C.F.R. § 164.524.
- 7.2 If any Individual requests access to Protected Health Information directly from Business Associate or its agents or Subcontractors, Business Associate shall notify Covered Entity in writing within two (2) days of the receipt of the request. Whether access shall be provided or denied shall be determined by Covered Entity.
- 7.3 To the extent that Business Associate maintains Protected Health Information that is subject to access as set forth above in one or more Designated Record Sets electronically and if the Individual requests an electronic copy of such information, Business Associate shall provide the Individual with access to the Protected Health Information in the electronic form and format requested by the Individual, if it is readily producible in such form and format; or, if not, in a readable electronic form and format as agreed to by Covered Entity and the Individual.

## **8. AMENDMENT OF PROTECTED HEALTH INFORMATION**

- 8.1 To the extent Covered Entity determines that any Protected Health Information is maintained by Business Associate or its agents or Subcontractors in a Designated Record Set, Business Associate shall, within ten (10) business days after receipt of a written request from Covered Entity, make any amendments to such Protected Health Information that are requested by Covered Entity, in order for Covered Entity to meet the requirements of 45 C.F.R. § 164.526.
- 8.2 If any Individual requests an amendment to Protected Health Information directly from Business Associate or its agents or Subcontractors, Business Associate shall notify Covered Entity in writing within five (5) days of the receipt of the request. Whether an amendment shall be granted or denied shall be determined by Covered Entity.

**9. ACCOUNTING OF DISCLOSURES OF PROTECTED HEALTH INFORMATION**

9.1 Business Associate shall maintain an accounting of each Disclosure of Protected Health Information made by Business Associate or its employees, agents, representatives or Subcontractors, as is determined by Covered Entity to be necessary in order to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 C.F.R. § 164.528.

9.1.1 Any accounting of disclosures provided by Business Associate under Section 9.1 shall include:

- (a) The date of the Disclosure;
- (b) The name, and address if known, of the entity or person who received the Protected Health Information;
- (c) A brief description of the Protected Health Information Disclosed; and
- (d) A brief statement of the purpose of the Disclosure.

9.1.2 For each Disclosure that could require an accounting under Section 9.1, Business Associate shall document the information specified in Section 9.1.1, and shall maintain the information for six (6) years from the date of the Disclosure.

9.2 Business Associate shall provide to Covered Entity, within ten (10) business days after receipt of a written request from Covered Entity, information collected in accordance with Section 9.1.1 to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 C.F.R. § 164.528

9.3 If any Individual requests an accounting of disclosures directly from Business Associate or its agents or Subcontractors, Business Associate shall notify Covered Entity in writing within five (5) days of the receipt of the request, and shall provide the requested accounting of disclosures to the Individual(s) within 30 days. The information provided in the accounting shall be in accordance with 45 C.F.R. § 164.528.

**10. COMPLIANCE WITH APPLICABLE HIPAA RULES**

10.1 To the extent Business Associate is to carry out one or more of Covered Entity's obligation(s) under Subpart E of 45 C.F.R. Part 164, Business Associate shall comply with the requirements of Subpart E that apply to Covered Entity's performance of such obligation(s).

10.2 Business Associate shall comply with all HIPAA Rules applicable to Business Associate in the performance of Services.

## **11. AVAILABILITY OF RECORDS**

- 11.1 Business Associate shall make its internal practices, books, and records relating to the Use and Disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of Covered Entity available to the Secretary for purposes of determining Covered Entity's compliance with the Privacy and Security Regulations.
- 11.2 Unless prohibited by the Secretary, Business Associate shall immediately notify Covered Entity of any requests made by the Secretary and provide Covered Entity with copies of any documents produced in response to such request.

## **12. MITIGATION OF HARMFUL EFFECTS**

- 12.1 Business Associate shall mitigate, to the extent practicable, any harmful effect of a Use or Disclosure of Protected Health Information by Business Associate in violation of the requirements of this Business Associate Agreement that is known to Business Associate.

## **13. BREACH NOTIFICATION TO INDIVIDUALS**

- 13.1 Business Associate shall, to the extent Covered Entity determines that there has been a Breach of Unsecured Protected Health Information by Business Associate, its employees, representatives, agents or Subcontractors, provide breach notification to the Individual in a manner that permits Covered Entity to comply with its obligations under 45 C.F.R. § 164.404.
  - 13.1.1 Business Associate shall notify, subject to the review and approval of Covered Entity, each Individual whose Unsecured Protected Health Information has been, or is reasonably believed to have been, accessed, acquired, Used, or Disclosed as a result of any such Breach.
  - 13.1.2 The notification provided by Business Associate shall be written in plain language, shall be subject to review and approval by Covered Entity, and shall include, to the extent possible:
    - (a) A brief description of what happened, including the date of the Breach and the date of the Discovery of the Breach, if known;
    - (b) A description of the types of Unsecured Protected Health Information that were involved in the Breach (such as whether full name, social security number, date of birth, home address, account number, diagnosis, disability code, or other types of information were involved);
    - (c) Any steps the Individual should take to protect him or herself from potential harm resulting from the Breach;
    - (d) A brief description of what Business Associate is doing to investigate the Breach, to mitigate harm to Individual(s), and to protect against any further Breaches; and

- (e) Contact procedures for Individual(s) to ask questions or learn additional information, which shall include a toll-free telephone number, an e-mail address, Web site, or postal address.
- 13.2 Covered Entity, in its sole discretion, may elect to provide the notification required by Section 13.1 and/or to establish the contact procedures described in Section 13.1.2.
- 13.3 Business Associate shall reimburse Covered Entity any and all costs incurred by Covered Entity, in complying with Subpart D of 45 C.F.R. Part 164, including but not limited to costs of notification, internet posting, or media publication, as a result of Business Associate's Breach of Unsecured Protected Health Information; Covered Entity shall not be responsible for any costs incurred by Business Associate in providing the notification required by 13.1 or in establishing the contact procedures required by Section 13.1.2.

#### **14. IDEMNIFICATION**

- 14.1 Business Associate shall indemnify, defend, and hold harmless Covered Entity, its Special Districts, elected and appointed officers, employees, and agents from and against any and all liability, including but not limited to demands, claims, actions, fees, costs, expenses (including attorney and expert witness fees), and penalties and/or fines (including regulatory penalties and/or fines), arising from or connected with Business Associate's acts and/or omissions arising from and/or relating to this Business Associate Agreement, including, but not limited to, compliance and/or enforcement actions and/or activities, whether formal or informal, by the Secretary or by the Attorney General of the State of California.
- 14.2 Section 14.1 is not intended by the parties to limit in any way the scope of Business Associate's obligations related to Insurance and/or Indemnification in the applicable underlying Agreement, Contract, Master Agreement, Work Order, Purchase Order, or other services arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate.

#### **15. OBLIGATIONS OF COVERED ENTITY**

- 15.1 Covered Entity shall notify Business Associate of any current or future restrictions or limitations on the Use or Disclosure of Protected Health Information that would affect Business Associate's performance of the Services, and Business Associate shall thereafter restrict or limit its own Uses and Disclosures accordingly.
- 15.2 Covered Entity shall not request Business Associate to Use or Disclose Protected Health Information in any manner that would not be permissible under Subpart E of 45 C.F.R. Part 164 if done by Covered Entity, except to the extent that Business Associate may Use or Disclose Protected Health Information as provided in Sections 2.3, 2.5, and 2.6.

**16. TERM**

- 16.1 Unless sooner terminated as set forth in Section 17, the term of this Business Associate Agreement shall be the same as the term of the applicable underlying Agreement, Contract, Master Agreement, Work Order, Purchase Order, or other services arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate.
- 16.2 Notwithstanding Section 16.1, Business Associate's obligations under Sections 18.1 to 18.4 shall survive the termination or expiration of this Business Associate Agreement.

**17. TERMINATION FOR CAUSE**

- 17.1 In addition to and notwithstanding the termination provisions set forth in the applicable underlying Agreement, Contract, Master Agreement, Work Order, Purchase Order, or other services arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate, if either party determines that the other party has violated a material term of this Business Associate Agreement, and the breaching party has not cured the breach or ended the violation within the time specified by the non-breaching party, which shall be reasonable given the nature of the breach and/or violation, the non-breaching party may terminate this Business Associate Agreement.
- 17.2 In addition to and notwithstanding the termination provisions set forth in the applicable underlying Agreement, Contract, Master Agreement, Work Order, Purchase Order, or services arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate, if either party determines that the other party has violated a material term of this Business Associate Agreement, and cure is not feasible, the non-breaching party may terminate this Business Associate Agreement immediately.

**18. DISPOSITION OF PROTECTED HEALTH INFORMATION UPON TERMINATION OR EXPIRATION**

- 18.1 Except as provided in Section 18.3, upon termination for any reason or expiration of this Business Associate Agreement, Business Associate shall return or, if agreed to by Covered entity, shall destroy as provided for in Section 18.2, all Protected Health Information received from Covered Entity, or created, maintained, or received by Business Associate on behalf of Covered Entity, that Business Associate, including any Subcontractor, still maintains in any form. Business Associate shall retain no copies of the Protected Health Information.
- 18.2 Destruction for purposes of Section 18.2 and Section 6.1.2 shall mean that media on which the Protected Health Information is stored or recorded has been destroyed and/or electronic media have been cleared, purged, or destroyed in accordance with the use of a technology or methodology specified by the Secretary in guidance for rendering Protected Health Information unusable, unreadable, or indecipherable to unauthorized individuals.

- 18.3 Notwithstanding Section 18.1, in the event that Business Associate determines that any such Protected Health Information is necessary for Business Associate to continue its proper management and administration or to carry out its legal responsibilities, Business Associate may retain that Protected Health Information which is necessary for Business Associate to continue its proper management and administration or to carry out its legal responsibilities and shall return or destroy all other Protected Health Information.
- 18.3.1 Business Associate shall extend the protections of this Business Associate Agreement to such Protected Health Information, including continuing to use appropriate safeguards and continuing to comply with Subpart C of 45 C.F.R Part 164 with respect to Electronic Protected Health Information, to prevent the Use or Disclosure of such information other than as provided for in Sections 2.5 and 2.6 for so long as such Protected Health Information is retained, and Business Associate shall not Use or Disclose such Protected Health Information other than for the purposes for which such Protected Health Information was retained.
- 18.3.2 Business Associate shall return or, if agreed to by Covered entity, destroy the Protected Health Information retained by Business Associate when it is no longer needed by Business Associate for Business Associate's proper management and administration or to carry out its legal responsibilities.
- 18.4 Business Associate shall ensure that all Protected Health Information created, maintained, or received by Subcontractors is returned or, if agreed to by Covered entity, destroyed as provided for in Section 18.2.

## **19. AUDIT, INSPECTION, AND EXAMINATION**

- 19.1 Covered Entity reserves the right to conduct a reasonable inspection of the facilities, systems, information systems, books, records, agreements, and policies and procedures relating to the Use or Disclosure of Protected Health Information for the purpose of determining whether Business Associate is in compliance with the terms of this Business Associate Agreement and any non-compliance may be a basis for termination of this Business Associate Agreement and the applicable underlying Agreement, Contract, Master Agreement, Work Order, Purchase Order or other services arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate, as provided for in Section 17.
- 19.2 Covered Entity and Business Associate shall mutually agree in advance upon the scope, timing, and location of any such inspection.
- 19.3 At Business Associate's request, and to the extent permitted by law, Covered Entity shall execute a nondisclosure agreement, upon terms and conditions mutually agreed to by the parties.
- 19.4 Covered Entity inspects, fails to inspect, or has the right to inspect as provided for in Section 19.1 does not relieve Business Associate of its responsibility to comply with this Business Associate Agreement and/or the HIPAA Rules or impose on

Covered Entity any responsibility for Business Associate's compliance with any applicable HIPAA Rules.

- 19.5 Covered Entity's failure to detect, its detection but failure to notify Business Associate, or its detection but failure to require remediation by Business Associate of an unsatisfactory practice by Business Associate, shall not constitute acceptance of such practice or a waiver of Covered Entity's enforcement rights under this Business Associate Agreement or the applicable underlying Agreement, Contract, Master Agreement, Work Order, Purchase Order or other services arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate.
- 19.6 Section 19.1 is not intended by the parties to limit in any way the scope of Business Associate's obligations related to Inspection and/or Audit and/or similar review in the applicable underlying Agreement, Contract, Master Agreement, Work Order, Purchase Order, or other services arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate.

## **20. MISCELLANEOUS PROVISIONS**

- 20.1 Disclaimer. Covered Entity makes no warranty or representation that compliance by Business Associate with the terms and conditions of this Business Associate Agreement will be adequate or satisfactory to meet the business needs or legal obligations of Business Associate.
- 20.2 HIPAA Requirements. The Parties agree that the provisions under HIPAA Rules that are required by law to be incorporated into this Amendment are hereby incorporated into this Agreement.
- 20.3 No Third Party Beneficiaries. Nothing in this Business Associate Agreement shall confer upon any person other than the parties and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.
- 20.4 Construction. In the event that a provision of this Business Associate Agreement is contrary to a provision of the applicable underlying Agreement, Contract, Master Agreement, Work Order, Purchase Order, or other services arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate, the provision of this Business Associate Agreement shall control. Otherwise, this Business Associate Agreement shall be construed under, and in accordance with, the terms of the applicable underlying Agreement, Contract, Master Agreement, Work Order, Purchase Order or other services arrangement, with or without payment, that gives rise to Contractor's status as a Business Associate.
- 20.5 Regulatory References. A reference in this Business Associate Agreement to a section in the HIPAA Rules means the section as in effect or as amended.
- 20.6 Interpretation. Any ambiguity in this Business Associate Agreement shall be resolved in favor of a meaning that permits the parties to comply with the HIPAA Rules.

20.7 Amendment. The parties agree to take such action as is necessary to amend this Business Associate Agreement from time to time as is necessary for Covered Entity or Business Associate to comply with the requirements of the HIPAA Rules and any other privacy laws governing Protected Health Information

## EXHIBIT A-1

### INFORMATION SECURITY AND PRIVACY REQUIREMENTS

This Exhibit A-1 (Information Security and Privacy Requirements) is an attachment and addition to the Risk Management Information Services Agreement dated \_\_\_\_\_ (the "**Agreement**") entered into by and between the County of Los Angeles ("**County**") and \_\_\_\_\_ ("**Contractor**") and is incorporated into the Agreement by reference hereof. This Exhibit A-1 (Information Security and Privacy Requirements) sets forth information security procedures to be established by Contractor before the effective date of the Agreement and maintained throughout the term of the Agreement. These procedures are in addition to the requirements of the Agreement between the Parties. They present a minimum standard only. It is Contractor's sole obligation to: (i) implement appropriate administrative, physical and technical measures to secure its systems and data to protect and ensure the privacy, confidentiality, integrity and availability of County Data as defined in Section \_\_\_\_ the Agreement (consisting of but not limited to County Confidential Information, Personally Identifiable Information, and Protected Health Information) against internal and external threats, vulnerabilities and risks; and (ii) continuously review and revise those measures to address ongoing threats, vulnerabilities and risks. Failure to comply with the minimum standards set forth in this Exhibit A-1 (Information Security and Privacy Requirements) will constitute a material, non-curable breach of the Agreement by Contractor, entitling County, in addition to and cumulative of all other remedies available to it at law, in equity, or under the Agreement, to immediately terminate the Agreement.

1. **Security Policy.** Contractor shall establish and maintain a formal, documented, mandated, company-wide information security program, including security policies, standards and procedures (collectively "**Information Security Policy**"). The Information Security Policy will be communicated to all Contractor personnel, agents and subcontractors in a relevant, accessible, and understandable form and will be regularly reviewed and evaluated to ensure its operational effectiveness, compliance with all applicable laws and regulations, and to address new threats and risks.
2. **Personnel and Contractor Protections.** Contractor shall screen and conduct background checks on all Contractor personnel exposed to County Confidential Information as defined in Section \_\_\_\_ of the Agreement and require all employees and contractors to sign an appropriate written confidentiality/non-disclosure agreement. All agreements with third-parties involving access to Contractor's systems and data, including all outsourcing arrangements and maintenance and support agreements (including facilities maintenance), shall specifically address security risks, controls, and procedures for information systems. Contractor shall supply each of its Contractor personnel with appropriate, ongoing training regarding information security procedures, risks, vulnerabilities and threats. Contractor shall have an established set of procedures to ensure Contractor personnel promptly report actual and/or suspected breaches of security.
3. **Removable Media.** Except in the context of Contractor's routine back-ups or as otherwise specifically authorized by County in writing, Contractor shall institute strict administrative, physical and logical security controls to prevent transfer of County information to any form of Removable Media. For purposes of this Exhibit A-1 (Information Security and Privacy Requirements), "**Removable Media**" means portable or removable hard disks, floppy disks, USB memory drives, zip disks, optical disks, CDs, DVDs, digital film, digital cameras, memory cards (e.g., Secure Digital (SD), Memory Sticks (MS), CompactFlash (CF), Smart Media (SM), Multimedia Card (MMC), and xD-Picture Card (xD)), magnetic tape, and all other removable data storage media.

4. **Storage, Transmission, and Destruction of Personally Identifiable Information and Protected Health Information.** All Personally Identifiable Information and Protected Health Information shall be rendered unusable, unreadable, or indecipherable to unauthorized individuals in accordance with HIPAA, as amended and supplemented by the HITECH Act and the California Civil Code section 1798 et seq. Without limiting the generality of the foregoing, Contractor shall encrypt (i.e., National Institute of Standards and Technology (NIST) Special Publication (SP) 800-111 Guide to Storage Encryption Technologies for End User Devices<sup>1</sup>) all Personally Identifiable Information and electronic Protected Health Information (stored and during transmission) in accordance with HIPAA and the HITECH Act, as implemented by the U.S. Department of Health and Human Services. If Personally Identifiable Information and Protected Health Information is no longer required to be retained by Contractor under the Agreement and applicable law, Contractor shall destroy such Personally Identifiable Information and Protected Health Information by: (a) shredding or otherwise destroying paper, film, or other hard copy media so that the Personally Identifiable Information and Protected Health Information cannot be read or otherwise cannot be reconstructed; and (b) clearing, purging, or destroying electronic media containing Personally Identifiable Information and Protected Health Information consistent with National Institute of Standards and Technology (NIST) Special Publication (SP) 800-88, Guidelines for Media Sanitization<sup>2</sup> and US Department of Defense (DOD) 5220.22-M data sanitization and clearing directive<sup>3</sup> such that the Personally Identifiable Information and Protected Health Information cannot be retrieved.
5. **Data Control, Media Disposal and Servicing.** Subject to and without limiting the requirements under Section 4 (Storage, Transmission and Destruction of Personally Identifiable Information and Protected Health Information), County Data (i) may only be made available and accessible to those parties explicitly authorized under the Agreement or otherwise expressly Approved by County in writing; (ii) if transferred across the Internet, any wireless network (e.g., cellular, 802.11x, or similar technology), or other public or shared networks, must be protected using industry standard encryption technology in accordance with the NIST SP 800-52 Guidelines for the Selection and use of Transport Layer Security Implementations<sup>4</sup>; and (iii) if transferred using Removable Media (as defined above) must be sent via a bonded courier or protected using industry standard encryption technology in accordance with NIST SP 800-111 Guide to Storage Encryption Technologies for End User Devices<sup>5</sup>. The foregoing requirements shall apply to back-up data stored by Contractor at off-site facilities. In the event any hardware, storage media, or Removable Media must be disposed of or sent off-site for servicing, Contractor shall ensure all County Confidential Information, including Personally Identifiable Information and Protected Health Information, has been cleared, purged, or scrubbed from such hardware and/or media using industry best practices in accordance with NIST SP 800-88, Guidelines for Media Sanitization<sup>6</sup>).

<sup>1</sup> Available at <http://www.csrc.nist.gov/>

<sup>2</sup> Available at <http://www.csrc.nist.gov/>

<sup>3</sup> Available at <http://www.dtic.mil/whs/directives/corres/pdf/522022MSup1.pdf>

<sup>4</sup> Available at <http://www.csrc.nist.gov/>

<sup>5</sup> Available at <http://www.csrc.nist.gov/>

Available at <http://www.csrc.nist.gov/>

6. **Hardware Return.** Upon termination or expiration of the Agreement or at any time upon County's request, Contractor will return all hardware, if any, provided by County containing Personally Identifiable Information, Protected Health Information, or County Confidential Information to County. The Personally Identifiable Information, Protected Health Information, and County Confidential Information shall not be removed or altered in any way. The hardware should be physically sealed and returned via a bonded courier or as otherwise directed by County. In the event the hardware containing County Confidential Information or Personally Identifiable Information is owned by Contractor or a third-party, a notarized statement, detailing the destruction method used and the data sets involved, the date of destruction, and the company or individual who performed the destruction will be sent to a designated County security representative within fifteen (15) days of termination or expiration of the Agreement or at any time upon County's request. Contractor's destruction or erasure of Personal Information and Protected Health Information pursuant to this Section shall be in compliance with industry Best Practices (*e.g.*, NIST Special Publication 800-88, Guidelines for Media Sanitization<sup>7</sup>).
7. **Physical and Environmental Security.** Contractor facilities that process County Data will be housed in secure areas and protected by perimeter security such as barrier access controls (*e.g.*, the use of guards and entry badges) that provide a physically secure environment from unauthorized access, damage, and interference.
8. **Communications and Operational Management.** Contractor shall: (i) monitor and manage all of its information processing facilities, including, without limitation, implementing operational procedures, change management and incident response procedures; and (ii) deploy adequate anti-viral software and adequate back-up facilities to ensure essential business information can be promptly recovered in the event of a disaster or media failure; and (iii) ensure its operating procedures will be adequately documented and designed to protect information, computer media, and data from theft and unauthorized access.
9. **Access Control.** Contractor shall implement formal procedures to control access to its systems, services, and data, including, but not limited to, user account management procedures and the following controls:
  - a. Network access to both internal and external networked services shall be controlled, including, but not limited to, the use of properly configured firewalls;
  - b. Operating systems will be used to enforce access controls to computer resources including, but not limited to, authentication, authorization, and event logging;
  - c. Applications will include access control to limit user access to information and application system functions; and
  - d. All systems will be monitored to detect deviation from access control policies and identify suspicious activity. Contractor shall record, review and act upon all events in accordance with incident response policies set forth below.

<sup>7</sup> Available at <http://www.csrc.nist.gov/>

10. **Security Incident.** A "Security Incident" shall have the meaning given to such term in 45 C.F.R. § 164.304.

- a. Contractor will promptly notify (but in no event more than twenty-four (24) hours after the detection of a Security Incident) the designated County security contact by telephone and subsequently via written letter of any potential or actual security attacks or Security Incidents.
- b. The notice shall include the approximate date and time of the occurrence and a summary of the relevant facts, including a description of measures being taken to address the occurrence. A Security Incident includes instances in which internal personnel access systems in excess of their user rights or use the systems inappropriately.
- c. Contractor will provide a monthly report of all Security Incidents noting the actions taken. This will be provided via a written letter to the County security representative on or before the first (1st) week of each calendar month. County or its third-party designee may, but is not obligated, perform audits and security tests of Contractor's environment that may include, but are not limited to, interviews of relevant personnel, review of policies, procedures and guidelines, and other documentation, or technical inspection of systems, as they relate to the receipt, maintenance, use, retention, and authorized destruction of County Data.
- d. In the event County desires to conduct an unannounced penetration test, County shall provide contemporaneous notice to Contractor's Vice President of Audit, or such equivalent position. Any of County's regulators shall have the same right upon request. Contractor shall provide all information reasonably requested by County in connection with any such audits and shall provide reasonable access and assistance to County or its regulators upon request. Contractor agrees to comply with all reasonable recommendations that result from such inspections, tests, and audits within reasonable timeframes. County reserves the right to view, upon request, any original security reports Contractor has undertaken on its behalf to assess Contractor's own network security. If requested, copies of these reports will be sent via bonded courier to the County security contact. Contractor will notify County of any new assessments.

11. **Contractor Self Audit.** Contractor will provide to County a summary of: (1) the results of any security audits, security reviews, or other relevant audits listed below, conducted by Contractor or a third-party as applicable; and (2) the corrective actions or modifications, if any, Contractor will implement in response to such audits.

Relevant audits conducted by Contractor as of the Effective Date include:

- a. ISO 27001:2013 (Information Security Management) or FDA's Quality System Regulation, etc. – Contractor-Wide. A full recertification is conducted every three (3) years with surveillance audits annually.
  - i. **External Audit** – Audit conducted by non-Contractor personnel, to assess Contractor's level of compliance to applicable regulations, standards, and contractual requirements.

- ii. **Internal Audit** – Audit conducted by qualified Contractor Personnel (or contracted designee) not responsible for the area of review, of Contractor organizations, operations, processes, and procedures, to assess compliance to and effectiveness of Contractor's Quality System ("CQS") in support of applicable regulations, standards, and requirements.
  - iii. **Supplier Audit** – Quality audit conducted by qualified Contractor Personnel (or contracted designee) of product and service suppliers contracted by Contractor for internal or Contractor client use.
  - iv. **Detailed findings**- are not published externally, but a summary of the report findings, and corrective actions, if any, will be made available to County as provided above and the ISO certificate is published on Contractor's website.
- b. SSAE-16 (formerly known as SAS -70 II) – As to the Hosting Services only:
- i. Audit spans a full twelve (12) months of operation and is produced every six (6) months (end of June, end of December) to keep it "fresh".
  - ii. The resulting detailed report is available to County.

Detailed findings are not published externally, but a summary of the report findings, and corrective actions, if any, will be made available to County as provided above.

12. **Security Audits.** In addition to the audits described in Section 10 (Contractor Self Audit), during the term of the Agreement, County or its third-party designee may annually, or more frequently as agreed in writing by the Parties, request a security audit (e.g., attestation of security controls) of Contractor's data center and systems. The audit will take place at a time mutually agreed to by the Parties, but in no event on a date more than ninety (90) days from the date of the request by County. County's request for security audit will specify the areas (e.g., Administrative, Physical and Technical) that are subject to the audit and may include but not limited to physical controls inspection, process reviews, policy reviews, evidence of external and internal vulnerability scans, penetration tests results, evidence of code reviews, and evidence of system configuration and audit log reviews. County shall pay for all third-party costs associated with the audit. It is understood that summary data of the results may filtered to remove the specific information of other Contractor customers such as IP address, server names, and others. Contractor shall cooperate with County in the development of the scope and methodology for the audit, and the timing and implementation of the audit. Any of the County's regulators shall have the same right upon request, to request an audit as described above. Contractor agrees to comply with all reasonable recommendations that result from such inspections, tests, and audits within reasonable timeframes.

**COUNTY OF LOS ANGELES  
AGREEMENT FOR ACCEPTABLE USE  
AND  
CONFIDENTIALITY OF  
COUNTY INFORMATION TECHNOLOGY RESOURCES  
ANNUAL**

As a County of Los Angeles (County) employee, contractor, subcontractor, volunteer, or other authorized user of County information technology (IT) resources, I understand that I occupy a position of trust. Furthermore, I shall use County IT resources in accordance with my Department's policies, standards, and procedures. I understand that County IT resources shall not be used for:

- ☐ For any unlawful purpose;
- ☐ For any purpose detrimental to the County or its interests;
- ☐ For personal financial gain;
- ☐ In any way that undermines or interferes with access to or use of County IT resources for official County purposes;
- ☐ In any way that hinders productivity, efficiency, customer service, or interferes with a County IT user's performance of his/her official job duties;

I shall maintain the confidentiality of County IT resources (e.g., business information, personal information, and confidential information).

This Agreement is required by Board of Supervisors Policy No. 6.101 – Use of County Information Technology Resources, which may be consulted directly at website <http://countypolicy.co.la.ca.us/6.101.htm>.

As used in this Agreement, the term "County IT resources" includes, without limitation, computers, systems, networks, software, and data, documentation and other information, owned, leased, managed, operated, or maintained by, or in the custody of, the County or non-County entities for County purposes. The definitions of the terms "County IT resources", "County IT user", "County IT security incident", "County Department", and "computing devices" are fully set forth in Board of Supervisors Policy No. 6.100 – Information Technology and Security Policy, which may be consulted directly at website <http://countypolicy.co.la.ca.us/6.100.htm>. The terms "personal information" and "confidential information" shall have the same meanings as set forth in Board of Supervisors Policy No. 3.040 – General Records Retention and Protection of Records Containing Personal and Confidential Information, which may be consulted directly at website <http://countypolicy.co.la.ca.us/3.040.htm>.

As a County IT user, I agree to the following:

1. Computer crimes: I am aware of California Penal Code Section 502(c) – Comprehensive Computer Data Access and Fraud Act (set forth, in part, below). I shall immediately report to my management any suspected misuse or crimes relating to County IT resources or otherwise.
2. No Expectation of Privacy: I do not expect any right to privacy concerning my activities related to County IT resources, including, without limitation, in anything I

create, store, send, or receive using County IT resources. I understand that having no expectation to any right to privacy includes, for example, that my access and use of County IT resources may be monitored or investigated by authorized persons any time, without notice or consent.

3. Activities related to County IT resources: I understand that my activities related to County IT resources (e.g., email, instant messaging, blogs, electronic files, County Internet services, and County systems) may be logged/stored, may be a public record, and are subject to audit and review, including, without limitation, periodic monitoring and/or investigation, by authorized persons at any time. I shall not either intentionally, or through negligence, damage, interfere with the operation of County IT resources. I shall neither, prevent authorized access, nor enable unauthorized access to County IT resources responsibly, professionally, ethically, and lawfully.
4. County IT security incident reporting: I shall notify the County Department's Help Desk and/or Departmental Information Security Officer (DISO) as soon as a County IT security incident is suspected.
5. Security access controls: I shall not subvert or bypass any security measure or system which has been implemented to control or restrict access to County IT resources and any related restricted work areas and facilities. I shall not share my computer identification codes and other authentication mechanisms (e.g., logon identification (ID), computer access codes, account codes, passwords, SecurID cards/tokens, biometric logons, and smartcards).
6. Passwords: I shall not keep or maintain any unsecured record of my password(s) to access County IT resources, whether on paper, in an electronic file, or otherwise. I shall comply with all County and County Department policies relating to passwords. I shall immediately report to my management any compromise or suspected compromise of my password(s) and have the password(s) changed immediately.
7. Business purposes: I shall use County IT resources in accordance with my Department's policies, standards, and procedures.
8. Confidentiality: I shall not send, disseminate, or otherwise expose or disclose to any person or organization, any personal and/or confidential information, unless specifically authorized to do so by County management. This includes, without limitation information that is subject to Health Insurance Portability and Accountability Act of 1996, Health Information Technology for Economic and Clinical Health Act of 2009, or any other confidentiality or privacy legislation.
9. Computer virus and other malicious devices: I shall not intentionally introduce any malicious device (e.g., computer virus, spyware, worm, key logger, or malicious code), into any County IT resources. I shall not use County IT resources to intentionally introduce any malicious device into any County IT resources or any non-County IT systems or networks. I shall not disable, modify, or delete computer security software (e.g., antivirus software, antispyware software, firewall software, and host intrusion prevention software) on County IT resources. I shall notify the County Department's Help Desk and/or DISO as soon as any item of County IT resources is suspected of being compromised by a malicious device.

10. Offensive materials: I shall not access, create, or distribute (e.g., via email) any offensive materials (e.g., text or images which are sexually explicit, racial, harmful, or insensitive) on County IT resources (e.g., over County-owned, leased, managed, operated, or maintained local or wide area networks; over the Internet; and over private networks), unless authorized to do so as a part of my assigned job duties (e.g., law enforcement). I shall report to my management any offensive materials observed or received by me on County IT resources.
11. Internet: I understand that the Internet is public and uncensored and contains many sites that may be considered offensive in both text and images. I shall use County Internet services in accordance with my Department's policies and procedures. I understand that my use of the County Internet services may be logged/stored, may be a public record, and are subject to audit and review, including, without limitation, periodic monitoring and/or investigation, by authorized persons at any time. I shall comply with all County Internet use policies, standards, and procedures. I understand that County Internet services may be filtered, but in my use of them, I may be exposed to offensive materials. I agree to hold County harmless from and against any and all liability and expense should I be inadvertently exposed to such offensive materials.
12. Electronic Communications: I understand that County electronic communications (e.g., email, text messages, etc.) created, sent, and/or stored using County electronic communications systems/applications/services are the property of the County. All such electronic communications may be logged/stored, may be a public record, and are subject to audit and review, including, without limitation, periodic monitoring and/or investigation, by authorized persons at any time, without notice or consent. I shall comply with all County electronic communications use policies and use proper business etiquette when communicating over County electronic communications systems/applications/services.
13. Public forums: I shall only use County IT resources to create, exchange, publish, distribute, or disclose in public forums (e.g., blog postings, bulletin boards, chat rooms, Twitter, Facebook, MySpace, and other social networking services) any information (e.g., personal information, confidential information, political lobbying, religious promotion, and opinions) in accordance with Department's policies, standards, and procedures.
14. Internet storage sites: I shall not store County information (i.e., personal, confidential (e.g., social security number, medical record), or otherwise sensitive (e.g., legislative data)) on any Internet storage site in accordance with Department's policies, standards, and procedures.
15. Copyrighted and other proprietary materials: I shall not copy or otherwise use any copyrighted or other proprietary County IT resources (e.g., licensed software and documentation, and data), except as permitted by the applicable license agreement and approved by designated County Department management. I shall not use County IT resources to infringe on copyrighted material.

Compliance with County ordinances, rules, regulations, policies, procedures, guidelines, directives, and agreements: I shall comply with all applicable County ordinances, rules, regulations, policies, procedures, guidelines, directives, and

agreements relating to County IT resources. These include, without limitation, Board of Supervisors Policy No. 6.100 – Information Technology and Security Policy, Board of Supervisors Policy No. 6.101 - Use of County Information Technology Resources, and Board of Supervisors Policy No. 3.040 – General Records Retention and Protection of Records Containing Personal and Confidential Information.

17. Disciplinary action and other actions and penalties for non-compliance: I understand that my non-compliance with any provision of this Agreement may result in disciplinary action and other actions (e.g., suspension, discharge, denial of access, and termination of contracts) as well as both civil and criminal penalties and that County may seek all possible legal redress.

**CALIFORNIA PENAL CODE SECTION 502(c)  
"COMPREHENSIVE COMPUTER DATA ACCESS AND FRAUD ACT"**

Below is a section of the "Comprehensive Computer Data Access and Fraud Act" as it pertains specifically to this Agreement. California Penal Code Section 502(c) is incorporated in its entirety into this Agreement by reference, and all provisions of Penal Code Section 502(c) shall apply. For a complete copy, consult the Penal Code directly at website [www.leginfo.ca.gov/](http://www.leginfo.ca.gov/).

502(c) Any person who commits any of the following acts is guilty of a public offense:

- (1) Knowingly accesses and without permission alters, damages, deletes, destroys, or otherwise uses any data, computer, computer system, or computer network in order to either (A) devise or execute any scheme or artifice to defraud, deceive, or extort, or (B) wrongfully control or obtain money, property, or data.
- (2) Knowingly accesses and without permission takes, copies, or makes use of any data from a computer, computer system, or computer network, or takes or copies any supporting documentation, whether existing or residing internal or external to a computer, computer system, or computer network.
- (3) Knowingly and without permission uses or causes to be used computer services.
- (4) Knowingly accesses and without permission adds, alters, damages, deletes, or destroys any data, computer software, or computer programs which reside or exist internal or external to a computer, computer system, or computer network.
- (5) Knowingly and without permission disrupts or causes the disruption of computer services or denies or causes the denial of computer services to an authorized user of a computer, computer system, or computer network.
- (6) Knowingly and without permission provides or assists in providing a means of accessing a computer, computer system, or computer

network in violation of this section.

- (7) Knowingly and without permission accesses or causes to be accessed any computer, computer system, or computer network.

**I HAVE READ AND UNDERSTAND THE ABOVE AGREEMENT:**

\_\_\_\_\_  
**County IT User's Name**

\_\_\_\_\_  
**County IT User's Signature**

\_\_\_\_\_  
**County IT User's Name**

\_\_\_\_\_  
**County IT User's Signature**

\_\_\_\_\_  
**Manager's Name**

\_\_\_\_\_  
**Manager's Signature**

\_\_\_\_\_  
**Manager's Title**

\_\_\_\_\_  
**Date**



**COUNTY OF LOS ANGELES - DEPARTMENT OF MENTAL  
HEALTH CHIEF INFORMATION OFFICE BUREAU  
Information Security Division**

**CONFIDENTIALITY OATH  
Non-LACDMH Workforce Members**

The intent of this Confidentiality Form is to ensure that all County Departments, Contractors, LACDMH Non-Governmental Agencies (NGA), Fee-For-Service Hospital (FFS1), Fee-For-Service Outpatient (FFS2) and Pharmacy users are aware of their responsibilities and accountability to protect the confidentiality of clients' sensitive information viewed, maintained and/or accessed by any LACDMH on-line systems.

Further, the Department's Medi-Cal and MEDS access policy has been established in accordance with Federal and State laws governing confidentiality.

The California Welfare and Institutions (W&I) Code, Section 14100.2, cites the information to be regarded confidential. This information includes applicant/beneficiary names, addresses, services provided, social and economic conditions or circumstances, agency evaluation of personal information, and medical data. (See also 22 California Code of Regulations (C.C.R.), Sections 50111 and 51009)

The Medi-Cal Eligibility Manual, Section 2-H, titled "Confidentiality of Medi-Cal Case Records," referring to Section 14100.2, a, b, f, and h, W&I Code, provides in part that:

- "(a) All types of information, whether written or oral, concerning a person, made or kept by any public office or agency in connection with the administration of any provision of this chapter \*... shall be confidential, and shall not be open to examination other than for purposes directly connected with administration of the Medi-Cal program."
- "(b) Except as provided in this section and to the extent permitted by Federal Law or regulation, all information about applicants and recipients as provided for in subdivision (a) to be safeguarded includes, but is not limited to, names and addresses, medical services provided, social and economic conditions or circumstances, agency evaluation or personal information, and medical data, including diagnosis and past history of disease or disability."
- "(f) The State Department of Health Services may make rules and regulations governing the custody, use and preservation of all records, papers, files, and communications pertaining to the administration of the laws relating to the Medi-Cal program \*\*..."
- "(h) Any person who knowingly releases or possesses confidential information concerning persons who have applied for or who have been granted any form of Medi-Cal benefits \*\*\*... for which State or Federal funds are made available in violation of this section is guilty of a misdemeanor."

\*\*\* The State of California's Statute for Medicaid Confidentiality can be found at the following web address:

\*, \*\*, <http://www.dhcs.ca.gov/formsandpubs/laws/priv/Pages/Medicaidstatute.aspx>

*The signed copy of this agreement must be maintained by LACDMH Facilitators*

***Please read the agreement and take due time to consider it prior to signing.***

I understand that County Departments, Contractors, LACDMH Non-Governmental Agencies (NGA), Fee-For-Service Hospital (FFS1), Fee-For-Service Outpatient (FFS2) and Pharmacy users are prohibited from sharing their unique Logon I.D. and password with co-worker or other agencies.

Further, I understand that data browsing is strictly prohibited and my access to information is restricted to the minimum necessary required to carry out my job responsibilities.

Further, I understand that County Departments, Contractors, LACDMH Non-Governmental Agencies (NGA), Fee-For-Service Hospital (FFS1), Fee-For-Service Outpatient (FFS2) and Pharmacy users are prohibited from obtaining, releasing, or using confidential client information from case records or computer records for purposes not specifically related to the administration of services and authorized by the California Welfare and Institutions Code (Section 14100.2).

Further, I understand the violation of the confidentiality of records or of these policies which are made for protection of the confidentiality of such records, may cause:

1. A civil action under the provision of the Welfare and Institutions Code 5330 Sections:

- a) Any person may bring an action against an individual who has willfully and knowingly released confidential information or records concerning him or her in violation of this chapter, or of Chapter 1 (commencing with Section 11860) of Part 3 of Division 10.5 of the Health and Safety Code, for the greater of the following amounts:
  - 1. Ten thousand Dollars (\$10,000)
  - 2. Three times the amount of actual damages, if any sustained by the plaintiff.
- b) Any person may bring an action against an individual who has negligently released confidential information or records concerning him or her in violation of this chapter, or of Chapter 1 (commencing with Section 11860) of Part 3 of Division 10.5 of the Health and Safety Code, for both of the following:
  - 1. One thousand dollars (\$1,000) In order to recover under this paragraph, it shall not be a prerequisite that the plaintiff suffer or be threatened with actual damages.
  - 2. The amount of actual damages, if any, sustained by the plaintiff
- c) Any person may, in accordance with Chapter 3(commencing with Section 525) of Title 7 of Part 2 of the Code of Civil Procedure, bring an action to enjoin the release of confidential information or records in violation of this chapter, and may in the same action seek damages as provided in this section.
- d) In addition to the amounts specified in subdivisions (a) and (b), the plaintiff shall recover court costs and reasonable attorney's fees as determined by the court.

2. Disciplinary action including suspension or termination of employment.

Further, I understand that the County will not provide legal protection if violations of these policies or procedures occur.

I hereby certify that I have read this form and I have knowledge of the requirements of State and Federal confidentiality laws and will comply with all applicable provisions of same.

I, the undersigned, hereby agree not to divulge any information or records concerning any client except in accordance with W&I Code, Section 5328 et seq. and the Health Insurance Portability and Accountability Act of 1996 (HIPAA). I acknowledge that the unauthorized release of confidential information as described in this document may result in disciplinary action up to and including termination of any office of employment. I further agree I have read as described in this document that a person may make me subject to a civil action under the provisions of the W&I Code for the unauthorized release of confidential information.

User's Name: \_\_\_\_\_

Print

Signature

Date

Phone #: ( \_\_\_\_\_ ) \_\_\_\_\_ Ext: \_\_\_\_\_

Pharmacy, FFS, NGA Legal Entity No. or  
Provider #: \_\_\_\_\_ Provider Name: \_\_\_\_\_

Address: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_  
City Zip Code Service Area

**CONTRACTOR INFORMATION SECURITY REQUIREMENTS**

This Exhibit B (Information Security Requirements) is an attachment to the Agreement and incorporated into the Agreement by reference hereof. This Exhibit B (Information Security Requirements) sets forth information security procedures to be established by Contractor before the Effective Date of the Agreement and maintained throughout the Term of the Agreement. These procedures are in addition to the requirements of the Agreement and the Business Associate Agreement between the Parties. They present a minimum standard only. It is Contractor's sole obligation to: (i) implement appropriate measures to secure its systems and data, including Personal Information, Protected Health Information, and County Confidential Information, against internal and external threats and risks; and (ii) continuously review and revise those measures to address ongoing threats and risks. Failure to comply with the minimum standards set forth in this Exhibit B (Information Security Requirements) will constitute a material, non-curable breach of the Agreement by Contractor, entitling County, in addition to and cumulative of all other remedies available to it at law, in equity, or under the Agreement, to immediately terminate the Agreement. Contractor shall ensure the Information Security Requirements of this Attachment are adhered to by Contractor and by Contractor's workforce members and agents, including subcontractors, who perform or assist in performing functions or activities related to this Agreement.

**1. Personnel Controls**

**A. Employee Training.** All Contractor's workforce members who perform or assist in performing functions or activities on behalf of the County of Los Angeles Department of Mental Health (LACDMH), or access or disclose LACDMH PHI or PII must complete information privacy and security training, at least annually, at Contractor's expense. Each workforce member who receives information privacy and security training must sign a certification, indicating the workforce member's name and the date on which the training was completed. These certifications must be retained for a period of six (6) years following termination of this Agreement.

**B. Employee Discipline.** Appropriate sanctions must be applied against Contractor's workforce members who fail to comply with privacy policies and procedures or any provisions of these

requirements, including termination of employment where appropriate.

**C. Confidentiality Statement.** All Contractor's workforce members working with LACDMH PHI or PII must sign a confidentiality statement that includes, at a minimum, General Use, Security and Privacy Safeguards, Unacceptable Use, and Enforcement Policies. The statement must be signed by the workforce member prior to access to LACDMH PHI or PII. The statement must be renewed annually. Contractor shall retain each person's written confidentiality statement for LACDMH inspection for a period of six (6) years following termination of this Agreement.

**D. Background Check.** Before any Contractor's workforce member may access LACDMH PHI or PII, a background screening of that worker must be conducted by Contractor. The screening should be commensurate with the risk and magnitude of harm the employee could cause, with more thorough screening being done for those employees who are authorized to bypass significant technical and operational security controls. Contractor shall retain each workforce member's background check documentation for a period of three (3) years.

## **2. Technical Security Controls**

**A. Workstation/Laptop encryption.** All Contractor's workforce members' workstations and laptops that store LACDMH PHI or PII either directly or temporarily must be encrypted using a FIPS 140-2 certified algorithm which is 128bit or higher, such as Advanced Encryption Standard (AES). The encryption solution must be full disk unless approved by the LACDMH Information Security Office.

**B. Server Security.** All Contractor's servers containing unencrypted LACDMH PHI or PII must have sufficient administrative, physical, and technical controls in place to protect that data, based upon a risk assessment/system security review.

**C. Minimum Necessary.** Only the minimum necessary amount of LACDMH PHI or PII required to perform necessary business functions may be copied, downloaded, or exported.

**D. Removable media devices.** All electronic files that contain LACDMH PHI or PII data must be encrypted when stored on any removable media or portable device (i.e. USB thumb drives, floppies, CD/DVD, Blackberry, backup tapes etc.). Encryption must be a FIPS 140-2 certified algorithm which is 128bit or higher, such as AES.

**E. Antivirus software.** All Contractor's workstations, laptops and other systems that process and/or store LACDMH's PHI or PII must install and actively use comprehensive anti-virus software solution with automatic updates scheduled at least once a day.

**F. Patch Management.** All Contractor's workstations, laptops and other systems that process and/or store LACDMH PHI or PII must have critical security patches applied, with system reboot if necessary. There must be a documented patch management process which determines installation timeframe based on risk assessment and vendor recommendations. At a maximum, all applicable patches must be installed within 30 days of vendor release. Applications and systems that cannot be patched within this time frame due to significant operational reasons must have compensatory controls implemented to minimize risk until the patches can be installed. Applications and systems that cannot be patched must have compensatory controls implemented to minimize risk, where possible.

**G. User IDs and Password Controls.** All Contractors' users must be issued a unique user name for accessing LACDMH PHI or PII. Username must be promptly disabled, deleted, or the password changed upon the transfer or termination of an employee. Passwords are not to be shared. Passwords must be at least eight characters and must be a non-dictionary word. Passwords must not be stored in readable format on the computer. Passwords must be changed at least every 90 days, preferably every 60 days. Passwords must be changed if revealed or compromised. Passwords must be composed of characters from at least three of the following four groups from the standard keyboard:

- 1) Upper case letters (A-Z)
- 2) Lower case letters (a-z)
- 3) Arabic numerals (0-9)
- 4) Non-alphanumeric characters (punctuation symbols)

**H. Data Destruction.** When no longer needed, all LACDMH PHI or PII must be destroyed using the Gutmann or US Department of Defense (DoD) 5220.22-M (7 Pass) standard, or by degaussing. Media may also be physically destroyed in accordance with NIST Special Publication 800-88. Contractor may use a disposal vendor as a business associate to pick up and shred or otherwise destroy the PHI. Other methods require prior written permission of the LACDMH Information Security Office. In general, examples of proper disposal methods may include, but are not limited to:

➤ For PHI in paper records, shredding, burning, pulping, or pulverizing the records so that PHI is rendered essentially unreadable, indecipherable, and otherwise cannot be reconstructed.

➤ For PHI on electronic media, clearing (using software or hardware products to overwrite media with non-sensitive data), purging (degaussing or exposing the media to a strong magnetic field in order to disrupt the recorded magnetic domains), or destroying the media (disintegration, pulverization, melting, incinerating, or shredding).

➤ Maintaining labeled prescription bottles and other PHI in opaque bags in a secure area and using a disposal vendor as a business associate to pick up and shred or otherwise destroy the PHI.

**I. System Timeout.** All Contractors' systems providing access to LACDMH PHI or PII must provide an automatic timeout, requiring re-authentication of the user session after no more than 20 minutes of inactivity.

**J. Warning Banners.** All Contractor's systems providing access to LACDMH PHI or PII must display a warning banner stating that data is confidential, systems are logged, and system use is for business purposes only by authorized users. User must be directed to log off the system if they do not agree with these requirements.

**K. System Logging.** All Contractor's systems must maintain an automated audit trail which can identify the user or system process which initiates a request for LACDMH PHI or PII, or which alters LACDMH PHI or PII. The audit trail must be date and time stamped, must log both successful and failed accesses, must be read only, and must be restricted to authorized users. If LACDMH PHI or PII is stored in a database, database logging functionality must be enabled. Audit trail data must be archived for at least 3 years after occurrence.

**L. Access Controls.** All Contractors' system providing access to LACDMH PHI or PII must use role based access controls for all user authentications, enforcing the principle of least privilege.

**M. Transmission encryption.** All data transmissions of LACDMH PHI or PII outside the secure internal network must be encrypted using a FIPS 140-2 certified algorithm which is 128bit or higher, such as AES. Encryption can be end to end at the network level, or the data files containing LACDMH PHI can be encrypted. This requirement pertains to any type of LACDMH PHI or PII in motion such as website access, file transfer, and E-Mail.

**N. Intrusion Detection.** All Contractor's systems involved in accessing, holding, transporting, and protecting LACDMH PHI or PII that are accessible via the Internet must be protected by a comprehensive intrusion detection and prevention solution.

### **3. Audit Controls**

**A. System Security Review.** Contractor must ensure audit control mechanisms that record and examine system activity are in place. All systems processing and/or storing LACDMH PHI or PII must have at least an annual system risk assessment/security review which provides assurance that administrative, physical, and technical controls are functioning effectively and providing adequate levels of protection. Reviews should include vulnerability scanning tools.

**B. Log Reviews.** All Contractor's systems processing and/or storing LACDMH PHI or PII must have a routine procedure in place to review system logs for unauthorized access.

**C. Change Control.** All Contractor's systems processing and/or storing LACDMH PHI or PII must have a documented change control procedure that ensures separation of duties and protects the confidentiality, integrity and availability of data.

### **4. Business Continuity / Disaster Recovery Controls**

**A. Emergency Mode Operation Plan.** Contractor must establish a documented plan to enable continuation of critical business processes and protection of the security of LACDMH PHI or PII held in an electronic format in the event of an emergency. Emergency means any circumstance or situation that causes normal computer operations to become unavailable for use in performing the work required under this Agreement for more than 24-hours.

**B. Data Backup Plan.** Contractor must have established documented procedures to backup LACDMH PHI to maintain retrievable exact copies of the PHI or PII. The plan must include a regular schedule for making backups, storing them offsite, an inventory of backup media, and an estimate of the amount of time needed to restore LACDMH PHI or PII should it become unavailable. At a minimum, the schedule must be a weekly full backup and monthly offsite storage of LACDMH data.

### **5. Paper Document Controls**

**A. Supervision of Data.** LACDMH PHI or PII in paper form shall not be left unattended at any time, unless it is locked in a file cabinet, file room, desk or office. Unattended means that information

is not being observed by an employee authorized to access the information. LACDMH PHI or PII in paper form shall not be left unattended at any time in vehicles or planes and shall not be checked in baggage on commercial airplanes.

**B. Escorting Visitors.** Visitors to areas where LACDMH PHI or PII is contained shall be escorted and PHI or PII shall be kept out of sight while visitors are in the area.

**C. Confidential Destruction.** LACDMH PHI or PII must be disposed of through confidential means, such as cross cut shredding and pulverizing.

**D. Removal of Data.** Only the minimum necessary LACDMH PHI or PII may be removed from the premises of Contractor except with express written permission of LACDMH. The PHI or PII shall not be considered "removed from the premises" if it is only being transported from one of Contractor's locations to another of Contractor's locations. Removed or transported PHI or PII from or between Contractor(s) and Vendor(s) locations must be reasonably safeguarded to limit incidental use or disclosure.

**E. Faxing.** Faxes containing LACDMH PHI or PII shall not be left unattended and fax machines shall be in secure areas. Faxes shall contain a confidentiality statement notifying persons receiving faxes in error to destroy them. Fax numbers shall be verified with the intended recipient before sending the fax.

**F. Mailing.** Mailings containing LACDMH PHI or PII shall be sealed and secured from damage or inappropriate viewing of such PHI or PII to the extent possible. All mailings that include LACDMH PHI or PII shall be sent using a tracked mailing method which includes verification of delivery and receipt, unless prior written permission of the LACDMH to use another method is obtained.

**G. Disposal.** For LACDMH PHI or PII in paper records, Contractor must utilize methods such as shredding, burning, pulping, or pulverizing so that the PHI or PII is rendered essentially unreadable, indecipherable, and otherwise cannot be reconstructed.

## EXHIBIT C

### CONTRACTOR ACKNOWLEDGEMENT AND CONFIDENTIALITY AGREEMENT

#### FORMS REQUIRED AT THE TIME OF CONTRACT EXECUTION

*Applicability of the forms below is based on the type of contract. A contract involving Information Technology (IT) services includes Copyright Assignment language whereas a non-IT Contract omits the Copyright Assignment language.*

*Additionally, a determination must be made whether the Contractor will complete a Confidentiality Agreement on behalf of its employees or whether Contractor's employees and non-employees will complete the Confidentiality Agreements individually.*

#### NON-IT CONTRACTS

EXHIBIT C: CONTRACTOR ACKNOWLEDGEMENT AND CONFIDENTIALITY AGREEMENT  
EXHIBIT D: CONTRACTOR EMPLOYEE ACKNOWLEDGEMENT AND CONFIDENTIALITY AGREEMENT

EXHIBIT E: CONTRACTOR NON-EMPLOYEE ACKNOWLEDGEMENT AND CONFIDENTIALITY AGREEMENT

**CONTRACTOR ACKNOWLEDGEMENT AND CONFIDENTIALITY AGREEMENT**

CONTRACTOR NAME: \_\_\_\_\_ Contract No. \_\_\_\_\_

**GENERAL INFORMATION:**

Contractor referenced above has entered into a contract with the County of Los Angeles to provide certain services to the County. The County requires the Corporation to sign this Contractor Acknowledgement and Confidentiality Agreement.

**CONTRACTOR ACKNOWLEDGEMENT:**

Contractor understands and agrees that Contractor employees, consultants, Outsourced Vendors and independent contractors (Contractor's Staff) that will provide services in the above referenced agreement are Contractor's sole responsibility. Contractor understands and agrees that Contractor's Staff must rely exclusively upon Contractor for payment of salary and any and all other benefits payable by virtue of Contractor's Staff's performance of work under the above-referenced contract.

Contractor understands and agrees that Contractor's Staff are not employees of the County of Los Angeles for any purpose whatsoever and that Contractor's Staff do not have and will not acquire any rights or benefits of any kind from the County of Los Angeles by virtue of my performance of work under the above-referenced contract. Contractor understands and agrees that Contractor's Staff will not acquire any rights or benefits from the County of Los Angeles pursuant to any agreement between any person or entity and the County of Los Angeles.

**CONFIDENTIALITY AGREEMENT:**

Contractor and Contractor's Staff may be involved with work pertaining to services provided by the County of Los Angeles and, if so, Contractor and Contractor's Staff may have access to confidential data and information pertaining to persons and/or entities receiving services from the County. In addition, Contractor and Contractor's Staff may also have access to proprietary information supplied by other vendors doing business with the County of Los Angeles. The County has a legal obligation to protect all such confidential data and information in its possession, especially data and information concerning health, criminal, and welfare recipient records. Contractor and Contractor's Staff understand that if they are involved in County work, the County must ensure Contractor and Contractor's Staff, will protect the confidentiality of such data and information. Consequently, Contractor must sign this Confidentiality Agreement as a condition of work to be provided by Contractor's Staff for the County.

Contractor and Contractor's Staff hereby agrees that they will not divulge to any unauthorized person any data or information obtained while performing work pursuant to the above-referenced contract between Contractor and the County of Los Angeles. Contractor and Contractor's Staff agree to forward all requests for the release of any data or information received to County's Project Manager.

Contractor and Contractor's Staff agree to keep confidential all health, criminal, and welfare recipient records and all data and information pertaining to persons and/or entities receiving services from the County, design concepts, algorithms, programs, formats, documentation, Contractor proprietary information and all other original materials produced, created, or provided to Contractor and Contractor's Staff under the above-referenced contract. Contractor and Contractor's Staff agree to protect these confidential materials against disclosure to other than Contractor or County employees who have a need to know the information. Contractor and Contractor's Staff agree that if proprietary information supplied by other County vendors is provided to me during this employment, Contractor and Contractor's Staff shall keep such information confidential.

Contractor and Contractor's Staff agree to report any and all violations of this agreement by Contractor and Contractor's Staff and/or by any other person of whom Contractor and Contractor's Staff become aware.

Contractor and Contractor's Staff acknowledge that violation of this agreement may subject Contractor and Contractor's Staff to civil and/or criminal action and that the County of Los Angeles may seek all possible legal redress.

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

PRINTED NAME: \_\_\_\_\_

POSITION: \_\_\_\_\_

**EXHIBIT D**

**CONTRACTOR EMPLOYEE ACKNOWLEDGEMENT AND CONFIDENTIALITY AGREEMENT**

(Note: This certification is to be executed and returned to County with Contractor's executed Contract. Work cannot begin on the Contract until County receives this executed document.)

Contractor Name \_\_\_\_\_

Contract No. \_\_\_\_\_

Employer Name \_\_\_\_\_

**GENERAL INFORMATION:**

Your employer referenced above has entered into a contract with the County of Los Angeles to provide certain services to the County. The County requires your signature on this Contractor Employee Acknowledgement and Confidentiality Agreement.

**EMPLOYEE ACKNOWLEDGEMENT:**

I understand and agree that the Contractor referenced above is my sole employer for purposes of the above-referenced contract. I understand and agree that I must rely exclusively upon my employer for payment of salary and any and all other benefits payable to me or on my behalf by virtue of my performance of work under the above-referenced contract.

I understand and agree that I am not an employee of the County of Los Angeles for any purpose whatsoever and that I do not have and will not acquire any rights or benefits of any kind from the County of Los Angeles by virtue of my performance of work under the above-referenced contract. I understand and agree that I do not have and will not acquire any rights or benefits from the County of Los Angeles pursuant to any agreement between any person or entity and the County of Los Angeles.

I understand and agree that I may be required to undergo a background and security investigation(s). I understand and agree that my continued performance of work under the above-referenced contract is contingent upon my passing, to the satisfaction of the County, any and all such investigations. I understand and agree that my failure to pass, to the satisfaction of the County, any such investigation shall result in my immediate release from performance under this and/or any future contract.

**CONFIDENTIALITY AGREEMENT:**

I may be involved with work pertaining to services provided by the County of Los Angeles and, if so, I may have access to confidential data and information pertaining to persons and/or entities receiving services from the County. In addition, I may also have access to proprietary information supplied by other vendors doing business with the County of Los Angeles. The County has a legal obligation to protect all such confidential data and information in its possession, especially data and information concerning health, criminal, and welfare recipient records. I understand that if I am involved in County work, the County must ensure that I, too, will protect the confidentiality of such data and information. Consequently, I understand that I must sign this agreement as a condition of my work to be provided by my employer for the County. I have read this agreement and have taken due time to consider it prior to signing.

I hereby agree that I will not divulge to any unauthorized person any data or information obtained while performing work pursuant to the above-referenced contract between my employer and the County of Los Angeles. I agree to forward all requests for the release of any data or information received by me to my immediate supervisor.

I agree to keep confidential all health, criminal, and welfare recipient records and all data and information pertaining to persons and/or entities receiving services from the County, design concepts, algorithms, programs, formats, documentation, Contractor proprietary information and all other original materials produced, created, or provided to or by me under the above-referenced contract. I agree to protect these confidential materials against disclosure to other than my employer or County employees who have a need to know the information. I agree that if proprietary information supplied by other County vendors is provided to me during this employment, I shall keep such information confidential.

I agree to report to my immediate supervisor any and all violations of this agreement by myself and/or by any other person of whom I become aware. I agree to return all confidential materials to my immediate supervisor upon completion of this contract or termination of my employment with my employer, whichever occurs first.

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

PRINTED NAME: \_\_\_\_\_

POSITION: \_\_\_\_\_

## EXHIBIT E

### CONTRACTOR NON-EMPLOYEE ACKNOWLEDGEMENT AND CONFIDENTIALITY AGREEMENT

(Note: This certification is to be executed and returned to County with Contractor's executed Contract. Work cannot begin on the Contract until County receives this executed document.)

Contractor Name \_\_\_\_\_ Contract No. \_\_\_\_\_

Non-Employee Name \_\_\_\_\_

#### GENERAL INFORMATION:

The Contractor referenced above has entered into a contract with the County of Los Angeles to provide certain services to the County. The County requires your signature on this Contractor Non-Employee Acknowledgement and Confidentiality Agreement.

#### NON-EMPLOYEE ACKNOWLEDGEMENT:

I understand and agree that the Contractor referenced above has exclusive control for purposes of the above-referenced contract. I understand and agree that I must rely exclusively upon the Contractor referenced above for payment of salary and any and all other benefits payable to me or on my behalf by virtue of my performance of work under the above-referenced contract.

I understand and agree that I am not an employee of the County of Los Angeles for any purpose whatsoever and that I do not have and will not acquire any rights or benefits of any kind from the County of Los Angeles by virtue of my performance of work under the above-referenced contract. I understand and agree that I do not have and will not acquire any rights or benefits from the County of Los Angeles pursuant to any agreement between any person or entity and the County of Los Angeles.

I understand and agree that I may be required to undergo a background and security investigation(s). I understand and agree that my continued performance of work under the above-referenced contract is contingent upon my passing, to the satisfaction of the County, any and all such investigations. I understand and agree that my failure to pass, to the satisfaction of the County, any such investigation shall result in my immediate release from performance under this and/or any future contract.

#### CONFIDENTIALITY AGREEMENT:

I may be involved with work pertaining to services provided by the County of Los Angeles and, if so, I may have access to confidential data and information pertaining to persons and/or entities receiving services from the County. In addition, I may also have access to proprietary information supplied by other vendors doing business with the County of Los Angeles. The County has a legal obligation to protect all such confidential data and information in its possession, especially data and information concerning health, criminal, and welfare recipient records. I understand that if I am involved in County work, the County must ensure that I, too, will protect the confidentiality of such data and information. Consequently, I understand that I must sign this agreement as a condition of my work to be provided by the above-referenced Contractor for the County. I have read this agreement and have taken due time to consider it prior to signing.

I hereby agree that I will not divulge to any unauthorized person any data or information obtained while performing work pursuant to the above-referenced contract between the above-referenced Contractor and the County of Los Angeles. I agree to forward all requests for the release of any data or information received by me to the above-referenced Contractor.

I agree to keep confidential all health, criminal, and welfare recipient records and all data and information pertaining to persons and/or entities receiving services from the County, design concepts, algorithms, programs, formats, documentation, Contractor proprietary information, and all other original materials produced, created, or provided to or by me under the above-referenced contract. I agree to protect these confidential materials against disclosure to other than the above-referenced Contractor or County employees who have a need to know the information. I agree that if proprietary information supplied by other County vendors is provided to me, I shall keep such information confidential.

I agree to report to the above-referenced Contractor any and all violations of this agreement by myself and/or by any other person of whom I become aware. I agree to return all confidential materials to the above-referenced Contractor upon completion of this contract or termination of my services hereunder, whichever occurs first.

SIGNATURE: \_\_\_\_\_  
PRINTED NAME: \_\_\_\_\_  
POSITION: \_\_\_\_\_

DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

**CONTRACTOR'S EEO CERTIFICATION**


---

 Contractor Name

---

 Address

---

 Internal Revenue Service Employer Identification Number
**GENERAL CERTIFICATION**

In accordance with Section 4.32.010 of the Code of the County of Los Angeles, the contractor, supplier, or vendor certifies and agrees that all persons employed by such firm, its affiliates, subsidiaries, or holding companies are and will be treated equally by the firm without regard to or because of race, religion, ancestry, national origin, or sex and in compliance with all anti-discrimination laws of the United States of America and the State of California.

**CONTRACTOR'S SPECIFIC CERTIFICATIONS**

- |    |                                                                                                                                                                                   |                              |                             |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
| 1. | The Contractor has a written policy statement prohibiting discrimination in all phases of employment.                                                                             | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 2. | The Contractor periodically conducts a self analysis or utilization analysis of its work force.                                                                                   | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 3. | The Contractor has a system for determining if its employment practices are discriminatory against protected groups.                                                              | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 4. | Where problem areas are identified in employment practices, the Contractor has a system for taking reasonable corrective action, to include establishment of goals or timetables. | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

---

 Authorized Official's Printed Name and Title

---

 Authorized Official's Signature

---

 Date

**ATTESTATION REGARDING FEDERALLY FUNDED PROGRAMS**

In accordance with the DMH Pharmacy Benefit Management (PBM) Agreement's Paragraph 11 (CONTRACTOR'S EXCLUSION FROM PARTICIPATION IN A FEDERALLY FUNDED PROGRAM):

I, the undersigned certify that I am not presently excluded from participation in federally funded health care programs, nor is there an investigation presently pending or recently concluded of me which is likely to result in my exclusion from any federally funded health care program, nor am I otherwise likely to be found by a federal or state agency to be ineligible to provide goods or services under the federally funded health care programs.

I further certify as the official responsible for the administration of Magellan Pharmacy Solutions, Inc. (hereafter "Contractor") that all of its officers, employees, agents and/or subcontractors are not presently excluded from participation in any federally funded health care programs, nor is there an investigation presently pending or recently concluded of any such officers, employees, agents and/or subcontractors which is likely to result in an exclusion from any federally funded health care program, nor are any of its officers, employees, agents and/or subcontractors otherwise likely to be found by a federal or state agency to be ineligible to provide goods or services under the federally funded health care programs.

I understand and certify that I will notify DMH within thirty (30) calendar days, in writing of:

- Any event that would require Contractor or any of its officers, employees, agents and/or subcontractors exclusion or suspension under federally funded health care programs, or
- Any suspension or exclusionary action taken by an agency of the federal or state government against Contractor, or one or more of its officers, employees, agents and/or subcontractors, barring it or its officers, employees, agents and/or subcontractors from providing goods or services for which federally funded healthcare program payment may be made.

Name of authorized official (Official Name) \_\_\_\_\_  
Please print name

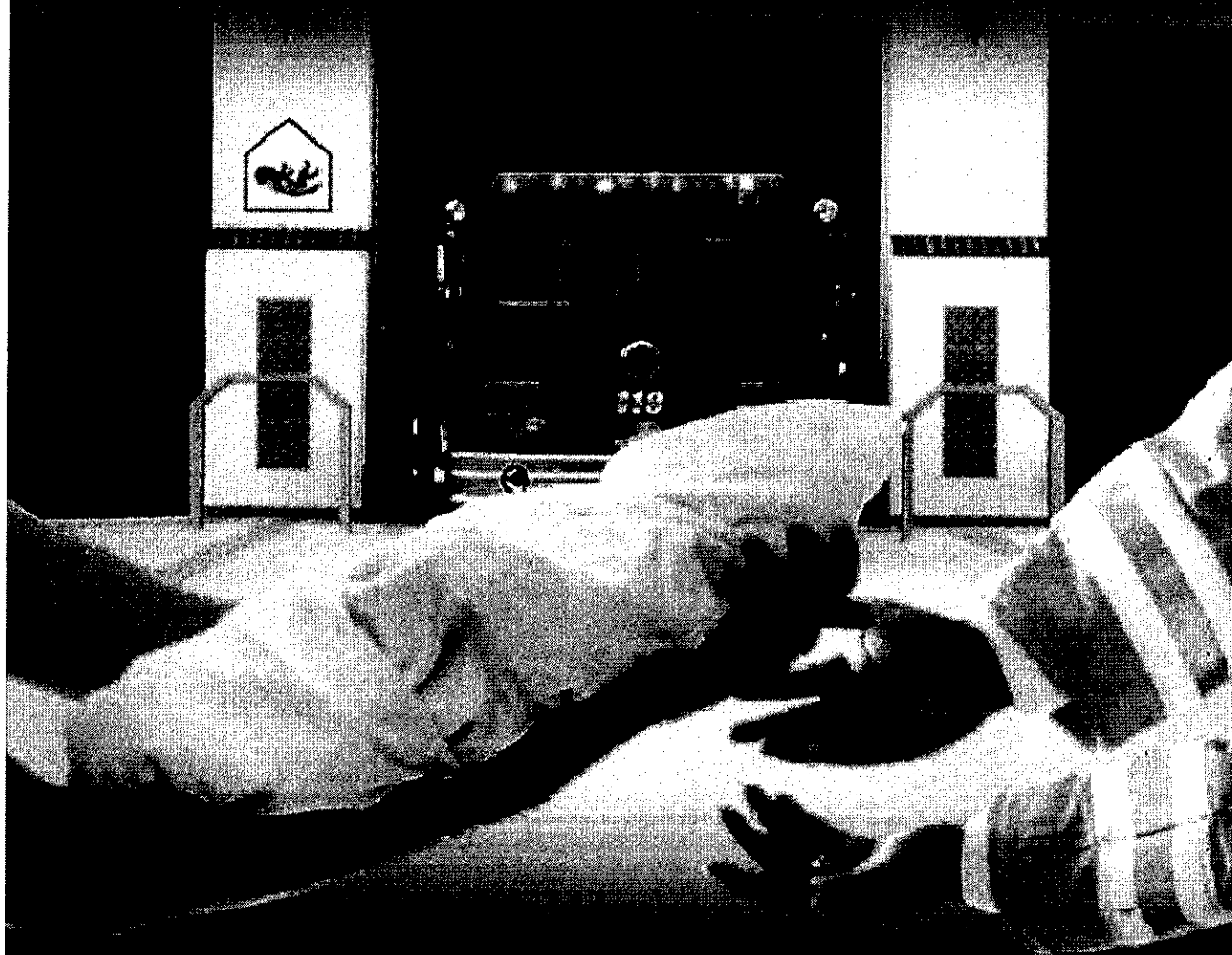
Signature of authorized official \_\_\_\_\_ Date \_\_\_\_\_

## **SAFELY SURRENDERED BABY LAW**

Posters and Fact Sheets are available in English and Spanish for printing purposes at the following website:

[www.babysafela.org](http://www.babysafela.org)

# *Safely* Surrendered



No shame. No blame. No names.

In Los Angeles County: 1-877-BABY SAFE • 1-877-222-9723

[www.babysafe.org](http://www.babysafe.org)



# Safely Surrendered Baby Law

## What is the Safely Surrendered Baby Law?

*Every baby deserves a chance for a healthy life. If someone you know is considering abandoning a baby, let her know there are other options. For three days (72 hours) after birth, a baby can be surrendered to staff at any hospital or fire station in Los Angeles County.*

## A baby's story

Early in the morning on April 9, 2005, a healthy baby boy was safely surrendered to nurses at Harbor-UCLA Medical Center. The woman who brought the baby to the hospital identified herself as the baby's aunt and stated the baby's mother had asked her to bring the baby to the hospital on her behalf. The aunt was given a bracelet with a number matching the anklet placed on the baby; this would provide some identification in the event the mother changed her mind about surrendering the baby and wished to reclaim the baby in the 14-day period allowed by the Law. The aunt was also provided with a medical questionnaire and said she would have the mother complete and mail back in the stamped return envelope provided. The baby was examined by medical staff and pronounced healthy and full-term. He was placed with a loving family that had been approved to adopt him by the Department of Children and Family Services.

In Los Angeles County: 1-877-BABY SAFE • 1-877-222-9723

[www.babysafe.org](http://www.babysafe.org)

### How does it work?

A distressed parent who is unable or unwilling to care for a baby can legally, confidentially, and safely surrender a baby within three days (72 hours) of birth. The baby must be handed to an employee at a hospital or fire station in Los Angeles County. As long as the baby shows no sign of abuse or neglect, no name or other information is required. In case the parent changes his or her mind at a later date and wants the baby back, staff will use bracelets to help connect them to each other. One bracelet will be placed on the baby, and a matching bracelet will be given to the parent or other surrendering adult.

### What if a parent wants the baby back?

Parents who change their minds can begin the process of reclaiming their baby within 14 days. These parents should call the Los Angeles County Department of Children and Family Services at 1-800-540-4000.

### Can only a parent bring in the baby?

No. While in most cases a parent will bring in the baby, the Law allows other people to bring in the baby if they have lawful custody.

### Does the parent or surrendering adult have to call before bringing in the baby?

No. A parent or surrendering adult can bring in a baby anytime, 24 hours a day, 7 days a week, as long as the parent or surrendering adult surrenders the baby to someone who works at the hospital or fire station.

### Does the parent or surrendering adult have to tell anything to the people taking the baby?

No. However, hospital or fire station personnel will ask the surrendering party to fill out a questionnaire designed to gather important medical history information, which is very useful in caring for the baby. The questionnaire includes a stamped return envelope and can be sent in at a later time.

### What happens to the baby?

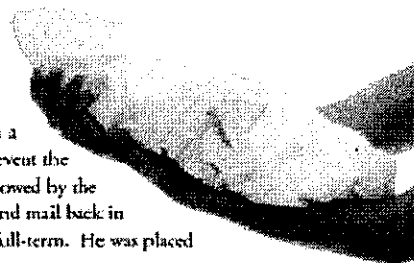
The baby will be examined and given medical treatment. Upon release from the hospital, social workers immediately place the baby in a safe and loving home and begin the adoption process.

### What happens to the parent or surrendering adult?

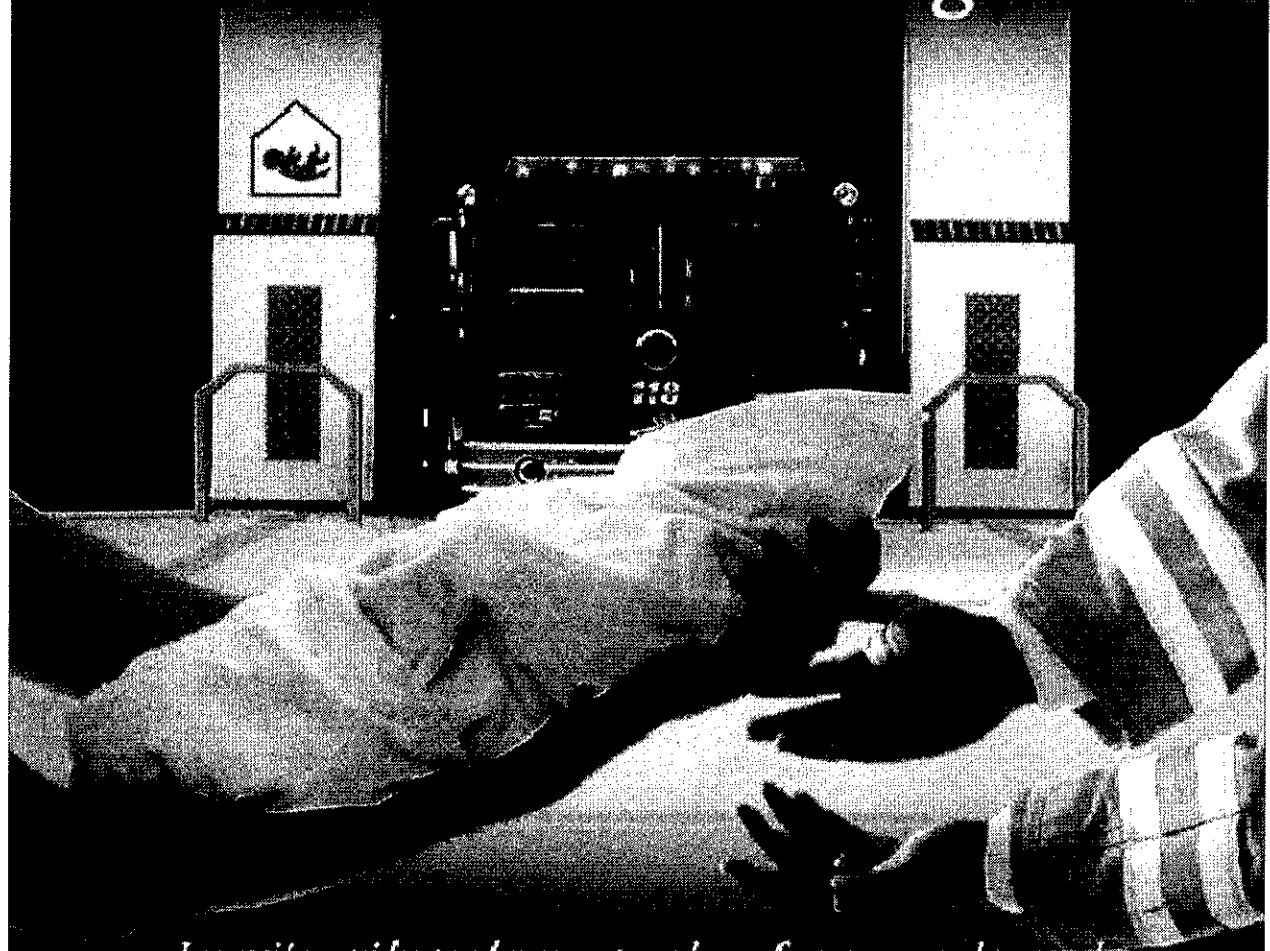
Once the parent or surrendering adult surrenders the baby to hospital or fire station personnel, they may leave at any time.

### Why is California doing this?

The purpose of the Safely Surrendered Baby Law is to protect babies from being abandoned, hurt or killed by their parents. You may have heard tragic stories of babies left in dumpsters or public bathrooms. Their parents may have been under severe emotional distress. The mothers may have hidden their pregnancies, fearful of what would happen if their families found out. Because they were afraid and had no one or nowhere to turn for help, they abandoned their babies. Abandoning a baby is illegal and places the baby in extreme danger. Too often, it results in the baby's death. The Safely Surrendered Baby Law prevents this tragedy from ever happening again in California.



# *Ley de* Entrega de Bebés *Sin Peligro*



*Los recién nacidos pueden ser entregados en forma segura al personal  
de cualquier hospital o cuartel de bomberos del Condado de Los Ángeles*

**Sin pena. Sin culpa. Sin nombres.**

**En el Condado de Los Ángeles: 1-877-BABY SAFE • 1-877-222-9723**

[www.babysafe1a.org](http://www.babysafe1a.org)



# Ley de Entrega de Bebés Sin Peligro

## ¿Qué es la Ley de Entrega de Bebés sin Peligro?

La Ley de Entrega de Bebés sin Peligro es una ley que protege a los bebés que son abandonados por sus padres o adultos. La ley permite que un recién nacido sea entregado al personal de cualquier hospital o cuartel de bomberos del Condado de Los Angeles dentro de los 72 horas después del nacimiento. El bebé debe ser entregado a un empleado de cualquier hospital o cuartel de bomberos del Condado de Los Angeles. Siempre que el bebé no presente signos de abuso o negligencia, no será necesario suministrar nombres ni información alguna. Si el padre/madre cambia de opinión posteriormente y desea recuperar a su bebé, los trabajadores utilizarán brazaletes para poder vincularlos. El bebé llevará un brazalete y el padre/madre o el adulto que lo entregue recibirá un brazalete igual.

## ¿Cómo funciona?

El padre/madre con dificultades que no pueda o no quiera cuidar de su recién nacido puede entregarlo en forma legal, confidencial y segura dentro de los tres días (72 horas) del nacimiento. El bebé debe ser entregado a un empleado de cualquier hospital o cuartel de bomberos del Condado de Los Angeles. Siempre que el bebé no presente signos de abuso o negligencia, no será necesario suministrar nombres ni información alguna. Si el padre/madre cambia de opinión posteriormente y desea recuperar a su bebé, los trabajadores utilizarán brazaletes para poder vincularlos. El bebé llevará un brazalete y el padre/madre o el adulto que lo entregue recibirá un brazalete igual.

## ¿Qué pasa si el padre/madre desea recuperar a su bebé?

Los padres que cambien de opinión pueden comenzar el proceso de reclamar a su recién nacido dentro de los 14 días. Estos padres deberán llamar al Departamento de Servicios para Niños y Familias (Department of Children and Family Services) del Condado de Los Angeles al 1-800-340-4000.

## ¿Sólo los padres podrán llevar al recién nacido?

No. Si bien en la mayoría de los casos son los padres los que llevan al bebé, la ley permite que otras personas lo hagan si tienen custodia legal.

## ¿Los padres o el adulto que entrega al bebé deben llamar antes de llevar al bebé?

No. El padre/madre o adulto puede llevar al bebé en cualquier momento, las 24 horas del día, los 7 días de la semana, siempre y cuando entregue a su bebé a un empleado del hospital o cuartel de bomberos.

## ¿Es necesario que el padre/madre o adulto diga algo a las personas que reciben al bebé?

No. Sin embargo, el personal del hospital o cuartel de bomberos le pedirá a la persona que entregue al bebé que llene un cuestionario con la finalidad de recabar antecedentes médicos importantes, que resultan de gran utilidad para cuidar bien del bebé. El cuestionario incluye un sobre con el sello postal pagado para enviarlo en otro momento.

## ¿Qué pasará con el bebé?

El bebé será examinado y le brindarán atención médica. Cuando le den el alta del hospital, los trabajadores sociales inmediatamente ubicarán al bebé en un hogar seguro donde estará bien atendido, y se comenzará el proceso de adopción.

## ¿Qué pasará con el padre/madre o adulto que entregue al bebé?

Una vez que los padres o adulto hayan entregado al bebé al personal del hospital o cuartel de bomberos, pueden irse en cualquier momento.

## ¿Por qué se está haciendo esto en California?

La finalidad de la Ley de Entrega de Bebés sin Peligro es proteger a los bebés para que no sean abandonados, lastimados o muertos por sus padres. Usted probablemente haya escuchado historias trágicas sobre bebés abandonados en basureros o en baños públicos. Los padres de esos bebés probablemente hayan estado pasando por dificultades emocionales graves. Las madres pueden haber ocultado su embarazo, por temor a lo que pasaría si sus familias se enteraran. Abandonaron a sus bebés porque tenían miedo y no tenían nadie a quien pedir ayuda. El abandono de un recién nacido es ilegal y pone al bebé en una situación de peligro extremo. Muy a menudo el abandono provoca la muerte del bebé. La Ley de Entrega de Bebés sin Peligro impide que vuelva a suceder esta tragedia en California.

*Cada recién nacido se merece la oportunidad de tener una vida saludable. Si alguien que usted conoce está pensando en abandonar a un recién nacido, infórmele que tiene otras opciones. Hasta tres días (72 horas) después del nacimiento, se puede entregar un recién nacido al personal de cualquier hospital o cuartel de bomberos del condado de Los Angeles.*

## Historia de un bebé

A la mañana temprana del día 9 de abril de 2005, se entregó un recién nacido saludable a las enfermeras del Harbor-UCLA Medical Center. La mujer que llevó el recién nacido al hospital se dio a conocer como la tía del bebé, y dijo que la madre le había pedido que llevara al bebé al hospital en su nombre. Le entregaron a la tía un brazalete con un número que coincidía con la pulsera del bebé; esto servía como identificación en caso de que la madre cambiara de opinión con respecto a la entrega del bebé y decidiera recuperarlo dentro del período de 14 días que permite esta ley. También le dieron a la tía un cuestionario médico, y ella dijo que la madre lo llenaría y lo enviaría de vuelta dentro del sobre con franqueo pagado que le habían dado. El personal médico examinó al bebé y se determinó que estaba saludable y a término. El bebé fue ubicado con una buena familia que ya había sido aprobada para adoptarlo por el Departamento de Servicios para Niños y Familias.



## CHARITABLE CONTRIBUTIONS CERTIFICATION

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Internal Revenue Service Employer Identification Number

\_\_\_\_\_  
California Registry of Charitable Trusts "CT" number (if applicable)

The Nonprofit Integrity Act (SB 1262, Chapter 919) added requirements to California's Supervision of Trustees and Fundraisers for Charitable Purposes Act which regulates those receiving and raising charitable contributions.

**Check the Certification below that is applicable to your company.**

- ☐ Contractor or Contractor has examined its activities and determined that it does not now receive or raise charitable contributions regulated under California's Supervision of Trustees and Fundraisers for Charitable Purposes Act. If Contractor engages in activities subjecting it to those laws during the term of a County contract, it will timely comply with them and provide County a copy of its initial registration with the California State Attorney General's Registry of Charitable Trusts when filed.

**OR**

- ☐ Contractor or Contractor is registered with the California Registry of Charitable Trusts under the CT number listed above and is in compliance with its registration and reporting requirements under California law. Attached is a copy of its most recent filing with the Registry of Charitable Trusts as required by Title 11 California Code of Regulations, sections 300-301 and Government Code sections 12585-12586.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name and Title of Signer (please print)

Title 2 ADMINISTRATION  
Chapter 2.203.010 through 2.203.090  
CONTRACTOR EMPLOYEE JURY SERVICE

**2.203.010 Findings.**

The board of supervisors makes the following findings. The county of Los Angeles allows its permanent, full-time employees unlimited jury service at their regular pay. Unfortunately, many businesses do not offer or are reducing or even eliminating compensation to employees who serve on juries. This creates a potential financial hardship for employees who do not receive their pay when called to jury service, and those employees often seek to be excused from having to serve. Although changes in the court rules make it more difficult to excuse a potential juror on grounds of financial hardship, potential jurors continue to be excused on this basis, especially from longer trials. This reduces the number of potential jurors and increases the burden on those employers, such as the county of Los Angeles, who pay their permanent, full-time employees while on juror duty. For these reasons, the county of Los Angeles has determined that it is appropriate to require that the businesses with which the county contracts possess reasonable jury service policies. (Ord. 2002-0015 § 1 (part), 2002)

**2.203.020 Definitions.**

The following definitions shall be applicable to this chapter:

- A. "Contractor" means a person, partnership, corporation or other entity which has a contract with the county or a subcontract with a county contractor and has received or will receive an aggregate sum of \$50,000 or more in any 12-month period under one or more such contracts or subcontracts.
- B. "Employee" means any California resident who is a full-time employee of a contractor under the laws of California.
- C. "Contract" means any agreement to provide goods to, or perform services for or on behalf of, the county but does not include:
  - 1. A contract where the board finds that special circumstances exist that justify a waiver of the requirements of this chapter; or
  - 2. A contract where federal or state law or a condition of a federal or state program mandates the use of a particular contractor; or
  - 3. A purchase made through a state or federal contract; or
  - 4. A monopoly purchase that is exclusive and proprietary to a specific manufacturer, distributor, or reseller, and must match and inter-member with existing supplies, equipment or systems maintained by the county pursuant to the Los Angeles County Purchasing Policy and Procedures Manual, Section P-3700 or a successor provision; or
  - 5. A revolving fund (petty cash) purchase pursuant to the Los Angeles County Fiscal Manual, Section 4.4.0 or a successor provision; or
  - 6. A purchase card purchase pursuant to the Los Angeles County Purchasing Policy and Procedures Manual, Section P-2810 or a successor provision; or
  - 7. A non-agreement purchase with a value of less than \$5,000 pursuant to the Los Angeles County Purchasing Policy and Procedures Manual, Section A-0300 or a successor provision; or
  - 8. A bona fide emergency purchase pursuant to the Los Angeles County Purchasing Policy and Procedures Manual, Section PP-1100 or a successor provision.

- D. "Full time" means 40 hours or more worked per week, or a lesser number of hours if:
1. The lesser number is a recognized industry standard as determined by the chief administrative officer, or
  2. The contractor has a long-standing practice that defines the lesser number of hours as full time.
- E. "County" means the county of Los Angeles or any public entities for which the board of supervisors is the governing body. (Ord. 2002-0040 § 1, 2002: Ord. 2002-0015 § 1 (part), 2002)

**2.203.030 Applicability.**

This chapter shall apply to contractors who enter into contracts that commence after July 11, 2002. This chapter shall also apply to contractors with existing contracts which are extended into option years that commence after July 11, 2002. Contracts that commence after May 28, 2002, but before July 11, 2002, shall be subject to the provisions of this chapter only if the solicitations for such contracts stated that the chapter would be applicable. (Ord. 2002-0040 § 2, 2002: Ord. 2002-0015 § 1 (part), 2002)

**2.203.040 Contractor Jury Service Policy.**

A contractor shall have and adhere to a written policy that provides that its employees shall receive from the contractor, on an annual basis, no less than five days of regular pay for actual jury service. The policy may provide that employees' deposit any fees received for such jury service with the contractor or that the contractor deduct from the employees' regular pay the fees received for jury service. (Ord. 2002-0015 § 1 (part), 2002)

**2.203.050 Other Provisions.**

- A. Administration. The chief administrative officer shall be responsible for the administration of this chapter. The chief administrative officer may, with the advice of county counsel, issue interpretations of the provisions of this chapter and shall issue written instructions on the implementation and ongoing administration of this chapter. Such instructions may provide for the delegation of functions to other county departments.
- B. Compliance Certification. At the time of seeking a contract, a contractor shall certify to the county that it has and adheres to a policy consistent with this chapter or will have and adhere to such a policy prior to award of the contract. (Ord. 2002-0015 § 1 (part), 2002)

**2.203.060 Enforcement and Remedies.**

For a contractor's violation of any provision of this chapter, the county department head responsible for administering the contract may do one or more of the following:

1. Recommend to the board of supervisors the termination of the contract; and/or,
2. Pursuant to chapter 2.202, seek the debarment of the contractor. (Ord. 2002-0015 § 1 (part), 2002)

**2.203.070. Exceptions.**

- A. Other Laws. This chapter shall not be interpreted or applied to any contractor or to any employee in a manner inconsistent with the laws of the United States or California.
- B. Collective Bargaining Agreements. This chapter shall be superseded by a collective bargaining agreement that expressly so provides.
- C. Small Business. This chapter shall not be applied to any contractor that meets all of the following:
  - 1. Has ten or fewer employees during the contract period; and,
  - 2. Has annual gross revenues in the preceding twelve months which, if added to the annual amount of the contract awarded, are less than \$500,000; and,
  - 3. Is not an affiliate or subsidiary of a business dominant in its field of operation.

"Dominant in its field of operation" means having more than ten employees and annual gross revenues in the preceding twelve months which, if added to the annual amount of the contract awarded, exceed \$500,000.

"Affiliate or subsidiary of a business dominant in its field of operation" means a business which is at least 20 percent owned by a business dominant in its field of operation, or by partners, officers, directors, majority stockholders, or their equivalent, of a business dominant in that field of operation. (Ord. 2002-0015 § 1 (part), 2002)

**2.203.090. Severability.**

If any provision of this chapter is found invalid by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect. (Ord. 2002-0015 § 1 (part), 2002)

COUNTY'S ADMINISTRATION

CONTRACT NO. \_\_\_\_\_

COUNTY PROJECT DIRECTOR:

*Name:* \_\_\_\_\_

*Title:* \_\_\_\_\_

*Address:* \_\_\_\_\_

*Telephone:* \_\_\_\_\_ *Facsimile:* \_\_\_\_\_

*E-Mail Address:* \_\_\_\_\_

COUNTY PROJECT MANAGER:

*Name:* \_\_\_\_\_

*Title:* \_\_\_\_\_

*Address:* \_\_\_\_\_

*Telephone:* \_\_\_\_\_ *Facsimile:* \_\_\_\_\_

*E-Mail Address:* \_\_\_\_\_

COUNTY CONTRACT PROJECT MONITOR:

*Name:* \_\_\_\_\_

*Title:* \_\_\_\_\_

*Address:* \_\_\_\_\_

*Telephone:* \_\_\_\_\_ *Facsimile:* \_\_\_\_\_

*E-Mail Address:* \_\_\_\_\_

**CONTRACTOR'S ADMINISTRATION**

CONTRACTOR'S NAME: \_\_\_\_\_

CONTRACT NO: \_\_\_\_\_

**CONTRACTOR'S PROJECT MANAGER:**

*Name:* \_\_\_\_\_

*Title:* \_\_\_\_\_

*Address:* \_\_\_\_\_

*Telephone:* \_\_\_\_\_

*Facsimile:* \_\_\_\_\_

*E-Mail Address:* \_\_\_\_\_

**CONTRACTOR'S AUTHORIZED OFFICIAL(S):**

*Name:* \_\_\_\_\_

*Title:* \_\_\_\_\_

*Address:* \_\_\_\_\_

*Telephone:* \_\_\_\_\_

*Facsimile:* \_\_\_\_\_

*E-Mail Address:* \_\_\_\_\_

*Name:* \_\_\_\_\_

*Title:* \_\_\_\_\_

*Address:* \_\_\_\_\_

*Telephone:* \_\_\_\_\_

*Facsimile:* \_\_\_\_\_

*E-Mail Address:* \_\_\_\_\_

**Notices to Contractor shall be sent to the following:**

*Name:* \_\_\_\_\_

*Title:* \_\_\_\_\_

*Address:* \_\_\_\_\_

*Telephone:* \_\_\_\_\_

*Facsimile:* \_\_\_\_\_

*E-Mail Address:* \_\_\_\_\_

# **STATEMENT OF WORK**



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## **1.0 INTRODUCTION**

### **1.1 Overview:**

The Los Angeles County Department of Mental Health (LACDMH) is the largest county mental health department in the country. LACDMH directly operates more than 80 programs and contracts for services with more than 400 agencies to serve approximately 100,000 clients each month throughout Los Angeles County. To the extent resources are available, LACDMH maintains financial responsibility for those clients who have no source of healthcare benefits (i.e., are uninsured). LACDMH contracts with over 75 pharmacies to dispense prescriptions to uninsured clients, paid for by LACDMH. Approximately 7,700 prescriptions are dispensed each month by LACDMH contracted pharmacies.

To track and dispense these medications, LACDMH currently utilizes a pharmacy authorization and tracking system that communicates prescriptions between directly operated and contracted provider clinic sites and the contracted pharmacies and incorporates adjudication of pharmacy Claims, medication history, eligibility for medication benefits, and formulary management.

LACDMH intends to replace this current prescription tracking system with a Pharmacy Benefit Manager (PBM) to administer LACDMH's prescription drug program. The PBM will process and pay prescription drug Claims, maintain LACDMH's formulary, contract and provide administrative oversight of a pharmacy network, and negotiate discounts and Rebates with drug manufacturers. The PBM is expected to decrease medication costs, improve quality of care, and expand access to pharmacies for uninsured clients.

### **1.2 Headings and Definitions:**

The headings herein contained are for convenience and reference only and are not intended to define the scope of any provision thereof. Contractor shall refer to, SOW Exhibits, Exhibit M - 3 for a complete list of acronyms, terms, and definitions.

## **2.0 SCOPE OF WORK**

Contractor shall provide comprehensive PBM services with a full range of customer service for Covered Clients, Directly Operated Sites and Contracted Staff.

### **2.1 Verification of Payor Status:**

To the extent resources are available, LACDMH pays for clients who have no access to

sources of pharmacy benefits (i.e. Covered Clients). LACDMH Covered Clients are required to pursue enrollment in Medi-Cal, Medicare, or other available coverage sources, but a proportion of the LACDMH client population is either ineligible or in a state of transition between coverage periods.

A. LACDMH shall provide a Usable Eligibility File and monthly updates to Contractor indicating LACDMH's current Covered Clients.

B. LACDMH will only reimburse Contractor when no other coverage is available for client.

C. Contractor shall be responsible either directly or through its Participating Pharmacies, for verifying Medi-Cal, Medicare, and other third-party payor eligibility and for billing Medi-Cal, Medicare, and third-party payors when a client is eligible.

1. In the event that LACDMH determines it improperly paid for medication for a client when other coverage was available, LACDMH shall provide Contractor with adjustment requests and supporting information. Contractor shall request, using commercially reasonable business efforts, Participating Pharmacies to reverse and re-bill the appropriate primary payor. Upon receipt of reverse payment funds, Contractor shall timely provide funds to LACDMH. LACDMH shall provide Contractor with a monthly file reflecting adjustment requests and supporting information upon mutually agreed deadline.

## 2.2 Pricing:

A. Contractor shall invoice LACDMH based on Pass-Through Pricing for each prescription drug or drug product dispensed, including Mail Order Pharmacy and/or Specialty Drugs to a Covered Client. Purchase discounts are not considered pass through. Contractor further agrees that to the extent Contractor has negotiated or will negotiate multiple contracts, or alternative financial terms within the same contract with any Participating Pharmacy, Contractor will pass through to LACDMH the terms most favorable for (and least expensive to) LACDMH, provided LACDMH is eligible to receive such terms, and recognizing that certain alternative financial terms have been negotiated by Contractor for clients dissimilar to LACDMH, such as Workers Compensation providers, Medicare Part D providers, 340(b) providers, or Staff Model Pharmacies.

B. Contractor further agrees that its Pass-Through Pricing will provide pricing to

LACDMH that is at least as favorable for LACDMH as the pricing provided in each of the guarantees specified in SOW , Exhibit M - 11, LACDMH Participating Pharmacy Drug Pricing and Guarantees.

C. For every Paid Claim Contractor reimburses to the Participating Pharmacy based on Usual & Customary (U&C) pricing, Contractor shall allocate the entire U&C charge to the Ingredient Cost, and shall not allocate any of the U&C charge to the Dispensing Fees.

1. Contractor represents that each of its contracts with Participating Pharmacies requires each Participating Pharmacy to include as its transmitted U&C price to Contractor for any and all U&C discounted prices that the pharmacy provides to Covered Clients.

D. Contractor shall adhere to the SOW, Exhibit N, Pricing Schedule, for the term of the Agreement and shall calculate the Effective Rates in accordance with the following:

1. Brand Effective Rate: The difference between a Brand Name Drug's Average Wholesale Price (AWP) and the discounted Ingredient Cost paid by the LACDMH for the Brand Name Drug, divided by the Brand Name Drug's AWP. This calculation shall include prescriptions for Brand Name Drug which price at a Participating Pharmacy U&C price.

2. Generic Effective Rate: The difference between a Generic Drug's AWP and the LACDMH's discounted ingredient price for the Generic Drug, divided by the Generic Drug's AWP. This calculation shall include Generic Drugs with MAC pricing, and Generic Drugs with non-MAC pricing, and shall include prescriptions for Generic Drugs which price at a Participating Pharmacy U&C price.

### 2.3 Claims Adjudication:

Contractor shall ensure all prescriptions submitted by LACDMH Prescribers:

A. Contractor shall provide 24-hour, 7 days a week, 365 days a year Claims adjudication services, except for periods of scheduled maintenance time.

B. Contractor shall ensure Participating Pharmacies comply with National Council Prescription Drug Programs (NCPDP) standards.

C. Contractor shall require Participating Pharmacies to verify that the Covered Client is uninsured and that the medication dispensed is a prescription drug or drug product listed on the LACDMH Formulary (Covered Item).

## 2.4 Drug Utilization Review:

Contractor shall provide prespective drug utilization review to all Participating Pharmacies for all Claims submitted on-line, subject to the signed parameters as mutually agreed to at least 30 days prior to Go-Live date:

- A. Drug to Drug Interactions
- B. Drug to Disease Inferred
- C. Duplicate Prescriptions
- D. Exceeding Maximum Dosage
- E. Below Minimum Dose
- F. Refill-Too-Soon based on the following "too soon parameters": refills can only be processed within 20 to 40 days of last dispensing date.
- G. Dose Range Check
- H. Therapeutic Duplications
- I. Prior Approval
- J. Drug/Pregnancy Conflicts
- K. Drug/Lactation Conflicts
- L. Drug/Age or Gender Conflicts (geriatric, pediatric, etc.)
- M. Noncompliance
- N. Polypharmacy (additive toxicity, side effects/disease, side effect and excess duration of therapy)
- O. Physician Edits
- P. Formulary Edits
- Q. Grandfathering (identified by the parties and agreed upon, in writing, prior to the effective date of the new standard and/or regulation.)

### 2.4.1 Participating Pharmacy Network

Contractor shall provide a network of Participating Pharmacies and shall adhere to the terms outlined in SOW, Exhibit M - 11 (Participating Pharmacy Drug Pricing and Guarantees) and:

- A. Contractor shall ensure the provision of linguistically and culturally competent pharmacy services to meet the needs of Covered Clients in the local community.

B. Contractor shall ensure 24-hour dispensing pharmacy coverage and communications to LACDMH and Covered Clients when, at minimum, one of the following has occurred:

1. Closure
2. Change of address
3. Name change

C. Contractor shall ensure that the distribution of Participating Pharmacies by Service Area and Supervisorial District is comparable to SOW, Exhibit M – 2, LACDMH's Current Contracted Pharmacy Pharmacies.

D. Contractor shall provide either the opportunity to LACDMH's currently contracted pharmacies, SOW, Exhibit M – 2, to join Contractor's Participating Pharmacy network or a compelling rationale as to why pharmacy was not permitted to join the network.

E. Contractor shall make available upon request a directory of Participating Pharmacies which shall include: hours of service, address, language capabilities, handicap access, public transportation, etc.

F. Contractor shall require the Participating Pharmacy to collect the following sums from the Covered Client:

1. Appropriate sales/use tax.
2. Appropriate Co-payment/Co-insurance/Share of Cost.

H. Contractor shall ensure Covered Client is not charged any minimum co-payment/co-insurance amount in excess of the drug's Ingredient Cost.

#### 2.5 Formulary Maintenance:

Contractor shall maintain LACDMH's Prescription Drug Benefits election of medicinal products, including, pharmaceuticals and biologics, in various therapeutic categories detailed in SOW, Exhibit M - 4, LACDMH Formulary and Benefit Plan.

A. Pharmacy and Therapeutics Committee: LACDMH has a Pharmacy and Therapeutics Committee that manages its formulary for Covered Clients. LACDMH through its

Pharmacy and Therapeutics Committee may periodically modify its formulary as new medications and/or new clinical information become available and shall be the only party that has the right to change the formulary. Contractor shall provide the following information to LACDMH as requested:

1. The safety and efficacy of any and all drugs identified by LACDMH;
2. The net drug cost to LACDMH of any and all drugs identified by LACDMH, factoring in all financial benefits that may be passed through to County for each such drug; and
3. A disruption analysis to assess the likely impact of changing the formulary.

B. Medication Treatment Authorization Request (M-TAR): An M-TAR, SOW, Exhibit M – 5, is utilized by LACDMH Prescribers to request prior authorization to prescribe a non-formulary medication or to prescribe outside of LACDMH's medication parameters.

1. Contractor shall implement an electronic M-TAR as feasible and mutually agreeable to ensure that M-TAR procedures are followed and that the required Hard Edits, SOW, Exhibit M - 6, LACDMH List of Required Hard Edits, are put in place that will prevent such drugs from being dispensed without LACDMH's prior authorization.

2. Contractor shall ensure that the LACDMH Portal as described in Section 2.10 will enable LACDMH to approve or deny the dispensing of the requested drug.

C. Step Therapy: Presently, LACDMH Prescribers may prescribe any medication on LACDMH's approved formulary; however, LACDMH may implement Step Therapy protocols whereby a Participating Pharmacy would be allowed to dispense certain drugs only after Covered Clients have tried alternative, less expensive, therapeutically similar or equivalent drug. At LACDMH's request, Contractor shall ensure that the LACDMH Portal will be able to manage edits and exceptions through the LACDMH Portal.

## 2.6 Special Programs:

Contractors shall implement the following LACDMH Special Programs and any associated Hard Edits:

A. Fund One: The Fund-One Program is a cost savings initiative whereby Prescribers may only prescribe, without prior M-TAR approval, a single branded antipsychotic

medication within a three (3)-week period preventing polypharmacologic branded prescribing regimens.

Contractor shall maintain a list of LACDMH identified Fund-One Program drugs and create a Hard Edit for each Fund-One Program Drug to preclude any other antipsychotic drug from being dispensed within a three (3)-week period from the date that the Fund-One Program Drug is dispensed.

B. **Mandatory Generic Prescribing:** The Mandatory Generic Prescribing Program is to ensure that Participating Pharmacies are required to dispense Generic Drugs that fall within the Mandatory Generic Program. Should a Covered Client request a Brand Drug that is dispensed by a Participating Pharmacy, LACDMH shall only be invoiced the cost of the Generic Drug and the Dispensing Fees. The Contractor shall ensure the following:

1. Contractor shall provide LACDMH with the ability to override the Mandatory Generic Program if Prescribers demonstrate the need for a Brand Drug to be dispensed based on LACDMH protocols.

2. Contractor shall track any override allowances.

C. **Quantity Limits:** For individuals who are served in hospitals, County Jail, or County Juvenile Justice Programs, LACDMH allows for a limited supply of prescription drugs upon discharge. Contractor shall ensure that LACDMH has the ability to establish Quantity Limits, either 14 or 30-day supply for specified populations to transition to an outpatient directly-operated or contracted site.

#### 2.7 Prescriber Education:

A. Contractor shall provide quarterly Prescriber practice summaries and a retrospective client specific drug utilization review designed to detect patterns in prescribing, dispensing, or administering drugs involving a select drug class or a long standing therapeutic issue as determined by LACDMH Pharmacy and Therapeutics Committee.

B. Contractor shall identify Prescribers to receive targeted LACDMH-approved recommendations for safe and effective drug therapies and useful information on therapeutic issues, and provide a means for dissemination of such education information (e.g. electronic mail, LACDMH Portal, etc.).

C. Contractor shall prepare and provide a monthly educational bulletin based on

system-wide prescribing practices and concerns to be addressed in collaboration with LACDMH Pharmacy and Therapeutics Committee.

## 2.8 Rebates:

Contractor shall provide a mechanism for analyzing LACDMH prescribing practices to review current LACDMH rebate agreements to ensure LACDMH is receiving the maximum compensation available on a minimum (not fixed) basis. Contractor shall recommend and facilitate additional potential Rebates.

A. Contractor shall ensure that all payments to Contractor by pharmaceutical manufacturers or intermediaries that are attributed directly to the Claims for Prescription Drugs paid by LACDMH shall be transferred to LACDMH regardless of whether those payments are termed Rebates, Administrative Fee, or otherwise.

B. After six (6) months of Claims experience, Contractor shall offer LACDMH a Rebate guarantee for the second (2) Contract year. Prior to year three (3) of the Contract term, Contractor shall offer a rebate guarantee for year three (3) of the Contract Term. LACDMH must comply with timeframes of acceptance and agreement as set forth by Contractor in order to support implementation of the Rebate guarantee.

## 2.9 Reports:

Contractor shall develop and provide to LACDMH via the LACDMH Portal (e.g., monthly, quarterly, annually, etc.), the following reports:

### 2.9.1 Standard Reports

A. Accounts Payable Payment: indicating Covered Client name and identification number, social security number, date of birth, claim adjudication date, date ordered, date dispensed, Participating Pharmacy dispensing the product, medication (generic name, dosage form, quantity), Dispensing Fees, Ingredient Cost of medication, Prescriber (name and Directly Operated Sites/LACDMH contracted sites).

B. Clinical Review: indicating Covered Client name, Covered Client identification number, Claim adjudication date, Participating Pharmacy dispensing the product, medication (generic name, dosage form, quantity), Dispensing Fees, direction for use, Ingredient Cost

of medication, Prescriber (name and clinic/program name).

C. Prescriber Usage Review: indicating Prescriber (name and clinic), medication generic name, dosage form, quantity, Dispensing Fees, direction for use, Ingredient Cost of medication.

D. Pharmacy Claims Adjudication: indicating Participating Pharmacy name (including dba), address, detailed adjudication Claim amount, Covered Client name and identification number, drug name, National Drug Code number, strength, directions for use, Prescriber's name and location, Dispensing Fees, and Ingredient Cost of medication.

E. M-TAR/Prior Authorization: Prescriber, Covered Client name and identification number, prescription number, drug name, strength, filled date, and claim date.

F. Rebates: Medication utilization data submitted to manufacturers for quarterly Rebates, including details of the Rebates received.

#### 2.9.2 Customized Reports

A. Ad Hoc: Additional reports as may be required from time to time by County beyond those identified in Section 2.9.1 of this SOW, Contractor shall create those reports and make them available via the LACDMH Portal.

#### 2.10 LACDMH Portal:

Contractor shall develop, deliver, and configure Health Insurance Portability and Accountability (HIPAA) complaint web portal that meets the system requirements outlined in Section 2.13 Information Systems Integration and with access at LACDMH offices to Contractor's information systems with the following:

##### 2.10.1 LACDMH Access and Data Management Rights

- A. Monitoring the dispensing of medication on a daily basis.
- B. Accessing the portal; making additions, updates, and deletions to the Prescriber list through a secure file exchange and mutually agreed upon frequency.
- C. Accessing client's medication history.
- D. Making additions, updates and deletions to the LACDMH Drug Formulary via the Contractor's change management process.

- E. System Overrides
  - 1. Generating overrides as determined by LACDMH.
  - 2. Enabling LACDMH to implement M-TAR protocols and/or edits.
  - 3. Paper submissions transmitted.
- F. Manage Eligibility
  - 1. Adding, updating, and terminating eligibility.
  - 2. Managing Covered Client eligibility and LACDMH Formulary and Benefit Plan, SOW, Exhibit M – 4 changes.

#### 2.10.2 Screen Information

The onsite system shall include at minimum the following screens:

- A. Eligibility
- B. M-TAR/Prior Authorization
- C. Reporting
- D. Drug Formulary
- E. Administrator
- F. Prescriber
- G. Participating Pharmacy
- H. Claims View

#### 2.10.3 Reports

Mechanism for creating Ad Hoc reports via LACDMH Portal with the fields specified in the SOW, Exhibit M – 8, Claims Data Utilization Fields.

#### 2.10.4 Training

Contractor shall provide initial on-site training to staff designated by LACDMH to use LACDMH Portal and provide a plan for on-going training, as needed.

#### 2.10.5 Information Technology (IT) Support

A. Contractor shall ensure that LACDMH staff have, at minimum, telephone access to Contractor's Information Technology staff for ongoing troubleshooting and questions during the term of the Contract, including all phases of configuration of the LACDMH Portal, after initial delivery, and following implementation.

B. Contractor shall identify a help-desk access telephone line and electronic mail (e-mail) address for IT questions and support.

C. Contractor shall have weekly scheduled maintenance periods and shall communicate any emergency maintenance downtime to LACDMH at least 24-hours prior to any scheduled maintenance.

#### 2.10.6 Managing Complaints

A. Contractor shall manage, track, and respond to complaints from LACDMH regarding the LACDMH Portal (e.g. system maintenance and/or system outages) and minimize impact on clinical services.

#### 2.11 Participating Pharmacy Audits:

A. Contractor shall perform routine audits of Participating Pharmacies as more fully described in SOW, Exhibit M - 10 and provide quarterly audit findings to LACDMH.

B. LACDMH may direct Contractor to audit Participating Pharmacies as part of LACDMH's routine audits or in response to a specific concern, as more fully described in SOW, Exhibit M - 10.

#### 2.12 Customer Service Center:

Contractor shall provide a Customer Service Call Center to respond to inquiries from Participating Pharmacies, LACDMH staff, Prescribers, and Covered Clients and to provide information including Participating Pharmacy location, LACDMH Portal troubleshooting, client eligibility, Formulary and Benefit Plan guidelines, and Generic Drug substitution.

A. Customer Service Call Center shall have two (2) toll-free lines and be staffed to answer calls five (5) days a week from 8:00 a.m. to 6:00 p.m., Pacific Standard Time. One line shall take inquiries from Participating Pharmacies, LACDMH staff, and Prescribers. The other line shall take inquiries from LACDMH Covered Clients.

1. Automated service information shall be available 24-hours a day, seven (7) days a week, and 365 days a year.

2. A web page shall be accessible by Covered Clients, 24-hours a day, seven (7) days a week, and 365 days a year.

B. Customer Service Center shall provide new and replacement Covered Client ID cards and Covered Client introduction materials.

2.13 Information Systems Integration:

LACDMH has acquired an Integrated Behavioral Health Information System (IBHIS) from Netsmart, Inc., which includes an Electronic Health Record (Avatar) and an electronic prescribing module (OrderConnect) for use at all LACDMH Directly-Operated Sites. IBHIS integrates a broad range of functionality including referral management, client registration, clinical documentation, care management, Claims management, and administrative and clinical reporting, along with providing the base for the electronic exchange of clinical information with other healthcare providers. An estimated 4,000 LACDMH employees use this integrated, web-based electronic health record system that is accessible and available around-the-clock.

A. The Contractor shall be able to accept either the industry standard, HIPAA mandated ANSX 12 N 834 format, or other PBM standard enrollment format agreed to by LACDMH.

B. The current LACDMH integration environment utilizes the BizTalk Integration engine and supports the following standard transaction sets:

1. HIPAA Standard X12 Transactions, such as:

- 834 Member Enrollment
- 837 Claim submission
- 835 Claim Payment/Remittance
- 270 Patient Eligibility Inquiry
- 271 Patient Eligibility Response
- 278 Authorization Request/Response

2. HL7, such as:

- ADT – Register Patient, Update Patient, Discharge Patient

- RRA – Pharmacy/treatment administration acknowledgment
- RRD – Pharmacy/treatment dispense acknowledgment
- RRE – Pharmacy/treatment encoded order acknowledgment
- RRE – Pharmacy/Treatment Refill Authorization Acknowledgement
- RRG – Pharmacy/treatment give acknowledgment
- RDY – Dispense Information (Response)
- QBP – Dispense History, Dispense Information
- QRY – Pharmacy/treatment administration information, Pharmacy/treatment dispense information, Pharmacy/treatment encoded order information, Pharmacy/treatment dose information, Pharmacy/treatment order response

3. NCPDP, such as:

- Request new prescription
- New prescription response
- Refill prescription
- Cancel prescription
- Request Medication History
- Notify census
- PA Initiation Request/Response
- PA Request/Response
- PA Appeal Request/Response
- PA Cancel Request/Response

4. Web Services (SOAP/XML)

- Custom Defined Web Services

LACDMH, in its sole discretion, shall determine and identify the specific standard transactions sets as defined herein, which shall be supported by Contractor based on LACDMH needs.

### **3.0 STAFFING AND SPECIFIC TASKS**

Contractor shall ensure that the following staff, consultant, and volunteer requirements are met:

#### **3.1 Staffing:**

Contractor shall be required to use full-time employees, defined as those employees

working a minimum of 40-hours per week, or a lesser number of hours in accordance with recognized industry standards and as approved by the County Chief Executive Office (CEO), but not less than 35-hours. An employee who works on County contracts, and also on non-county facilities for a combined total of 40-hours per week is considered a full-time employee. The Living Wage program only requires that the employer pay the living wage to the employee or the hours worked on the County contract.

A. Contractor shall have one (1) full-time staff equivalent, which may be met through a combination of a Lead Account Manager or designated alternates. County must have access to Contractor's staffing via e-mail and telephone number where staffing may be reached on a nine (9)-hour per day basis.

B. Contractor shall ensure access to a central point of contact which may include the Lead Account Manager or designated alternates.

C. Lead Account Manager shall have three (3) years of experience as a PBM Account Manager.

D. Lead Account Manager/alternate shall have full authority to act for Contractor on all matters relating to the daily operation of the Contract. Lead Account Manager/alternate shall be able to effectively communicate, in English, both orally and in writing.

E. Contractor shall assign a sufficient number of employees to perform the required work. At least one (1) employee shall be authorized to act for Contractor in every detail and must speak and understand English.

F. Contractor shall be required to perform a background check of their employees as set forth in sub-paragraph 3.1.1 A – Background & Security Investigations, of the SOW.

#### 3.1.1 General Staffing Requirements

A. Background and Security Investigations: Contractor shall ensure that Contractor's staff and volunteers who are in a designated sensitive position, as determined by County in County's sole discretion, undergo and pass a background investigation to the satisfaction of County as a condition of beginning and continuing to perform services under this Contract. Such background investigation must be obtained through fingerprints submitted to the California Department of Justice to include State, local, and federal-level review, which may include, but shall not be limited to, criminal

conviction information. The fees associated with the criminal clearances and background investigation shall be at the expense of the Contractor regardless if the member of Contractor's staff passes or fails the background investigation.

B. Language Ability: Contractor's personnel who are performing services under this Contract shall be able to read, write, speak, and understand English in order to conduct business with the County. In addition, to having competency in English, Contractor shall ensure there is a sufficient number of bilingual staff or interpreters to meet the language needs of the community served which must include the following threshold languages: Chinese, Cambodian, Korean, Russian, Armenian, Spanish, Tagalog, Vietnamese, and Farsi.

C. Service Delivery: Contractor shall ensure that all professional staff, paraprofessional staff, and volunteers providing PBM services are able to provide services in a manner that effectively responds to differences in cultural beliefs, behaviors and learning, and communication styles within the community where the services are provided.

D. Materials and Equipment: The purchase of all materials/equipment to provide the needed services is the responsibility of the Contractor. Contractor shall use materials and equipment that are safe for the environment and safe for use by its employees.

E. Driver's License: Contractor shall maintain copies of current driver's licenses, including current copies of proof of auto insurance of all staff.

F. Driving Record: Contractor shall maintain copies of driver's Department of Motor Vehicles (DMV) printouts for all Contractors' drivers providing service under the Contract. Reports shall be available to LACDMH on request. County reserves the option of doing a DMV check on Contractor's drivers.

G. Experience: Contractor shall be responsible for securing and maintaining staff who possess sufficient experience and expertise required to provide services in this SOW. Contractor shall obtain written verification for staff with foreign degrees that the degrees are recognized as meeting established standards and requirements of an accrediting agency authorized by the U.S. Secretary of Education.

### 3.1.2 Implementation Timeline and Team

A. Contractor shall assign and introduce an implementation team, within 24-hours of approval of the Contract by the County Board of Supervisors, to LACDMH who will be responsible for the oversight of the implementation of all administrative, clinical, and financial parameters for LACDMH.

B. The local implementation team, which includes the Lead Account Manager, shall be available during business hours to County during the first four (4) months of implementation for development, configuration, and testing and to ensure that all SOW requirements are being met.

C. Contractor shall implement full services with no system errors or identification card and Covered Client introduction material delivery delays. Contractor shall deliver the LACDMH Portal and provide full access to LACDMH staff at LACDMH offices for testing of the LACDMH Portal within 60 days of the agreed upon Go-Live date. LACDMH will complete testing within 30 days of the agreed upon Go-Live date.

### 3.2 Specific Tasks

A. Staff Training: Contractor shall train all staff providing PBM services within 30 business days of their start date.

B. Documentation: Contractor shall maintain documentation in the personnel files of all professional staff, paraprofessional staff, consultants, and volunteers of: (1) all training hours and topics; (2) copies of resumes, degrees, and professional licenses; and (3) current criminal clearances. Contractor shall provide LACDMH, at the beginning of each Contract term and within 30 days of any staff change(s), a roster of all staff that includes: (1) name and position; (2) work schedule; and (3) facsimile and telephone numbers.

C. Changes: Contractor shall advise LACDMH in writing of any change(s) in Contractor key personnel at least 24-hours before proposed change(s), including name and qualifications of new personnel. Contractor shall ensure that no interruption of services occurs as a result of the change in personnel.

D. Meetings: Contractor is required to send a representative to attend monthly PBM Administration meetings.

E. Customer Satisfaction Survey and Client Status Report: Contractor is required to submit information quarterly from responding Covered Clients regarding their satisfaction with the PBM services and Participating Pharmacy services and access.

F. Civil Rights Compliance with the Resolution Agreement: Threshold Language Capability: Contractor must provide threshold language services using bilingual staff or may use an interpreter provided by Contractor's language line vendor. Contractor will send at least two (2) staff to LACDMH/DPSS Civil Rights Training.

#### **4.0 ADMINISTRATIVE TASKS**

##### **4.1 Computer and Information Technology Requirement:**

Contractor shall acquire a computer system, within 30 days of commencement of the Contract with sufficient hardware and software and shall have an agreement for its on-site maintenance for the entire term of this Contract. Contractor shall ensure that the following standardized and non-standardized system edits are tested and delivered within 45 days of commencement of the contract:

##### **A. Standardized Computer Edits:**

Contractor shall be responsible for maintaining standardized "edits" to evaluate the dispensing of Covered Items Said standardized "edits" shall include the following:

1. All new prescriptions must be filled within 30 days of the date prescribed.
2. All refills must be filled within a 20 to 40 day window.
3. Vacation overrides, lost/stolen/spilled overrides, emergency overrides, school supply, and facility overrides: In no circumstances may these overrides exceed the quantity necessary for a two (2)-week supply of medication.

##### **B. Non-Standardized Computer Edits:**

Contractor shall be responsible for implementing non-standardized "edits" established by County, upon written direction from County. Said non-standardized "edits" may include any of the following, without limitation:

1. Medicare Part D Eligibility Block: Contractor to screen eligibility based on Date of Birth, and block any dispensing to any Medicare Eligible individual, as described in protocols set forth by County.

2. Financial Screening Block: Covered Items may not be dispensed to a Covered Client until Financial Screening has been completed.

3. Fund One: Prevents entry of specific drugs that fall into the category of branded second generation (atypical) antipsychotics. "Fund" means that LACDMH will pay for only one (1) of the drugs that fall into this therapeutic class.

#### 4.2 Days/Hours of Operation:

Contractor shall ensure adequate access to Lead Account Manager or designated alternates Monday through Friday during normal business hours and additional hours as necessary. Contractor shall respond to inquiries and complaints as follows:

(1) Lead Account Manager or designated alternates shall respond to inquiries or complaints from LACDMH staff about contractor's performance of the contract.

(2) Contractor's toll free customer service line shall address inquiries or complaints from covered clients.

##### A. Participating Pharmacies

Contractors network shall span all of Los Angeles County and include Participating Pharmacies that are staffed during the hours of 8:00 a.m. to 8:00 p.m., Monday through Saturday. A percentage mutually agreed upon by County and Contractor shall be open 24-hours a day, seven (7) days a week and shall provide holiday coverage.

##### B. Customer Service Call Center Hours

Contractor's toll-free phone line(s) shall be available from 8:00 a.m. to 6:00 p.m., Pacific Standard Time, five (5) days a week, except for scheduled maintenance or telephone switches. A web-page shall be accessible by Covered Clients 24-hours a day, 7 days a week, 365 days a year.

C. Claims adjudication shall be available 24-hours a day, 7 days a week, 365 days a year.

D. Contractor's IT Helpdesk shall be staffed during the hours of 8:00 a.m. to 5:00 p.m.,

Monday through Friday.

#### 4.3 Record Keeping

Contractor shall keep a record of services that were provided, as well as the dates, agendas, sign-in sheets, and minutes of all Contractor's monthly administration meetings.

#### 4.4 Evaluation Tools

Contractor shall provide Customer Satisfaction Survey and Client Status Report to Covered Clients and their families by which to evaluate the services rendered. Contractor shall make this information available to LACDMH upon request. Contractor shall ensure the tool addresses the performance of Contractor and its Participating Pharmacies.

#### 4.5 Data Entry

Contractor shall collect and enter any data required by LACDMH. Contractor shall ensure the data is entered electronically at Participating Pharmacy and Contractor site and made accessible to LACDMH via the LACDMH Portal.

#### 4.6 Cooperation

Contractor shall work cooperatively with LACDMH Information Technology Services staff and any program evaluator, if applicable.

#### 4.7 Data Collection

Contractor shall be responsible for collecting, entering, managing and submitting specific demographic, diagnostic, and outcome data as directed by LACDMH to demonstrate client outcomes inclusive of guidelines set forth by LACDMH and the State of California.

### 5.0 QUALITY CONTROL

Contractor shall establish and utilize a comprehensive "Quality Management Program and Plan" that includes quality assurance and quality improvement processes to ensure the required services are provided at a consistently high level of quality throughout the term of the Contract. The Quality Management Program and Plan shall be submitted to LACDMH for review and approval prior to Contractor providing services under the Contract. The Plan shall be effective 30 days prior to Go-Live and shall be updated and re-submitted for LACDMH approval as changes occur.

A. The Quality Management Program and Plan shall include an identified monitoring system covering all the services listed in the SOW. The system of monitoring to ensure Contract requirements are being met shall include:

1. A record of all inspections conducted by Contractor, any corrective action taken, the time a problem was first identified, a clear description of the problem, and the time elapsed between identification and completed corrective action, shall be provided to the County upon request.

2. Activities to be monitored, frequency of monitoring, samples of forms to be used in monitoring, as well as title/level and qualifications of personnel performing monitoring functions.

3. A list of identified staff who will be responsible for quality assurance and quality improvement activities.

4. Ensuring that the services meet requirements for timeliness, accuracy, completeness, consistency, and conformity as defined in the SOW.

5. Ensuring that professional staff rendering services under the Contract has the necessary prerequisites during the life of the Contract.

6. Identifying and preventing deficiencies in the quality of service before the level of performance becomes unacceptable including description of the Quality Improvement strategy and intervention methods.

7. Continuing to provide services to the County in the event of a strike or other labor action of Contractor's employees.

## **6.0 QUALITY ASSURANCE PLAN**

LACDMH will evaluate the Contractor's performance under the contract on a periodic basis. Such evaluation will include assessing Contractor's compliance with all terms in the Contract and performance standards. Contractor's deficiencies which LACDMH determines are severe or continuing and that may jeopardize performance of the Contract will be reported to the County's Board of Supervisors. The report will include improvement/corrective action measures taken by the LACDMH and Contractor. If improvement does not occur consistent with the corrective action measures, LACDMH may terminate the Contract in whole or in part, or impose other penalties as specified in the Contract.

## **7.0 CONTRACT DISCREPANCY REPORT**

7.1 Verbal notification of a Contract discrepancy will be made to the County Contract Project Monitor as soon as possible whenever a Contract discrepancy is identified. The problem shall be resolved within a time period mutually agreed upon by County and Contractor.

7.2 The County Contract Project Monitor will determine whether to issue a formal Contract Discrepancy Report, SOW, Exhibit M - 1. Upon receipt of this report, Contractor is required to respond in writing to the County Contract Project Monitor within seven (7) business days, acknowledging the reported discrepancies or presenting contrary evidence. A plan for correction of all deficiencies identified in the Contract Discrepancy Report shall be submitted to the County Contract Project Monitor within 15 to 30 business days.

## **8.0 RECORDS AND AUDIT MANDATE**

### **8.1 Maintenance of Records:**

Contractor shall maintain documentation of all Claims processed and all Contractor services rendered for six (6) years from the date Claims are paid or Contractor services are rendered, or for a period of time any relevant geographic jurisdiction or government entity requires by law or regulation, whichever is longer. Should Contractor alter the original format of said documentation (e.g. by converting hard copy documents to electronic documents, or electronic documents to microfiche), all information contained in the original documents shall be contained in the new format, without change or deletion. Records shall include original prescriptions to be held in Participating Pharmacy locations.

### **8.2 Ownership of Information:**

All Claims data and other data arising from implementation of this Contract shall solely be the property of County. Contractor shall not be allowed to sell such data in any form, to any third party. However, should Contractor be presented with an opportunity to sell any such data to any third party, Contractor may contact LACDMH, fully disclose the third party's proposed data sales terms, and negotiate a mutually agreeable contract in writing with County concerning data sales. Contractor shall have the ability to provide data to Pharmaceutical Manufacturers (at no cost to Pharmaceutical Manufacturers and with no financial benefit to Contractor) to enable Contractor to collect Financial

Elements.

### **8.3 Rights to Audit:**

Contractor is required to participate in LACDMH audits as outlined in SOW, Exhibit M – 10, LACDMH Audit Mandate.

## **9.0 COUNTY OBSERVATIONS**

In addition to departmental contracting staff, other County personnel may observe performance, activities, and review documents relevant to this Contract at any time during normal business hours. However, these personnel may not unreasonably interfere with Contractor's performance.

## **10.0 UNSCHEDULED WORK**

10.1 The County Project Manager or his designee may authorize Contractor to perform unscheduled work, including, but not limited to, repairs and replacements when the need for such work arises out of extraordinary incidents such as vandalism, acts of God, and third party negligence; or to add to, modify, or refurbish existing facilities.

10.2 Prior to performing any unscheduled work, Contractor shall prepare and submit a written description of the work with an estimate of labor and materials, the anticipated start date, and the anticipated time for completion. If the unscheduled work exceeds Contractor's estimate, the County Project Director or his designee must approve the excess cost. In any case, no unscheduled work shall commence without written authorization.

10.3 When a condition exists wherein there is imminent danger of injury to the public or damage to property, Contractor shall contact County's Project Director for approval before beginning the work. A written estimate shall be sent within 24-hours for approval. Contractor shall submit an invoice to County's Project Director within five (5) working days after completion of the work.

10.4 All unscheduled work shall commence on the County authorized specified date. Contractor shall proceed diligently to complete said work within the time allotted.

10.5 The County reserves the right to perform unscheduled work itself or assign the work to another Contractor.

## **11.0 DATA COLLECTION**

Contractor shall have the ability to collect, manage, and submit data as directed by LACDMH to demonstrate client outcomes and prescribing patterns inclusive of guidelines set forth by LACDMH and the State of California. Contractor shall perform data entry to support these activities.

## **12.0 PRIVACY AND ELECTRONIC SECURITY**

12.1 Contractor shall comply with applicable federal and State laws as they apply to Protected Health Information, Individually Identifiable Health Information, Personally Identifiable Information, and electronic information security.

12.2 Contractor is a "Business Associate" of County under HIPAA and shall enter into a Business Associate Agreement with the County of Los Angeles to ensure compliance with the applicable privacy and electronic security standards.

## **13.0 GREEN INITIATIVES**

Contractor shall provide a "green" initiative implementation plan with its current environmental policies and practices, and include the following:

13.1 Contractor shall use reasonable efforts to initiate "green" practices for environmental and energy conservation benefits.

13.2 Contractor shall notify County's Project Manager of Contractor's new "green" initiatives prior to the Contract commencement.

## **14.0 PERFORMANCE REQUIREMENTS SUMMARY**

14.1 A Performance Requirements Summary (PRS) chart, SOW, Exhibit M - 9, listing required services which will be monitored by the County during the term of this Contract is an important monitoring tool for the County. The chart should include:

- A. Reference section of the Contract
- B. List of required services
- C. Method of monitoring
- D. The deductions/fees to be assessed for each service that is not satisfactory

14.2 All listings of services used in the PRS are intended to be completely consistent with

the Contract and the SOW, and are not meant in any case to create, extend, revise, or expand any obligation of Contractor beyond that defined in the Contract and the SOW. In any case of apparent inconsistency between services as stated in the Contract and the SOW and this PRS, the meaning apparent in the Contract and the SOW will prevail. If any service seems to be created in this PRS which is not clearly and forthrightly set forth in the Contract and the SOW, that apparent service will be null and void and place no requirement on Contractor.

#### **15.0 SUBCONTRACTOR(S)**

For the purposes of this agreement Contractor's Contracts with Participating Pharmacies are not considered Subcontracts.

15.1 For all Subcontract (s) of this Agreement, Contractor shall obtain prior written approval from LACDMH in order to enter into a particular subcontract and all requests must be in writing. Contractor shall remain responsible for any and all performance required of it under the contract.

15.2 All Subcontracting Agreements shall be required for County review after award of the contract, if any.

15.3 Subcontractors providing Proposition A services are required to use full-time employees, defined as those employees working a minimum of 40-hours per week, or a lesser number of hours in accordance with recognized industry standards approved by the CEO, but not less than 35-hours. An employee who works on County contracts, and also on non-county facilities for a combined total of 40- hours per week is considered a full-time employee. The Living Wage program only requires that the employer pay the living wage to the employee for the hours worked on the County contract.

#### **16.0 OUTCOME MEASUREMENT**

16.1 Contractor's ability to perform as required will be measured by review of any fees/deductions assessed for not meeting the specified service requirements as outlined in SOW, Exhibit M – 9, Performance Requirements Summary Chart and via the following methods:

A. Ongoing tracking of provider or client complaints pertaining to level of service provided by Contractor and Participating Pharmacies.

B. Ongoing monitoring and documentation by LACDMH Accounts Payable Division of Contractor billing inaccuracies.

C. Ongoing tracking of unauthorized prescriptions processed by Contractor.

# STATEMENT OF WORK EXHIBITS

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**EXHIBIT M-1**

**CONTRACT DISCREPANCY REPORT**

**TO:**

**FROM:**

**DATES:**

**Prepared:**

**Returned by Contractor:**

**Action Completed:**

**DISCREPANCY PROBLEMS:**

\_\_\_\_\_  
Signature of County Representative

\_\_\_\_\_  
Date

**CONTRACTOR RESPONSE (Cause and Corrective Action):**

\_\_\_\_\_  
Signature of Contractor Representative

\_\_\_\_\_  
Date

**COUNTY EVALUATION OF CONTRACTOR RESPONSE:**

\_\_\_\_\_  
Signature of Contractor Representative

\_\_\_\_\_  
Date

**COUNTY ACTIONS:**

**CONTRACTOR NOTIFIED OF ACTION:**

County Representative's Signature and Date

Contractor Representative's Signature and Date

## EXHIBIT M-2

### LOS ANGELES COUNTY - DEPARTMENT OF MENTAL HEALTH LIST OF CURRENT CONTRACTED PHARMACY SITES

|     | Contractor Name                                | Doing Business As (dba)                              | LACDMH SERVICE AREA | Supervisor District | Address                                            | City                           | State    | Zip Code       |
|-----|------------------------------------------------|------------------------------------------------------|---------------------|---------------------|----------------------------------------------------|--------------------------------|----------|----------------|
| 1.  | A.A.M. Health Group, Inc                       | Canoga Park Pharmacy                                 | 2                   | 3                   | 22330 Sherman Way, Suite C3                        | Canoga Park                    | CA       | 91303          |
| 2.  | Anaheim Plaza Pharmacy, Inc.                   |                                                      | Out of County       | 0                   | 184 E. Liberty Ave.                                | Anaheim                        | CA       | 92801          |
| 3.  | Andrew Kwong                                   | Gateway Circle Pharmacy                              | 4                   | 1                   | 3133 North Broadway Street                         | Los Angeles                    | CA       | 90031          |
| 4.  | BBS Pharmacy Inc.                              | B&B Pharmacy.                                        | 7                   | 4                   | 10244 Rosecrans Ave                                | Bellflower                     | CA       | 90706          |
| 5.  | B & G Pharmacy, Inc.                           |                                                      | 4                   | 3                   | 5101 Hollywood Blvd.                               | Los Angeles                    | CA       | 90027          |
| 6.  | B.D.O. Corporation                             | Fairfax Pharmacy                                     | 4                   | 3                   | 1111 North Fairfax Avenue, Suite 110               | Los Angeles                    | CA       | 90046          |
| 7.  | Bella Vida Pharmacy, Inc.                      | Bella Vida Pharmacy                                  | 8                   | 4                   | 1039 W Carson St.                                  | Torrance                       | CA       | 90502          |
| 8.  | BGMT Pharmacy, Inc.                            | Gardena Professional Pharmacy                        | 8                   | 2                   | 1045 W. Redondo Beach Blvd., Suite #140            | Gardena                        | CA       | 90247          |
| 9.  | Janice Chang                                   | El Camino Pharmacy                                   | 2                   | 3                   | 10940 Victory Blvd.                                | North Hollywood                | CA       | 91606          |
| 10. | Crenshaw Pharmcare, Inc.<br>Chong W. Roh       | Garfield Prescription Pharmacy<br>El Camino Pharmacy | 4<br>2              | 2<br>3              | 3756 Santa Rosalia Drive<br>10940 Victory Blvd.    | Los Angeles<br>North Hollywood | CA<br>CA | 90008<br>91606 |
| 11. | Dildax Corporation<br>Crenshaw Pharmcare, Inc. | Medic Pharmacy<br>Garfield Prescription Pharmacy     | 7<br>4              | 4<br>2              | 16900 Bellflower Blvd.<br>3756 Santa Rosalia Drive | Bellflower                     | CA<br>CA | 90706<br>90008 |

## EXHIBIT M-2

### LOS ANGELES COUNTY - DEPARTMENT OF MENTAL HEALTH LIST OF CURRENT CONTRACTED PHARMACY SITES

|     | <b>Contractor Name</b>                                   | <b>Doing Business As (dba)</b>    | <b>LACDMH SERVICE AREA</b> | <b>Supervisor District</b> | <b>Address</b>                      | <b>City</b>  | <b>State</b> | <b>Zip Code</b> |
|-----|----------------------------------------------------------|-----------------------------------|----------------------------|----------------------------|-------------------------------------|--------------|--------------|-----------------|
| 12. | <b>F.D.M. Exclusive Image, Inc.</b>                      | Coover Pharmacy                   | 8                          | 4                          | 891 W. 9th Street                   | San Pedro    | CA           | 90731           |
| 13. | <b>Fairveola Banks</b>                                   | Intra Drugs Lynwood               | 7                          | 2                          | 3628 E. Imperial Highway, Suite 102 | Lynwood      | CA           | 90262           |
| 14. | <b>Fairveola Banks and Bianca Banks</b>                  | Intra Drugs Artesia               | 6                          | 2                          | 403 S. Long Beach Blvd., Suite C    | Compton      | CA           | 90221           |
| 15. | <b>GAA Pharmacy Inc.</b>                                 | Haig Pharmacy                     | 2                          | 5                          | 1106 S. Glendale Ave.               | Glendale     | CA           | 91205           |
| 16. | <b>Garden Plaza Pharmacy, A Professional Corporation</b> |                                   | 2                          | 3                          | 18411 Clark Street, Suite 106       | Tarzana      | CA           | 91356           |
| 17. | <b>GJPL, Inc.</b>                                        | St. John's Medical Plaza Pharmacy | 5                          | 3                          | 1301 20th St. #120                  | Santa Monica | CA           | 90404           |
| 18. | <b>Glesener Pharmacy, Inc.</b>                           |                                   | 3                          | 5                          | 321 N. Citrus Avenue                | Covina       | CA           | 91723           |
| 19. | <b>Gold Medal Pharmacy, Inc.</b>                         | Arcadia Center Pharmacy           | 3                          | 5                          | 631 W. Duarte Road                  | Arcadia      | CA           | 91007           |
| 20. | <b>Goldfarb Rx Enterprises, Inc.</b>                     | Central Pharmacy                  | 5                          | 3                          | 900 Wilshire Blvd., Suite 104       | Santa Monica | CA           | 90401           |
| 21. | <b>Good Health, Inc.</b>                                 | Premier Pharmacy #4               | 7                          | 1                          | 410 Cloverleaf Dr.                  | Baldwin Park | CA           | 91607           |
| 22. | <b>AHCS Mental Health &amp; Wellness, Inc.</b>           | Berry and Sweeney Pharmacy        | 3                          | 5                          | 1377 N. Fair Oaks Avenue            | Pasadena     | CA           | 91103           |
| 23. | <b>H P Badesha Co.</b>                                   | Glendora Medical Pharmacy         | 3                          | 5                          | 130 W. Route 66                     | Glendora     | CA           | 91740           |
| 24. | <b>Hygela Apothecary Inc.</b>                            | Botica Del Sol                    | 4                          | 1                          | 2331 E. Cesar Chavez Ave.           | Los Angeles  | CA           | 90033           |
| 25. | <b>IJJ Group, Inc.</b>                                   | Palmdale Medical Pharmacy         | 1                          | 5                          | 540 West Palmdale Blvd., Suite A    | Palmdale     | CA           | 93551           |

## EXHIBIT M-2

### LOS ANGELES COUNTY - DEPARTMENT OF MENTAL HEALTH LIST OF CURRENT CONTRACTED PHARMACY SITES

|     | <b>Contractor Name</b>              | <b>Doing Business As (dba)</b>        | <b>LACDMH Service Area</b> | <b>Supervisor District</b> | <b>Address</b>                  | <b>City</b>     | <b>State</b> | <b>Zip Code</b> |
|-----|-------------------------------------|---------------------------------------|----------------------------|----------------------------|---------------------------------|-----------------|--------------|-----------------|
| 26. | Inf. Corp                           | Star Pharmacy                         | 2                          | 3                          | 14400 Vanowen St.               | Van Nuys        | CA           | 91405           |
| 27. | J.M.C. Drug, Inc.                   | Owl Rexall Drugs                      | 4                          | 1                          | 5634 N. Figueroa Street         | Los Angeles     | CA           | 90042           |
| 28. | John's Shop-Rite Pharmacy, Inc.     |                                       | 8                          | 4                          | 3717 East South Street          | Long Beach      | CA           | 90805           |
| 29. | KC Pharmacies, Inc.                 | Verdugo Clinic Pharmacy               | 3                          | 5                          | 1540 E. Colorado Street         | Glendale        | CA           | 91205           |
| 30. | Kenneth Ross                        | North Hollywood Medical Arts Pharmacy | 2                          | 3                          | 4420 Vineland Avenue            | North Hollywood | CA           | 91602           |
| 31. | Koam Pharmacy, Inc.                 |                                       | 7                          | 4                          | 18102 Pioneer Blvd., Suite #101 | Artesia         | CA           | 90701           |
| 32. | La Cresenta Pharmacy, Inc.          |                                       | 2                          | 5                          | 2764 Foothill Blvd.             | La Cresenta     | CA           | 91214           |
| 33. | Market Pharmacy Inc.                |                                       | 2                          | 5                          | 9250 Reseda Blvd., #2C          | Northridge      | CA           | 91324           |
| 34. | Marvin Lieblein, Incorporated       | Family Pharmacy                       | 8                          | 4                          | 1400 Atlantic Avenue            | Long Beach      | CA           | 90813           |
| 35. | Medical Specialty Pharmacy          | Medical Center Pharmacy               | 2                          | 3                          | 18433 Roscoe Blvd. #110         | Northridge      | CA           | 91325           |
| 36. | Meyers Pharmacy, Inc.               | De Soto Pharmacy                      | 2                          | 3                          | 20914 Roscoe Blvd.              | Canoga Park     | CA           | 91304           |
| 37. | Mike Lord                           | Crown Drugs                           | 8                          | 2                          | 657 E. University Dr.           | Carson          | CA           | 90746           |
| 38. | ModernHEALTH Holdings, Inc.         | Modern Health Pharmacy                | 3                          | 5                          | 110 E. Huntington Dr.           | Monrovia        | CA           | 91016           |
| 39. | ModernHEALTH Specialty (AD-RX), LLC | AD-RX Pharmacy                        | 4                          | 3                          | 6240 Wilshire Blvd.             | Los Angeles     | CA           | 90048           |
| 40. | Nisha Pharmacy, Inc.                | Alpha Drugs                           | Out of County              | Out of County              | 1240 South Magnolia Ave.        | Anaheim         | CA           | 92804           |
| 41. | Oakdale Pharmacy, Inc.              | Oakdale Pharmacy                      | 2                          | 3                          | 5400 Balboa Boulevard           | Encino          | CA           | 91316           |

## EXHIBIT M-2

### LOS ANGELES COUNTY - DEPARTMENT OF MENTAL HEALTH LIST OF CURRENT CONTRACTED PHARMACY SITES

|     | <b>Contractor Name</b>                   | <b>Doing Business As (dba)</b> | <b>Service Area</b> | <b>Sup. District</b> | <b>Address</b>                     | <b>City</b>      | <b>State</b> | <b>Zip Code</b> |
|-----|------------------------------------------|--------------------------------|---------------------|----------------------|------------------------------------|------------------|--------------|-----------------|
| 42. | <b>Olympic Gerhart Pharmacy, Inc.</b>    | Olympic Pharmacy               | 4                   | 1                    | 5724 E. Olympic Blvd.              | City of Commerce | CA           | 90022           |
| 43. | <b>Pacific Healthcare, Inc.</b>          | Better Value Pharmacy          | 3                   | 1                    | 1135 S. Sunset Ave., #101          | West Covina      | CA           | 91790           |
| 44. | <b>Pacific Pharmacy Group</b>            | Valencia Pharmacy              | 2                   | 5                    | 23550 Lyons Avenue, Suite 111      | Newhall          | CA           | 91321           |
| 45. | <b>Pacific Pharmacy Group</b>            | Valencia Pharmacy              | 2                   | 5                    | 25050 Peachland Ave., Suite 100    | Newhall          | CA           | 91321           |
| 46. | <b>Pai and Chan Pharmacy Corp. II</b>    | Key Drug Co.                   | 4                   | 2                    | 770 S. Vermont Avenue              | Los Angeles      | CA           | 90005           |
| 47. | <b>Pai and Chan Pharmacy Corporation</b> | Medical Center Pharmacy        | 8                   | 2                    | 501 E. Hardy Street, Suite 130     | Inglewood        | CA           | 90301           |
| 48. | <b>PharMerica Drug Systems, Inc.</b>     | PharMerica #7036               | Out of County       | Out of County        | 11205 Knott Ave., Suite C          | Cypress          | CA           | 90630           |
| 49. | <b>PharMerica Drug Systems, Inc.</b>     | PharMerica #7020               | Out of County       | Out of County        | 833 Marlborough Ave.               | Riverside        | CA           | 92507           |
| 50. | <b>Phnom Pich Pharmacy, Inc.</b>         | Phnom Pich Pharmacy, Inc.      | 8                   | 4                    | 2338 E. Anaheim St., Suite 100     | Long Beach       | CA           | 90804           |
| 51. | <b>Plaza Pharmacy</b>                    |                                | 8                   | 2                    | 11930 Hawthorne Boulevard          | Hawthorne        | CA           | 90250           |
| 52. | <b>Prescriptions Plus Inc.</b>           | Super-Rite Drugs               | 2                   | 3                    | 14425 Burbank Blvd.                | Van Nuys         | CA           | 91401           |
| 53. | <b>Prime Pharmacy Services, Inc.</b>     |                                | 4                   | 2                    | 4211 Avalon Blvd. # 378            | Los Angeles      | CA           | 90011           |
| 54. | <b>Providence Pharmaceuticals, Inc.</b>  | Econo Pharmacy                 | 6                   | 2                    | 15435 S. Western Ave., Suite 100-C | Gardena          | CA           | 90249           |
| 55. | <b>Rami, Inc.</b>                        | Aalpha Pharmacy                | 4                   | 2                    | 174 S. Alvarado Street             | Los Angeles      | CA           | 90057           |
| 56. | <b>Recovery Pharmaceuticals, Inc.</b>    | Knollwood Pharmacy             | 2                   | 2                    | 16911 San Fernando Mission Blvd.   | Granada Hills    | CA           | 91344           |
| 57. | <b>Rivendell, Inc.</b>                   | Griffith Drugs                 | 7                   | 1                    | 11721 Telegraph Rd., Unit I        | Santa Fe Springs | CA           | 90670           |
| 58. | <b>Robert Feiles and Susan Feiles</b>    | Victory-Tampa Pharmacy, VT     | 2                   | 3                    | 19300 Vanowen Street               | Reseda           | CA           | 91335           |

**EXHIBIT M-2****LOS ANGELES COUNTY - DEPARTMENT OF MENTAL HEALTH  
LIST OF CURRENT CONTRACTED PHARMACY SITES**

|     | <b>Contractor Name</b>                | <b>Doing Business As (dba)</b>   | <b>LACDMH SERVICE AREA</b> | <b>Supervisor District</b> | <b>Address</b>            | <b>City</b>   | <b>State</b> | <b>Zip Code</b> |
|-----|---------------------------------------|----------------------------------|----------------------------|----------------------------|---------------------------|---------------|--------------|-----------------|
| 59. | <b>RXTS Drug Co.</b>                  | Yee's Prescription Pharmacy      | 8                          | 4                          | 1703 Termino Avenue       | Long Beach    | CA           | 90804           |
| 60. | <b>Samir Daher and Mitra Moadelly</b> | The Marsh Village Pharmacy       | 2                          | 5                          | 2143 Foothill Blvd.       | La Canada     | CA           | 91011           |
| 61. | <b>Suburban Drug Co.</b>              | Los Coyotes Drug                 | 8                          | 4                          | 3597 Los Coyotes Diagonal | Long Beach    | CA           | 90808           |
| 62. | <b>Sumi Pharmacies, Inc.</b>          | Wards Pharmacy                   | 8                          | 4                          | 653 Long Beach Boulevard  | Long Beach    | CA           | 90802           |
| 63. | <b>Sungyong S. Kim dba</b>            | Memorial Medical Center Pharmacy | 6                          | 2                          | 9806 Venice Blvd.         | Culver City   | CA           | 90232           |
| 64. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 4                          | 1                          | 500 S. Broadway           | Los Angeles   | CA           | 90013           |
| 65. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 6                          | 2                          | 3230 West Slauson Avenue  | Los Angeles   | CA           | 90043           |
| 66. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 6                          | 2                          | 11750 Wilmington Avenue   | Los Angeles   | CA           | 90059           |
| 67. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 8                          | 4                          | 1237 W. Carson Street     | Torrance      | CA           | 90502           |
| 68. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 7                          | 4                          | 1335 E. Huntington Drive  | Duarte        | CA           | 91010           |
| 69. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 7                          | 4                          | 304 Huntington Drive      | Monrovia      | CA           | 91016           |
| 70. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 2                          | 3                          | 26825 Bouquet Canyon Road | Santa Clarita | CA           | 91350           |
| 71. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 2                          | 3                          | 8400 Van Nuys Blvd        | Panorama City | CA           | 91402           |
| 72. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 3                          | 1                          | 9450 E. Las Tunas Drive   | Temple City   | CA           | 91780           |
| 73. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 1                          | 5                          | 1356 West Avenue J.       | Lancaster     | CA           | 93534           |
| 74. | <b>Thrifty Payless, Inc.</b>          | Rite Aid                         | 6                          | 2                          | 107 S. Long Beach Blvd    | Compton       | CA           | 90221           |

**EXHIBIT M-2****LOS ANGELES COUNTY - DEPARTMENT OF MENTAL HEALTH  
LIST OF CURRENT CONTRACTED PHARMACY SITES**

|     | <b>Contractor Name</b>                        | <b>Doing Business As (dba)</b>          | <b>LACDMH SERVICE AREA</b> | <b>Supervisor District</b> | <b>Address</b>                   | <b>City</b> | <b>State</b> | <b>Zip Code</b> |
|-----|-----------------------------------------------|-----------------------------------------|----------------------------|----------------------------|----------------------------------|-------------|--------------|-----------------|
| 75. | Thrifty Payless, Inc.                         | Rite Aid                                | 2                          | 3                          | 2419 E. Ave "S"                  | Palmdale    | CA           | 93550           |
| 76. | Thrifty Payless, Inc.                         | Rite Aid                                | 2                          | 2                          | 12739 Van Nuys                   | Pacoima     | CA           | 91331           |
| 77. | Thu Pharmacy                                  |                                         | 8                          | 2                          | 15735 Hawthorne Blvd., Suite 110 | Lawndale    | CA           | 90260           |
| 78. | Vine Discount Pharmacy & Medical Supply, Inc. | Vine Discount Pharmacy & Medical Supply | 4                          | 3                          | 1253 N. Vine, Suite 11           | Los Angeles | CA           | 90038           |
| 79. | Westlake Medical Management, Inc.             | Westlake Pharmacy                       | 1                          | 4                          | 2500 Wilshire Blvd., Suite 101   | Los Angeles | CA           | 90057           |
| 80. | Woori Pharmacy, Inc.                          | Woori Pharmacy                          | 2                          | 4                          | 266 S. Harvard Blvd., Suite 120  | Los Angeles | CA           | 90004           |
| 81. | Zaher Pharmacy & Medical Supply,              | Nofel Pharmacy                          | 4                          | 1                          | 215 E. 7th St.                   | Los Angeles | CA           | 90013           |

**Contracted Pharmacy Site Summary**

|                                         |           |
|-----------------------------------------|-----------|
| <b>Total LACDMH Pharmacy Locations:</b> | <b>82</b> |
|-----------------------------------------|-----------|

## EXHIBIT M- 3

### LIST OF ACRONYMS, TERMS, AND DEFINITIONS

1. **Administrative Fee:** A per claim fee that Contractor agrees to charge LACDMH that includes comprehensive administrative and clinical services provided by Contractor.
1. **Average Annual Guarantee:** A guarantee that Contractor's Pass-Through Pricing for retail and retail 90 Paid Claims shall on an annual (12 month) basis provide (i) Dispensing Fees that are no more costly to LACDMH than the Dispensing Fees listed in the Exhibit N Pricing Schedule, N-1 Prescription Drug Effective Rates and ; and AWP discounts that are at least as financially advantageous for LACDMH as the average annual AWP discounts listed in Exhibit N Pricing Schedule, Exhibit N-1 Prescription Drug Effective Rates and Dispensing Fees.
2. **Average Wholesale Price (AWP):** The average wholesale price of a prescription drug or medication dispensed, on the date the prescription or medication is dispensed, as set forth in the most recent edition of the Medi-Span pricing guide or supplement as of that date.
3. **Brand Drug:** The Medi-Span Multisource Code ("MONY") field in Medi-Span that indicates an "M" (co-branded drug product that is not considered generic, and considered a single-source product despite being available from multiple labelers), "O" (originator brand, available from multiple labelers), or an "N" (single source brand available from one manufacturer and is not considered generic) except that if the Multisource Code is "O" and there is a Dispensed As Written ("DAW") Code of 3, 4, 5, 6 or 9, the drug shall be considered a Generic Drug. When a drug is identified as a Brand Drug, it shall be considered, a Brand Drug for all purposes by Contractor, including but not limited to invoicing LACDMH, calculating the satisfaction of Average Annual Guarantees calculating the satisfaction of generic fill rates.
4. **Brand Effective Rate:** The difference between a Brand Name Drug's AWP and the discounted ingredient cost paid by the Plan for the Brand Name Drug, divided by the Brand Name Drug's AWP. This calculation shall include prescriptions for Brand Name Drug which price at a Participating pharmacy U&C price.
5. **Claim(s):** Invoice or transaction (electronic or paper) for a Covered Item for a Covered Client that is transmitted or sent to Contractor by any pharmacies, including reversed and rejected invoices or transactions (electronic and paper).
6. **Contracted Staff:** Staff of mental health providers with which or with whom LACDMH has entered into the contract for the provision of mental health services to Covered Clients, including Non-Governmental Agency (NGA) Short-Doyle/Medi-Cal community mental health facilities, psychiatric inpatient facilities, and varying types of residential facilities
7. **Contractor:** Refers to Magellan Pharmacy Solutions, Inc. At times, throughout the Contract, Contractor, PBM, Magellan, and Magellan Pharmacy Solutions, Inc. ,may be used interchangeably.
8. **Covered Client:** Individuals identified by LACDMH who are uninsured and have no other payor for pharmacy benefits and for whom LACDMH provides payment for Covered Items
9. **Covered Items:** All prescription drugs and drug products listed on LACDMH Formulary, as amended in writing from time to time by LACDMH.
10. **Directly Operated Sites:** Sites that are operated by LACDMH and house employees of LACDMH who provide clinical services to clients.

11. **Financial Element:** All Rebates, discounts, administrative or other fees, chargebacks, grants, and all other monies of any kind whatsoever paid by Pharmaceutical Manufacturers, all discounts or credits or reimbursements of any kind provided by Pharmaceutical Manufacturers, and all goods (or in kind services) provided by Pharmaceutical Manufacturers.
12. **Financial Screening:** A screening process performed by LACDMH, or agents thereof, to determine whether clients are eligible to receive health or drug coverage from the federal Medicare program, the California Medi-Cal program, private insurance, LACDMH General Fund or any other program.
13. **Fund One Program:** A program whereby Covered Clients may only receive a single highly expensive atypical antipsychotic medication upon submission and approval of a M-TAR, within a three (3) week period, rather than receiving multiple such medications, preventing polypharmacologic expensive prescribing regimens.
14. **Generic Drug(s):** The Medi-Span Multisource Code ("MONY") contains a "Y" (Generic Drugs that are multi-source products available from multiple labelers). An item shall also be considered to be a Generic Drug if the Multisource Code is "O" and there is a Dispensed As Written ("DAW") code of 3, 4, 5, 6 or 9. Contractor agrees that when a drug is identified as a Generic Drug it shall be considered a Generic Drug for all purposes, including but not limited to invoicing LACDMH calculating the satisfaction of Average Annual Guarantees for Generic Drugs and calculating generic fill rates.
15. **Generic Effective Rate:** The difference between a Generic Drug's AWP and the Plan's discounted ingredient price for the Generic Drug, divided by the Generic Drug's AWP. This calculation shall include Generic Drugs with MAC pricing, and Generic Drugs with non-MAC pricing, and shall include prescriptions for Generic Drugs which price at a Participating Pharmacy U&C price.
16. **Hard Edit:** System logic that requires users to meet set business rules to continue with the current process.
17. **Ingredient Cost:** The amount Contractor invoices LACDMH and reimburses a pharmacy for each Paid Claim, not including Dispensing fees or any sales or use taxes, and without factoring in any Financial Benefits or Claim Processor Fees.
18. **LACDMH Formulary:** A list developed by LACDMH of drug products that Prescribers can prescribe to Covered Clients without prior authorization, and which may be periodically modified as new medications and/or new clinical information becomes available.
19. **LACDMH's Formulary and Benefit Plan:** The Formulary, Special Programs and program protocols, quantity limits, Claims processing variables and other matters identified in Exhibit M-SOW and SOW Exhibit, Exhibit M-4 (LACDMH's Formulary and Benefit Plan).
20. **Mail Order Pharmacy:** A service where a designated pharmacy contracts with Contractor to provide certain drugs or drug products through mail order to Covered Clients.
21. **Maximum Allowable Costs (MAC):** The maximum allowable cost of a Brand Drug or Generic Drug, as established by Contractor for certain drugs.
22. **Medication Treatment Authorization Request (M-TAR):** A form used in LACDMH by a prescriber to obtain prior approval before prescribing certain drugs or when prescribing under a Special Program.

23. **Paid Claim:** A Claim that is dispensed to a Covered Client and LACDMH pays for the Covered Item.
24. **Paper Claim:** Each prescription claim submitted directly to Contractor by Covered Clients which is keyed into Contractor's pharmacy Claims system.
25. **Participating Pharmacy:** Retail pharmacies that contract with the Contractor to dispense Covered Items or other products to LACDMH Covered Clients.
26. **PHI:** This includes Protected Health Information as defined by 45 Code of Federal Regulations (C.F.R.) 160.103, Electronic Protected Health Information as defined by 45 C.F.R. 160.103, and/or Personal Information as provided for in California Civil Code Section 1798.29, accessed in a database maintained by LACDMH, received by Contractor from LACDMH or acquired or created by Contractor in connection with performing the functions, activities and services specified in the Contract on behalf of LACDMH.
27. **Prescriber:** Individuals who work in LACDMH directly operated and contracted sites who hold a valid license or furnishing certificate to prescribe psychotropic medications to Covered Clients.
28. **Pro Rata Share:** The proportion of total Claim Processor Fees that Contractor collects from third parties that Contractor is required to pass through to LACDMH.
29. **Rebate(s):** Any retroactive discount received by Contractor that is paid by a pharmaceutical manufacturer for utilization of designated prescription products by members under the applicable rebate agreement with Contractor, including but not limited to base, incentive and market share Rebates, and Rebate administrative fee.
30. **Special Program:** Any program that LACDMH chooses to implement, in writing, based on specified protocols provided by LACDMH to Contractor, in writing, including but not limited to a: PA Program, Step Therapy Program, Mandatory Generic Program, the Indigent Medications Program, Fund One Program, Mandatory Mail Program and Retail 90 Program. Specialty Drug – means Prescription Drugs that are typically used to treat chronic or complex conditions, and typically have one or more of several key characteristics, including frequent dosing adjustments and intensive clinical monitoring to decrease the potential for drug toxicity and increase the probability for beneficial treatment outcomes; intensive patient training and compliance assistance to facilitate therapeutic goals; limited or exclusive product availability and distribution (if a drug is only available through limited specialty pharmacy distribution it is always considered a Specialty Drug); specialized product handling and/or administration requirements; or costs \$600 or more on a monthly basis. Specialty Drugs may be administered by any route of administration. Specialty Drugs include biosimilars. Specialty Drugs include those drugs on the Specialty Drug List, and any added to the Specialty Drug List after the Effective Date.
31. **Standard Management Reporting Package:** Those reports selected by LACDMH from Contractor's standard reporting and such additional reports as LACDMH requests.
32. **True-Up:** Shall mean the process by which Contractor will reconcile the Average Annual Guarantees and adjust based on actual costs.
33. **Unit AWP:** The Unit of measure price, as defined by the National Council for Prescription Drug Programs, with the unit of measure being per tablet, or per capsule, or per ml of liquid, or per gm of cream, or per other unit, dispensed.
34. **Usual and Customary (U&C):** The amount which the retail pharmacy normally charges its regular non-contracted retail customers for the same or similar services.

35. **Usable Eligibility File:** Accurate, complete, readable data indicating LACDMH's current Covered Client and provided by LACDMH to Contractor in a file format that is direct send or in another mutually agreed upon format.

## **EXHIBIT M-4**

### **LACDMH'S FORMULARY AND BENEFIT PLAN**

#### **1.0 LACDMH's Formulary (Formulary):**

1.1 LACDMH's Customized Formulary: Upon execution of the Contract, the Formulary set forth in (Exhibit M-4) shall be implemented. Contractor shall be responsible for creating a "Hard Edit" blocking the dispensing of any drug or drug product that is not on the Formulary to any Covered Client, unless LACDMH specifically communicates in writing to Contractor that said off-Formulary drug or drug product may be dispensed to a specific Covered Client. All such communications shall be made through LACDMH's Portal and/or written communications to Contractor. LACDMH shall be the sole Party with the right to create exceptions to the rule that only Formulary Covered Items are to be dispensed to Covered Clients. The Formulary that LACDMH establishes as its Formulary upon execution of the Contract – and any changes that LACDMH makes in writing in the Formulary thereafter, shall be referred to in the Contract as the "Formulary".

1.2 LACDMH's Right to Change the Formulary: LACDMH shall be the only Party that has the right to change the Formulary. Contractor shall not make any Formulary changes, unless LACDMH has requested such changes in writing. Contractor acknowledges that LACDMH may need to obtain detailed information to evaluate any changes it wishes to make, and therefore agrees to provide the following information, without limitation, to LACDMH, either directly or through consultation with Contractor's Pharmacy & Therapeutics Committee: (a) the safety and efficacy of any and all drugs identified by LACDMH; (b) the net drug cost to LACDMH of any and all drugs identified by LACDMH, factoring in all Financial Benefits that may be passed through to LACDMH for each such drug; and (c) a disruption analysis to assess the likely impact of changing the LACDMH Formulary.

1.3 Contractor's Recommendations Concerning the Formulary: From time to time during this Contract, Contractor may recommend changes to the Formulary, based on safety and efficacy, as necessitated by accepted medical and pharmacy practice, and price changes and/or Financial Elements available. With respect to all such recommendations, Contractor shall be obligated to act as LACDMH's agent and fiduciary, ensuring that all such recommended changes are made in the interests of LACDMH and its Covered Clients. Unless medical and pharmacy practice requires the favoring of a higher-cost drug in a therapeutic category, Contractor shall favor lower cost drugs in each therapeutic category when making recommendations for changes to LACDMH's standardized Formulary.

#### **2.0 LACDMH's Selection of Copayment/Formulary Structure:**

2.1 LACDMH Benefit Plan shall include but is not limited to: quantity limits, age limits, Prior Authorization requirements, Step Therapy requirements, Fund One Program requirements as stated in the Statement of Work Exhibit M. LACDMH shall have the right to alter its Benefit Plan services, without additional cost or fees imposed by Contractor.

## LACDMH'S FORMULARY

| GENERIC DRUG NAME | TRADE DRUG NAME | DRUG CODE STRENGTH | PREPACK SIZE |
|-------------------|-----------------|--------------------|--------------|
| ACETAMINOPHEN     | TYLENOL         | APC300 325 MG      | 100 TABLETS  |
| ADDERALL XR       | ADDERALL XR     | AEA5XR 5 MG        | 100 CAPSULE  |
| ADDERALL XR       | ADDERALL XR     | AEA10XR 10 MG      | 100 CAPSULE  |
| ADDERALL XR       | ADDERALL XR     | AEA15XR 15 MG      | 100 CAPSULE  |
| ADDERALL XR       | ADDERALL XR     | AEA20XR 20 MG      | 100 CAPSULE  |
| ADDERALL XR       | ADDERALL XR     | AEA25XR 25 MG      | 100 CAPSULE  |
| ADDERALL XR       | ADDERALL XR     | AEA30XR 30 MG      | 100 CAPSULE  |
| AMANTADINE        | SYMMETREL       | AMD100 100 MG      | 100 CAPSULES |
| AMITRIPTYLINE     | ELAVIL          | AML10 10 MG        | 100 TABLETS  |
| AMITRIPTYLINE     | ELAVIL          | AML25 25 MG        | 100 TABLETS  |
| AMITRIPTYLINE     | ELAVIL          | AML50 50 MG        | 100 TABLETS  |
| AMITRIPTYLINE     | ELAVIL          | AML75 75 MG        | 100 TABLETS  |
| AMITRIPTYLINE     | ELAVIL          | AML100 100 MG      | 100 TABLETS  |
| AMPHETAMINE       | ADDERALL        | AEA5 5 MG          | 100 TABLET   |
| AMPHETAMINE       | ADDERALL        | AEA7.5 7.5 MG      | 100 TABLET   |
| AMPHETAMINE       | ADDERALL        | AEA10 10 MG        | 100 TABLET   |
| AMPHETAMINE       | ADDERALL        | AEA12.5 12.5MG     | 100 TABLET   |
| AMPHETAMINE       | ADDERALL        | AEA15 15 MG        | 100 TABLET   |
| AMPHETAMINE       | ADDERALL        | AEA20 20 MG        | 100 TABLET   |
| AMPHETAMINE       | ADDERALL        | AEA30 30 MG        | 100 TABLET   |
| ARIPIRAZOLE       | ABILIFY         | APZ1L 1 MG/ML      | 150 ML       |
| ARIPIRAZOLE       | ABILIFY         | APZ2 2 MG          | 30 TABLETS   |
| ARIPIRAZOLE       | ABILIFY         | APZ5 5 MG          | 100 TABLET   |
| ARIPIRAZOLE       | ABILIFY         | APZ10SL 10 MG      | 30 TABLETS   |
| ARIPIRAZOLE       | ABILIFY         | APZ10 10 MG        | 100 TABLET   |
| ARIPIRAZOLE       | ABILIFY         | APZ15 15 MG        | 100 TABLET   |
| ARIPIRAZOLE       | ABILIFY         | APZ15SL 15 MG      | 30 TABLETS   |
| ARIPIRAZOLE       | ABILIFY         | APZ20 20 MG        | 30 TABLET    |
| ARIPIRAZOLE       | ABILIFY         | APZ30 30 MG        | 30 TABLET    |
| ASENAPINE         | SAPHRIS         | ASP5SL 5 MG        | 100 TABLETS  |
| ASENAPINE         | SAPHRIS         | ASP10SL 10 MG      | 100 TABLETS  |
| ASPIRIN           | ASPIRIN         | ASA300 325 MG      | 100 TABLETS  |
| BENZTROPINE       | COGENTIN        | BTP.5 0.5 MG       | 100 TABLETS  |
| BENZTROPINE       | COGENTIN        | BTP1A 1 MG/ML      | 2 CC/AMP     |
| BENZTROPINE       | COGENTIN        | BTP1 1 MG          | 100 TABLETS  |
| BENZTROPINE       | COGENTIN        | BTP2 2 MG          | 100 TABLETS  |
| BETHANECHOL       | URECHOLINE      | BTC5 5 MG          | 100 TABLETS  |
| BETHANECHOL       | URECHOLINE      | BTC10 10 MG        | 100 TABLETS  |
| BETHANECHOL       | URECHOLINE      | BTC25 25 MG        | 100 TABLETS  |
| BETHANECHOL       | URECHOLINE      | BTC50 50 MG        | 100 TABLETS  |
| BUPROPION         | WELLBUTRIN      | BPP75 75 MG        | 100 TABLET   |
| BUPROPION         | WELLBUTRIN      | BPP100 100 MG      | 100 TABLET   |
| BUPROPION         | WELLBUTRIN SR   | BPPSR200 200 MG    | 60 TABLET    |
| BUPROPION SR      | WELLBUTRIN SR   | BPPSR100 100 MG    | 60 TABLET    |
| BUPROPION SR      | WELLBUTRIN SR   | BPPSR150 150 MG    | 60 TABLET    |
| BUPROPION XL      | WELLBUTRIN XL   | BPP150XL 150 MG    | 30 TABLET    |
| BUPROPION XL      | WELLBUTRIN XL   | BPP300XL 300 MG    | 30 TABLET    |

|                 |             |                     |              |
|-----------------|-------------|---------------------|--------------|
| BUSPIRONE       | BUSPAR      | BPR5 5 MG           | 100 TABLETS  |
| BUSPIRONE       | BUSPAR      | BPR10 10 MG         | 100 TABLETS  |
| BUSPIRONE       | BUSPAR      | BPR15 15 MG         | 60 TABLET    |
| BUSPIRONE       | BUSPAR      | BPR30 30 MG         | 60 TABLET    |
| CARBAMAZEPINE   | TEGRETOL    | CBP200-1 200 MG     | 100 TABLETS  |
| CHLORAL HYDRATE | NOCTEC      | CH500L 500 MG/5ML   | 480 ML       |
| CHLORAL HYDRATE | NOCTEC      | CH500 500 MG        | 100 CAPSULES |
| CHLORPROMAZINE  | THORAZINE   | CPZ10 10 MG         | 100 TABLETS  |
| CHLORPROMAZINE  | THORAZINE   | CPZ251A 25 MG/ML    | 1 AMP        |
| CHLORPROMAZINE  | THORAZINE   | CPZ25 25 MG         | 100 TABLETS  |
| CHLORPROMAZINE  | THORAZINE   | CPZ50 50 MG         | 100 TABLETS  |
| CHLORPROMAZINE  | THORAZINE   | CPZ100 100 MG       | 100 TABLETS  |
| CHLORPROMAZINE  | THORAZINE   | CPZ200 200 MG       | 100 TABLETS  |
| CITALOPRAM      | CELEXA      | CTP20 20 MG         | 100 TABLET   |
| CITALOPRAM      | CELEXA      | CTP40 40 MG         | 100 TABLET   |
| CLOMIPRAMINE    | ANAFRANIL   | CPM25 25 MG         | 100 CAPSULE  |
| CLOMIPRAMINE    | ANAFRANIL   | CPM50 50 MG         | 100 CAPSULE  |
| CLOMIPRAMINE    | ANAFRANIL   | CPM75 75 MG         | 100 CAPSULE  |
| CLONIDINE       | CATAPRES    | CD1 0.1 MG          | 100 TABLETS  |
| CLONIDINE       | CATAPRES    | CD2 0.2 MG          | 100 TABLETS  |
| CLONIDINE       | CATAPRES    | CD3 0.3 MG          | 100 TABLETS  |
| CLOZAPINE       | CLOZARIL    | CZP25 25 MG         | 100 TABLET   |
| CLOZAPINE       | CLOZARIL    | CZP100 100 MG       | 100 TABLET   |
| CLOZAPINE       | CLOZAPINE   | CZP200 200 MG       | 100 TABLETS  |
| CLOZARIL        | CLOZARIL    | CZR25 25 MG         | 100 TABLET   |
| CLOZARIL        | CLOZARIL    | CZR100 100 MG       | 100 TABLET   |
| CONCERTA        | CONCERTA    | CCT18 18 MG         | 100 TABLET   |
| CONCERTA        | CONCERTA    | CCT27 27 MG         | 100 CAPSULE  |
| CONCERTA        | CONCERTA    | CCT36 36 MG         | 100 TABLET   |
| CONCERTA        | CONCERTA    | CCT54 54 MG         | 100 TABLET   |
| DESIPRAMINE     | NORPRAMINE  | DSM10 10 MG         | 100 TABLETS  |
| DESIPRAMINE     | NORPRAMINE  | DSM25 25 MG         | 100 TABLETS  |
| DESIPRAMINE     | NORPRAMINE  | DSM50 50 MG         | 100 TABLETS  |
| DESIPRAMINE     | NORPRAMINE  | DSM75 75 MG         | 100 TABLETS  |
| DESIPRAMINE     | NORPRAMINE  | DSM100 100 MG       | 100 TABLETS  |
| DEXTROAMPHETAMI | DEXEDRINE   | DAM5T 5 MG          | 100 TABLET   |
| DIPHENHYDRAMINE | BENADRYL    | DPM12L 12.5 MG/4 ML | 480 ML       |
| DIPHENHYDRAMINE | BENADRYL    | DPM50 50 MG         | 100 CAPSULES |
| DIPHENHYDRAMINE | BENADRYL    | DPM50A 50 MG/ML     | 10 ML        |
| DISULFIRAM      | ANTABUSE    | DSR250 250 MG       | 100 TABLETS  |
| DIVALPROEX      | DEPAKOTE    | DVP125E 125 MG      | 100 TABLET   |
| DIVALPROEX      | DEPAKOTE    | DVP250E 250 MG      | 100 TABLET   |
| DIVALPROEX      | DEPAKOTE    | DVP500E 500 MG      | 100 TABLET   |
| DIVALPROEX ER   | DEPAKOTE ER | DVP250ER 250 MG     | 100 TABLET   |
| DIVALPROEX ER   | DEPAKOTE ER | DVP500ER 500 MG     | 100 TABLET   |
| DOXEPIN         | SINEQUAN    | DXP10L 10 MG/ML     | 120 ML       |

|                 |               |                     |              |
|-----------------|---------------|---------------------|--------------|
| DOXEPIN         | SINEQUAN      | DXP10 10 MG         | 100 CAPSULES |
| DOXEPIN         | SINEQUAN      | DXP25 25 MG         | 100 CAPSULES |
| DOXEPIN         | SINEQUAN      | DXP50 50 MG         | 100 CAPSULES |
| DOXEPIN         | SINEQUAN      | DXP75 75 MG         | 100 CAPSULES |
| DOXEPIN         | SINEQUAN      | DXP100 100 MG       | 100 CAPSULES |
| DOXEPIN         | SINEQUAN      | DXP150 150 MG       | 50 CAPSULES  |
| DSS             | COLASE        | DSS111 100 MG       | 100 CAPSULES |
| DSS             | COLASE        | DSS240 250 MG       | 100 CAPSULES |
| DULOXETINE      | CYMBALTA      | DLT20 20 MG         | 60 CAPSULE   |
| DULOXETINE      | CYMBALTA      | DLT30 30 MG         | 30 CAPSULE   |
| DULOXETINE      | CYMBALTA      | DLT60 60 MG         | 30 CAPSULE   |
| ESCITALOPRAM    | LEXAPRO       | ETP10 10 MG         | 100 TABLET   |
| ESCITALOPRAM    | LEXAPRO       | ETP20 20 MG         | 100 TABLET   |
| FAZACLO         | FAZACLO       | FZC25 25 MG         | 100 TABLET   |
| FAZACLO         | FAZACLO       | FZC100 100 MG       | 100 TABLET   |
| FAZACLO         | FAZACLO       | FZC150 150 MG       | 100 TABLETS  |
| FAZACLO         | FAZACLO       | FZC200 200 MG       | 100 TABLETS  |
| FLUOXETINE      | PROZAC        | FOT10T 10 MG        | 100 TABLET   |
| FLUOXETINE      | PROZAC        | FOT10 10 MG         | 100 CAPSULE  |
| FLUOXETINE      | PROZAC        | FOT20 20 MG         | 100 CAPSULES |
| FLUOXETINE      | PROZAC        | FOT20L 20 MG/5 ML   | 120 ML       |
| FLUOXETINE WEEK | PROZAC WEEKLY | FOT90 90 MG         | 4 CAPSULE    |
| FLUPHENAZINE    | PROLIXIN      | FPZ.5L 0.5 MG/ML    | 480 ML       |
| FLUPHENAZINE    | PROLIXIN      | FPZ1 1 MG           | 100 TABLETS  |
| FLUPHENAZINE    | PROLIXIN DEC  | FPZ26J 25 MG/ML DEC | 5 ML VIAL    |
| FLUPHENAZINE    | PROLIXIN      | FPZ2.5J 2.5 MG/ML   | 10 ML VIAL   |
| FLUPHENAZINE    | PROLIXIN      | FPZ2.5 2.5 MG       | 100 TABLETS  |
| FLUPHENAZINE    | PROLIXIN      | FPZ5L 5 MG/ML       | 120 ML       |
| FLUPHENAZINE    | PROLIXIN      | FPZ5 5 MG           | 100 TABLETS  |
| FLUPHENAZINE    | PROLIXIN      | FPZ10 10 MG         | 100 TABLETS  |
| FLURAZAPAM      | DALMANE       | FAP15 15 MG         | 100 CAPSULES |
| FLURAZAPAM      | DALMANE       | FAP30 30 MG         | 100 CAPSULES |
| FLUVOXAMINE     | LUVOX         | FVM100 100 MG       | 100 TABLET   |
| FLUVOXAMINE CR  | LUVOX CR      | FVM100CR 100 MG     | 30 CAPSULES  |
| FLUVOXAMINE CR  | LUVOX CR      | FVM150CR 150 MG     | 30 CAPSULES  |
| GUANFACINE      | TENEX         | GFC1 1 MG           | 100 TABLET   |
| GUANFACINE      | TENEX         | GFC2 2 MG           | 100 TABLET   |
| HALOPERIDOL     | HALDOL        | HLD.5 0.5 MG        | 100 TABLETS  |
| HALOPERIDOL     | HALDOL DEC    | HLD105J 100MG/ML    | 5 ML         |
| HALOPERIDOL     | HALDOL DEC    | HLD100J 100 MG/ML   | 5 ML         |
| HALOPERIDOL     | HALDOL        | HLD1 1 MG           | 100 TABLETS  |
| HALOPERIDOL     | HALDOL        | HLD21L 2 MG/ML      | 15 ML        |
| HALOPERIDOL     | HALDOL        | HLD2L 2 MG/ML       | 120 ML       |
| HALOPERIDOL     | HALDOL        | HLD2 2 MG           | 100 TABLETS  |
| HALOPERIDOL     | HALDOL        | HLD5 5 MG           | 100 TABLETS  |

|                 |             |                     |              |
|-----------------|-------------|---------------------|--------------|
| HALOPERIDOL     | HALDOL      | HLD5J 5 MG/ML       | 10 ML        |
| HALOPERIDOL     | HALDOL      | HLD10 10 MG         | 100 TABLETS  |
| HALOPERIDOL     | HALDOL DEC  | HLD50J 50 MG/ML     | 5 ML         |
| HYDROXYZINE     | ATARAX      | HDY10 10 MG         | 100 TABLETS  |
| HYDROXYZINE     | ATARAX      | HDY10L 10 MG/5ML    | 480 ML       |
| HYDROXYZINE     | ATARAX      | HDY25 25 MG         | 100 TABLETS  |
| HYDROXYZINE     | ATARAX      | HDY50 50 MG         | 100 TABLETS  |
| HYDROXYZINE PAM | VISTARIL    | HDY251 25 MG        | 100 CAPSULES |
| HYDROXYZINE PAM | VISTARIL    | HDY501 50 MG        | 100 CAPSULES |
| ILOPERIDONE     | FANAPT      | ILD1 1 MG           | 60 TABLETS   |
| ILOPERIDONE     | FANAPT      | ILD2 2 MG           | 60 TABLETS   |
| ILOPERIDONE     | FANAPT      | ILD4 4 MG           | 60 TABLETS   |
| ILOPERIDONE     | FANAPT TPAK | ILDTP 6 MG          | 8 TABLETS    |
| ILOPERIDONE     | FANAPT      | ILD6 6 MG           | 60 TABLETS   |
| ILOPERIDONE     | FANAPT      | ILD8 8 MG           | 60 TABLETS   |
| ILOPERIDONE     | FANAPT      | ILD10 10 MG         | 60 TABLETS   |
| ILOPERIDONE     | FANAPT      | ILD12 12 MG         | 60 TABLETS   |
| IMIPRAMINE      | TOFRANIL    | IMM10 10 MG         | 100 TABLETS  |
| IMIPRAMINE      | TOFRANIL    | IMM25 25 MG         | 100 TABLETS  |
| IMIPRAMINE      | TOFRANIL    | IMM50 50 MG         | 100 TABLETS  |
| L-DEXAMFETAMINE | VYVANSE     | LDM20 20 MG         | 100 CAPSULE  |
| L-DEXAMFETAMINE | VYVANSE     | LDM30 30 MG         | 100 CAPSULES |
| L-DEXAMFETAMINE | VYVANSE     | LDM40 40 MG         | 100 CAPSULES |
| L-DEXAMFETAMINE | VYVANSE     | LDM50 50 MG         | 100 CAPSULES |
| L-DEXAMFETAMINE | VYVANSE     | LDM60 60 MG         | 100 CAPSULES |
| L-DEXAMFETAMINE | VYVANSE     | LDM70 70 MG         | 100 CAPSULES |
| LAMOTRIGINE     | LAMICTAL    | LTG25 25 MG         | 100 TABLET   |
| LAMOTRIGINE     | LAMICTAL    | LTG100 100 MG       | 100 TABLET   |
| LAMOTRIGINE     | LAMICTAL    | LTG150 150 MG       | 60 TABLET    |
| LAMOTRIGINE     | LAMICTAL    | LTG200 200 MG       | 60 TABLET    |
| LEVOTHYROXINE   | SYNTHROID   | LV10.025 0.025 MG   | 100 TABLET   |
| LEVOTHYROXINE   | SYNTHROID   | LV10.05 0.05 MG     | 100 TABLET   |
| LEVOTHYROXINE   | SYNTHROID   | LV10.075 0.075 MG   | 100 TABLET   |
| LEVOTHYROXINE   | SYNTHROID   | LV10.1 0.1 MG       | 100 TABLET   |
| LEVOTHYROXINE   | SYNTHROID   | LV10.125 0.125 MG   | 100 TABLET   |
| LEVOTHYROXINE   | SYNTHROID   | LV10.15 0.15 MG     | 100 TABLET   |
| LEVOTHYROXINE   | SYNTHROID   | LV10.2 0.2 MG       | 100 TABLET   |
| LEVOTHYROXINE   | SYNTHROID   | LV10.3 0.3 MG       | 100 TABLET   |
| LITHIUM         | ESKALITH    | LTC301 300 MG       | 100 CAPSULES |
| LITHIUM         | LITHIUM     | LTC300T 300MG       | 100 TABLET   |
| LITHIUM CITRATE | CIBALITH-S  | LTC300L 300 MG/5 ML | 480 ML       |
| LITHOBID        | LITHOBID    | LTC300C 300 MG      | 100 TABLETS  |
| LORAZEPAM       | ATIVAN      | LAP.5 0.5 MG        | 100 TABLETS  |
| LORAZEPAM       | ATIVAN      | LAP1 1 MG           | 100 TABLETS  |
| LORAZEPAM       | ATIVAN      | LAP2 2 MG           | 100 TABLETS  |

|                 |                |                  |              |
|-----------------|----------------|------------------|--------------|
| LOXAPINE        | LOXITANE       | LOX5 5 MG        | 100 CAPSULES |
| LOXAPINE        | LOXITANE       | LOX10 10 MG      | 100 CAPSULES |
| LOXAPINE        | LOXITANE       | LOX25 25 MG      | 100 CAPSULES |
| LOXAPINE        | LOXITANE       | LOX50 50 MG      | 100 CAPSULES |
| LURASIDONE      | LATUDA         | LAD40 40 MG      | 30 TABLETS   |
| LURASIDONE      | LATUDA         | LAD80 80 MG      | 30 TABLETS   |
| MESORIDAZINE    | SERENTIL       | MSZ10 10 MG      | 100 CAPSULES |
| MESORIDAZINE    | SERENTIL       | MSZ25L 25 MG/ML  | 120 ML       |
| MESORIDAZINE    | SERENTIL       | MSZ25A 25 MG/ML  | 1 AMP        |
| MESORIDAZINE    | SERENTIL       | MSZ25 25 MG      | 100 CAPSULES |
| MESORIDAZINE    | SERENTIL       | MSZ50 50 MG      | 100 CAPSULES |
| MESORIDAZINE    | SERENTIL       | MSZ100 100 MG    | 100 CAPSULES |
| METHYLPHENIDATE | RITALIN        | MTD5 5 MG        | 100 TABLETS  |
| METHYLPHENIDATE | RITALIN        | MTD10 10 MG      | 100 TABLETS  |
| METHYLPHENIDATE | RITALIN        | MTD20 20 MG      | 100 TABLETS  |
| METOPROLOL      | LOPRESSOR      | MTL50 50 MG      | 100 TABLET   |
| METOPROLOL      | LOPRESSOR      | MTL100 100 MG    | 100 TABLET   |
| MIRTAZAPINE     | REMERON        | MTP15 15 MG      | 30 TABLET    |
| MIRTAZAPINE     | REMERON        | MTP30 30 MG      | 30 TABLET    |
| MIRTAZAPINE     | REMERON        | MTP45 45 MG      | 30 TABLET    |
| MIRTAZAPINE SOL | REMERON SOLTAB | MTP15-1 15 MG    | 30 TABLET    |
| MIRTAZAPINE SOL | REMERON SOLTAB | MTP30-1 30 MG    | 30 TABLET    |
| MIRTAZAPINE SOL | REMERON SOLTAB | MTP45-1 45 MG    | 30 TABLET    |
| NALTREXONE      | REVIA          | NT050 50 MG      | 30 TABLET    |
| NEFAZODONE      | SERZONE        | NFD50 50 MG      | 60 TABLET    |
| NEFAZODONE      | SERZONE        | NFD100 100 MG    | 60 TABLET    |
| NEFAZODONE      | SERZONE        | NFD150 150 MG    | 60 TABLET    |
| NEFAZODONE      | SERZONE        | NFD200 200 MG    | 60 TABLET    |
| NEFAZODONE      | SERZONE        | NFD250 250 MG    | 60 TABLET    |
| NORTRIPTYLINE   | PAMELOR        | NTL10L 10 MG/5ML | 480 ML       |
| NORTRIPTYLINE   | PAMELOR        | NTL10 10 MG      | 100 CAPSULES |
| NORTRIPTYLINE   | PAMELOR        | NTL25 25 MG      | 100 CAPSULES |
| NORTRIPTYLINE   | PAMELOR        | NTL50 50 MG      | 100 CAPSULES |
| NORTRIPTYLINE   | PAMELOR        | NTL75 75 MG      | 100 CAPSULES |
| OLANZAPINE      | ZYPREXA        | OLP2.5 2.5 MG    | 60 TABLET    |
| OLANZAPINE      | ZYPREXA        | OLP5 5 MG        | 60 TABLET    |
| OLANZAPINE      | ZYPREXA        | OLP7.5 7.5 MG    | 60 TABLET    |
| OLANZAPINE      | ZYPREXA        | OLP10 10 MG      | 60 TABLET    |
| OLANZAPINE      | ZYPREXA        | OLP15 15 MG      | 60 TABLET    |
| OLANZAPINE      | ZYPREXA        | OLP20 20 MG      | 60 TABLET    |
| OLANZAPINE ZYDI | ZYPREXA ZYDIS  | OLP5Z 5 MG       | 30 TABLET    |
| OLANZAPINE ZYDI | ZYPREXA ZYDIS  | OLP10Z 10 MG     | 30 TABLET    |
| OLANZAPINE ZYDI | ZYPREXA ZYDIS  | OLP15Z 15 MG     | 30 TABLET    |
| OLANZAPINE ZYDI | ZYPREXA ZYDIS  | OLP20Z 20 MG     | 30 TABLET    |
| OXCARBAZEPINE   | TRILEPTAL      | OBP150 150 MG    | 100 TABLET   |

|                 |                |                   |              |
|-----------------|----------------|-------------------|--------------|
| OXCARBAZEPINE   | TRILEPTAL      | OBP300 300 MG     | 100 TABLET   |
| OXCARBAZEPINE   | TRILEPTAL      | OBP600 600 MG     | 100 TABLET   |
| PAROXETINE      | PAXIL          | PXT10 10 MG       | 30 TABLET    |
| PAROXETINE      | PAXIL CR       | PXT12.5CR 12.5 MG | 30 TABLET    |
| PAROXETINE      | PAXIL          | PXT20 20 MG       | 100 TABLET   |
| PAROXETINE      | PAXIL CR       | PXT25CR 25 MG     | 30 TABLET    |
| PAROXETINE      | PAXIL          | PXT30 30 MG       | 30 TABLET    |
| PAROXETINE      | PAXIL CR       | PXT37.5CR 37.5 MG | 30 TABLET    |
| PAROXETINE      | PAXIL          | PXT40 40 MG       | 30 TABLET    |
| PERPHEN/AMITRIP | TRIAVIL        | TAV225 2-25 MG    | 100 TABLETS  |
| PERPHEN/AMITRIP | TRIAVIL        | TAV210 2-10 MG    | 100 TABLETS  |
| PERPHEN/AMITRIP | TRIAVIL        | TAV410 4-10 MG    | 100 TABLETS  |
| PERPHEN/AMITRIP | TRIAVIL        | TAV425 4-25 MG    | 100 TABLETS  |
| PERPHENAZINE    | TRILAFON       | PRZ2 2 MG         | 100 TABLETS  |
| PERPHENAZINE    | TRILAFON       | PRZ4 4 MG         | 100 TABLETS  |
| PERPHENAZINE    | TRILAFON       | PRZ8 8 MG         | 100 TABLETS  |
| PERPHENAZINE    | TRILAFON       | PRZ16 16 MG       | 100 TABLETS  |
| PHENOBARBITAL   | PHENOBARBITAL  | PB30 30 MG        | 100 TABLETS  |
| PHENOBARBITAL   | PHENOBARBITAL  | PB60 60 MG        | 100 TABLETS  |
| PHENYTOIN       | DILANTIN       | DPD50 50 MG       | 100 TABLETS  |
| PHENYTOIN LA    | DILANTIN       | DPD100 100 MG     | 100 CAPSULES |
| PROPRANOLOL     | INDERAL        | PPO10 10 MG       | 100 TABLETS  |
| PROPRANOLOL     | INDERAL        | PPO20 20 MG       | 100 TABLETS  |
| PROPRANOLOL     | INDERAL        | PPO40 40 MG       | 100 TABLETS  |
| PROPRANOLOL     | INDERAL        | PPO80 80 MG       | 100 TABLETS  |
| PROTRIPTYLINE   | VIVACTIL       | PTL5 5 MG         | 100 TABLETS  |
| PROTRIPTYLINE   | VIVACTIL       | PTL10 10 MG       | 100 TABLETS  |
| VENLAFAXINE ER  | VENLAFAXINE ER | VNX375ER 37.5 MG  | 90 TABLETS   |
| VENLAFAXINE ER  | VENLAFAXINE ER | VNX75ER 75 MG     | 90 TABLETS   |
| VENLAFAXINE ER  | VENLAFAXINE ER | VNX150ER 150 MG   | 90 TABLETS   |
| VENLAFAXINE ER  | VENLAFAXINE ER | VNX225ER 225 MG   | 90 TABLETS   |
| VENLAFAXINE XR  | EFFEXOR XR     | VNX37.5 37.5 MG   | 100 CAPSULE  |
| VENLAFAXINE XR  | EFFEXOR XR     | VNX375XR 37.5 MG  | 100 CAPSULE  |
| VENLAFAXINE XR  | EFFEXOR XR     | VNX75XR 75 MG     | 100 CAPSULE  |
| VENLAFAXINE XR  | EFFEXOR XR     | VNX150XR 150 MG   | 100 CAPSULE  |
| ZIPRASIDONE     | GEODON         | ZPD20 20 MG       | 60 CAPSULE   |
| ZIPRASIDONE     | GEODON         | ZPD40 40 MG       | 60 CAPSULE   |
| ZIPRASIDONE     | GEODON         | ZPD60 60 MG       | 60 CAPSULE   |
| ZIPRASIDONE     | GEODON         | ZPD80 80 MG       | 60 CAPSULE   |



Los Angeles County Department of Mental  
Health Office of the Medical Director  
Pharmacy Services  
550 South Vermont Avenue Los Angeles, CA 90020  
**TAR)**  
Phone: (213) 738-4725

**EXHIBIT M-5 LACDMH M-TAR**

**Fax to Pharmacy Services: (213) 637-2550**  
**Medication Treatment Authorization Request (M-**

|                                                                                                                                                                                                                                                |                                                                           |                                                                                                                                                                                                                                                                                                      |                |                                                                                                                                                                                                                                                                                                                         |                 |                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------|
| <b>Client Information</b>                                                                                                                                                                                                                      | Name:                                                                     | MS #:                                                                                                                                                                                                                                                                                                | Date of Birth: | Gender:                                                                                                                                                                                                                                                                                                                 | Date Requested: |                     |
|                                                                                                                                                                                                                                                | Requested Medication and Strength:                                        |                                                                                                                                                                                                                                                                                                      |                |                                                                                                                                                                                                                                                                                                                         |                 | Initial<br>Continue |
|                                                                                                                                                                                                                                                | Primary Diagnosis/Relevant Medical Condition(s)/Substance Use Disorder(s) |                                                                                                                                                                                                                                                                                                      |                |                                                                                                                                                                                                                                                                                                                         |                 |                     |
| <b>Medication-Specific Criteria (Note: Check boxes under specific medication to attest that <i>all</i> criteria is met for that medication)</b>                                                                                                |                                                                           |                                                                                                                                                                                                                                                                                                      |                |                                                                                                                                                                                                                                                                                                                         |                 |                     |
| <b>Psychostimulants</b>                                                                                                                                                                                                                        |                                                                           | <b>Anticraving medications (Acamprosate, Naltrexone ER, Varenicline, Buprenorphine)</b>                                                                                                                                                                                                              |                | <b>Branded Antipsychotic Polypharmacy (Please note current and past medications in Rationale Section)</b>                                                                                                                                                                                                               |                 |                     |
| Client is over the age of 16 and has been prescribed psychostimulants by a DMH prescriber (directly-operated or contracted site) continuously for at least one year prior to the request.                                                      |                                                                           | Client has substance use disorder with significant impairment.<br>Client is receiving ongoing substance abuse counseling.<br>Clinical record documents evidence of effectiveness after 3 months use.                                                                                                 |                | Client/Medication not eligible for Indigent Medications Program.<br>Monotherapy or alternative polypharmacy (use of more than 1 branded antipsychotic) would cause significant adverse effects and/or poor outcomes.<br>Client had an unfavorable response to the current medication that requires an immediate switch. |                 |                     |
| <b>Zolpidem (and other off-formulary insomnia medications)</b>                                                                                                                                                                                 |                                                                           | <b>Gabapentin</b>                                                                                                                                                                                                                                                                                    |                | <b>Please indicate one:</b><br><br>Switch<br>Ongoing Polypharmacy<br>Transfer of Care (e.g. hospital discharge)                                                                                                                                                                                                         |                 |                     |
| Client is not currently prescribed or receiving benzodiazepine.<br>Client does not have current substance use diagnosis.<br>If client is currently using requested medication, length of time from first prescription is less than six months. |                                                                           | Prescriber has indicated in clinical record awareness that there is currently no FDA indication for gabapentin for a mental health disorder.<br>Prescriber has documented in the clinical record an explanation of the clinical decision-making and awareness of practice outside of DMH parameters. |                |                                                                                                                                                                                                                                                                                                                         |                 |                     |

**Rationale (For any medication listed above, include additional information related to request.)**  
**(For any medication not listed above, describe complete clinical rationale for request and attach additional documentation if necessary)**

**Prescriber/Furnisher Information (I hereby state that all of the indicated conditions pertain and the documented reasons for these conditions are accurate.)**

|                                                        |            |                                 |           |
|--------------------------------------------------------|------------|---------------------------------|-----------|
| Name:                                                  | Signature: | Supervising Psychiatrist name*  | Signature |
| DMH Clinic Name:                                       | Phone #:   | Fax (Required):                 |           |
| Reviewing Pharmacist Name:                             |            | Reviewing Pharmacist Signature: | Date:     |
| <b>DMH Action (For DMH Pharmacy Services Use Only)</b> |            |                                 |           |
| Accept                                                 |            |                                 |           |
| Deny                                                   |            |                                 |           |
| Reason:                                                |            |                                 |           |
| Duration (in months):**                                |            | Drug Code:                      |           |

**Designees must include name of Supervising Psychiatrist and Designee name and signature. No Supervising Psychiatrist signature is required if the site is a DMH Contract (i.e. not directly-operated). \*\*Duration can be approved for up to 6 months. The exception is Zolpidem (and other off-formulary insomnia medications) for which the maximum is 30 days. The confidential information is provided to you in accord with State Federal laws and regulations including but not limited to applicable Welfare and Institutions code, Civil Code and HIPAA Privacy Standards. Duplication of this information for further disclosure is prohibited without prior written permission of the Pharmacy Services Unit. It pertains unless otherwise permitted by law. Destruction of this information is required after the stated purpose of the original request is fulfilled. This facsimile and any attached documents are confidential and are intended for the use of individual or entity to which it is addressed. If you received this in error, please notify us by telephone immediately at (213) 738-4725.**

## EXHIBIT M-6

### LACDMH'S LIST OF REQUIRED HARD EDITS

PBM shall create a "Hard Edit" for each drug that will prevent the drug from being dispensed as part of LACDMH's prior authorization protocols (M-TAR, Exhibit 5). LACDMH shall have the ability to approve (or deny) dispensing of the requested drug. LACDMH shall have the ability to record electronically on the LACDMH Portal the following information in connection with LACDMH's decisions:

#### **Hard edits includes the following:**

**Psychostimulants:** Covered Client is over the age of sixteen (16) and has been prescribed psychostimulants by a LACDMH Prescriber (directly-operated or contracted site) continuously for at least one year prior to the request.

**Zolpidem (and other off-formulary insomnia medications):** Covered Client is not currently prescribed or receiving benzodiazepine. Covered Client does not have current substance use diagnosis. If Covered Client is currently using requested medication, length of time from first prescription is less than six (6) months.

**Anticraving medications (Acamprosate, Naltrexone ER, Varenicline, Buprenorphine):** Covered Client has substance use disorder with significant impairment. Covered Client is receiving ongoing substance abuse counseling. Clinical record documents evidence of effectiveness after three (3) months use.

**Gabapentin:** Prescriber has indicated in clinical record awareness that there is currently no FDA indication for gabapentin for a mental health disorder. Prescriber has documented in the clinical record an explanation of the clinical decision-making and awareness of practice outside of LACDMH parameters.

**Branded Antipsychotic Polypharmacy (Please note current and past medications in Rationale Section):** Covered Client/Medication not eligible for Indigent Medications Program. Monotherapy or alternative polypharmacy (use of more than 1 branded antipsychotic) would cause significant adverse effects and/or poor outcomes. Covered Client had an unfavorable response to the current medication that requires an immediate switch.

#### ***Please indicate one:***

- ☐ Switch
- ☐ Ongoing Polypharmacy
- ☐ Transfer of Care (e.g. hospital discharge)

## **EXHIBIT M-7**

### **LACDMH'S LIST OF IDENTIFIED FUND-ONE DRUGS**

As of January 2014, LACDMH has identified the following drugs as drugs that are included in the Fund One Program:

- Aripiprazole (Abilify – Bristol Myers Squibb)
- Asenapine (Saphris – Merck)
- Iloperidone (Fanapt – Novartis)
- Olanzapine (Zyprexa – Lilly)
- Ziprasidone (Geodon – Pfizer)
- Lurasidone (Latuda – Sunovion)

LACDMH is entitled to alter the list of Fund One Program Drugs at any time during the Contract period by adding to, or eliminating certain drugs or drug products. Contractor will be obligated to implement all such changes within seven (7) days of Contractor's receipt of written notice from LACDMH.

## **EXHIBIT M-8**

### **CLAIMS DATA UTILIZATION FIELDS TO BE PROVIDED BY CONTRACTOR**

Invoices shall conform to the instructions specified in Section 5.6 (Invoices) of the Agreement.

- A. Mail/retail/specialty indicator
- B. Brand Drug/Generic Drug indicator (applying the definitions for each identified in this Contract)
- C. Ingredient Cost paid to Participating Pharmacy
- D. Dispensing Fees paid to Participating Pharmacy
- E. Copayment (or Coinsurance) and deductible collected by Participating Pharmacy (which must be the same as the Copayment/Coinsurance payment by Covered Client), if any
- F. Sales and/or use tax paid to Participating Pharmacy (which must be the same as the sales and/or use tax charged to Covered Client)
- G. Net amount paid to Participating Pharmacy
- H. Gross invoice charge to MMO by Contractor
- I. Average Wholesale Price
- J. Report Group Class Code
- K. Report Group Sequence Number
- L. Covered Client ID
- M. Covered Client Last Name
- N. Covered Client First Name
- O. Covered Client Middle Initial
- P. Covered Client Primary Group
- Q. Covered Client Secondary Group
- R. Covered Client DOB
- S. Covered Client Age
- T. Covered Client Sex
- U. Covered Client Zip Code
- V. Participating Pharmacy ID
- W. Participating Pharmacy Name
- X. Participating Pharmacy Street Address
- Y. Participating Pharmacy City
- Z. Participating Pharmacy State
- AA. Participating Pharmacy Zip
- BB. Participating Pharmacy Region
- CC. Prescription Number
- DD. Prescription Fill Date
- EE. New / Refill Indicator
- FF. DAW Flag
- GG. MAC Flag
- HH. Days Supply
- II. Metric Decimal Units

## EXHIBIT M-8

### CLAIMS DATA UTILIZATION FIELDS TO BE PROVIDED BY CONTRACTOR

|     |                                                             |
|-----|-------------------------------------------------------------|
| JJ  | Ingredient Cost billed to Covered Client                    |
| KK  | Dispensing Fees billed to Covered Client                    |
| LL  | Professional Fee                                            |
| MM  | Sales Tax billed to Covered Client                          |
| NN  | Gross Due Amt                                               |
| OO  | Covered Client Copayment, Coinsurance, or Deductible Amount |
| PP  | Covered Client DAW Penalty Difference                       |
| QQ  | Covered Client DAW Penalty Amt                              |
| RR  | Covered Client Excess Clms Limit Amt                        |
| SS  | Excess Max Allow Benefit Amt                                |
| TT  | Drug Formulary Penalty Amt                                  |
| UU  | Participating Pharmacy Network Penalty Amt                  |
| VV  | Prescriber Network Penalty Amt                              |
| WW  | Total Covered Client Pay Amt                                |
| XX  | Participating Pharmacy DAW Penalty Difference               |
| YY  | Participating Pharmacy Excess Claim Limit Amt               |
| ZZ  | Total Participating Pharmacy Pay Amt                        |
| AAA | Covered Client Due Amt                                      |
| BBB | Claims Usual & Customary Amt                                |
| CCC | Excess Out of Pocket Amt                                    |
| DDD | Covered Client DAW Penalty Difference                       |
| EEE | Covered Client Excess Clm Limit Amt                         |
| FFF | Applied to Out of Pocket Amt                                |
| GGG | Applied to Max Allow Benefit Amt                            |
| HHH | Adjudicated price X Dispensed quantity before discount      |
| III | Postage Flag                                                |
| JJJ | National Drug Code                                          |
| KKK | Drug Name                                                   |
| LLL | Drug Strength                                               |
| MMM | NDC Therapeutic Code                                        |
| NNN | Medispan GPI Code                                           |
| OOO | NDC Brand / Generic Code                                    |
| PPP | NDC Controlled Drug Code                                    |
| QQQ | NDC Dispensing Package Size                                 |
| RRR | NDC Status                                                  |
| SSS | Batch Number                                                |
| TTT | Benefit Request Number                                      |
| UUU | Benefit Request Line Item                                   |
| VVV | Processing Cutoff Date                                      |

## EXHIBIT M-8

|      |                                          |
|------|------------------------------------------|
| WWW  | Processing Month                         |
| XXX  | Type of Claims                           |
| YYY  | Therapeutic Formulary Flag               |
| ZZZ  | Primary Care Physician ID                |
| AAAA | Primary Care Physician Last Name         |
| BBBB | Primary Care Physician First Name        |
| CCCC | Primary Care Physician Middle Initial    |
| DDDD | Primary Care Physician Group             |
| EEEE | Prescribing Physician ID                 |
| FFFF | Prescribing Physician Last Name          |
| GGGG | Prescribing Physician First Name         |
| HHHH | Prescribing Physician Middle Initial     |
| IIII | Deductible Flag                          |
| JJJJ | Post Funding Reversal Flag               |
| KKKK | FDB Generic Therapeutic class            |
| LLLL | Compound Drug Indicator                  |
| MMMM | Copay Indicator                          |
| NNNN | Multi Source Brand Indicator             |
| OOOO | Billing Report Code                      |
| PPPP | Common Treatment of                      |
| QQQQ | Therapeutic Class                        |
| RRRR | Invoice/Billing Date                     |
| SSSS | Fill Date                                |
| TTTT | COB Indicator                            |
| UUUU | Covered Client Submitted Claim Indicator |

**EXHIBIT M-9**

**PHARMACY BENEFIT MANAGEMENT SERVICES**

**PERFORMANCE REQUIREMENTS SUMMARY (PRS) CHART**

Below are deductions/fees to be assessed for each Specific Performance Reference/Guarantee when that service requirement is not met.

\*During Requirements Sessions, Magellan and LACDMH to agree upon the Monitoring Methods.

| SPECIFIC PERFORMANCE REFERENCE                                                | SERVICE                                                                                                                                                                                                                                                    | MONITORING METHOD        | DEDUCTIONS/FEES TO BE ASSESSED                                      |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------|
| <b>Contract Administration</b>                                                |                                                                                                                                                                                                                                                            |                          |                                                                     |
| Contract: Paragraph 7.0 - Administration of Contract-Contractor               | Contractor shall notify the LACDMH in writing, within two (2) business days, of any change in name or address of the Project Manager.<br><br><b>Measurement Period: Annually</b>                                                                           | Inspection & Observation | \$50 per occurrence                                                 |
| Contract: Sub-paragraph 8.38 - Record Retention & Inspection/Audit Settlement | Contractor to maintain all required documents as specified in Sub-paragraph 8.38.<br><br><b>Measurement Period: Annually</b>                                                                                                                               | Inspection of files      | \$50 per occurrence                                                 |
| Contract: Sub-paragraph 8.40 - Subcontracting                                 | Contractor shall obtain LACDMH's written approval prior to subcontracting any work.<br><br><b>Measurement Period: Annually</b>                                                                                                                             | Inspection & Observation | \$100 per occurrence; possible termination for default of contract. |
| SOW: Sub-paragraph 4.1 - Monthly Meetings                                     | Contractor's representative to participate in monthly meetings, as mutually agreed upon by the parties.                                                                                                                                                    | Attendance               | \$50 per occurrence                                                 |
| Contract: Participating Pharmacy Network                                      | Contractor shall notify the LACDMH in writing of any material changes to the Participating Pharmacy Network. Material changes are those changes that impact 10% of Covered Clients in any LACDMH Service Area.<br><br><b>Measurement Period: Quarterly</b> | Inspection & Observation | \$50 per occurrence                                                 |

| <b>Implementation</b>                                      |                                                                                                                                                                                                                                                |                          |                                                      |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------------------------|
| SOW: Sub-paragraph 3.12 - Implementation Timeline and Team | Contractor shall assign and introduce an implementation team who will be responsible for the accurate installation of all administrative, clinical and financial parameters for LACDMH, within 24 hours of contract execution.                 | Inspection & Observation | \$50 per day (24 hours) beyond the deadline.         |
| SOW: Sub-paragraph 3.12 - Implementation Timeline and Team | Contractor shall implement full PBM services with no system errors, ID card delays, and LACDMH shall have online access to LACDMH portal within 60 days prior to Go-Live. LACDMH will complete testing no later than 30 days prior to Go-Live. | Inspection & Observation | \$50 per day (24 hours) beyond the deadline.         |
| <b>Customer Service Center</b>                             |                                                                                                                                                                                                                                                |                          |                                                      |
| SOW: Sub-paragraph 2.12 - Customer Service Center          | All calls to client-specific toll free member services line shall be answered within an average of 40 seconds.                                                                                                                                 | Inspection & Observation | \$2,900 paid for missing Performance Guarantee (PG). |
|                                                            | <b>Measurement Period: Annual</b>                                                                                                                                                                                                              |                          |                                                      |
| SOW: Sub-paragraph 2.12 - Customer Service Center          | All calls to client-specific toll free member service line shall be answered with an abandonment rate of 3% or less.                                                                                                                           | Inspection & Observation | \$2,900 for missing PG                               |
|                                                            | <b>Measurement Period: Annual</b>                                                                                                                                                                                                              |                          |                                                      |
| SOW: Sub-paragraph 2.12 - Customer Service Center          | Contractor will resolve 90% of all member service telephone issues at the first point of contact.                                                                                                                                              | Inspection & Observation | \$2,900 paid for missing PG.                         |
|                                                            | <b>Measurement Period: Annual</b>                                                                                                                                                                                                              |                          |                                                      |
| SOW: Sub-paragraph 2.12 - Customer Service Center          | Two percent (2%) or less of calls to PBM's toll-free member service telephone line will be blocked, measured on a book of business basis.                                                                                                      | Inspection & Observation | \$2,900 paid for missing PG.                         |

|                                                           |                                                                                                                                                                                                                                                                                                                                                                       |                          |                               |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------|
|                                                           | Blocked means those calls in which a caller receives a busy signal and not a response system or live person.<br><br><b>Measurement Period: Annually</b>                                                                                                                                                                                                               |                          |                               |
| <b>System Configuration, Testing &amp; Implementation</b> |                                                                                                                                                                                                                                                                                                                                                                       |                          |                               |
| SOW: Sub-paragraph 2.10 - LACDMH Portal                   | Contractor shall ensure that LACDMH and Participating Pharmacies have access to its systems via the LACDMH Portal at least 99.5%, twenty-four (24) hours a day, seven (7) days a week, 365 days a year.<br><br><i>*Exception for periods of scheduled maintenance.</i><br><br><b>Measurement Period: Annually</b>                                                     | Inspection & Observation | \$2,900 paid for missing P.G. |
| SOW: Sub-paragraph 2.1 – Verification of Payor Status     | Contractor shall load Covered Client usable eligibility data files within twenty-four (24) hours of receipt from LACDMH.<br><br><i>Usable eligibility files are defined as accurate, complete, readable data provided by LACDMH to PBM in a file format that is direct send or in another mutually agreed upon format.</i><br><br><b>Measurement Period: Annually</b> | Inspection & Observation | \$2,900 paid for missing P.G. |
| SOW: Sub-paragraph 2.1 – Verification of Payor Status     | Eligibility data file error reporting on all eligibility file updates shall be provided to the LACDMH within one (1) business day of receipt of electronic data, or within five (5) business days of its receipt of written information.<br><br><b>Measurement Period: Annually</b>                                                                                   | Inspection & Observation | \$2,900 paid for missing P.G. |

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                          |                                                       |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------------------------|
| SOW: Sub-paragraph 2.1 – Verification of Payor Status | Ninety-five percent (95%) or greater of usable eligibility files will be accurately loaded, without error.<br><br><b>Measurement Period: Annually</b>                                                                                                                                                                                                                                                                                                                                                                                                                        | Inspection & Observation | \$2,900 paid for missing PG.                          |
| <b>Communication &amp; Reports</b>                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                          |                                                       |
| SOW: Sub-paragraph 2.12- Customer Service Center      | Ninety five percent (95%) or greater of identification cards and Covered Client introduction materials shall be produced and released for distribution to new Covered Clients within five (5) business days or less of PBM's receipt and update of a usable eligibility file (for monthly changes)<br><br><i>Produced and released time shall be calculated by subtracting the date PBM receives and updates a usable eligibility file from LACDMH from the date when the identification card and Covered Client materials are mailed to the Plan or new Covered Client.</i> | Inspection & Observation | \$2,900 paid for missing PG.                          |
| SOW: Sub-paragraph 2.7- Prescriber Education          | <b>Measurement Period: Annually</b><br><br>100% of all prescriber communications will be approved by LACDMH (exceptions for drug recalls and urgent client safety communications).<br><br><b>Measurement Period: Annually</b>                                                                                                                                                                                                                                                                                                                                                | Inspection & Observation | \$50 per erroneous document.<br><br>—                 |
| SOW: Sub-paragraph 2.9 - Reports                      | All standard MfRx Explore quarterly reports must be accurately prepared and delivered on line to the LACDMH within 45 days from the close of each quarter and all standard annual reports must be prepared and delivered within 90 days from the close of each year.<br><br><b>Measurement Period: Annually</b>                                                                                                                                                                                                                                                              | Inspection & Observation | \$50 per day (24 hours) beyond the deadline.<br><br>— |

|                                                         |                                                                                                                                                                     |                          |                              |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------|
| SOW: Sub-paragraph 2.9 - Reports                        | Ninety-nine and five-tenths percent (99.5%) of the standard management reporting packages will accurately reflect the data contained in the PBM Claims system.      | Inspection & Observation | \$2,900 paid for missing PG. |
| <b>Measurement Period: Annually</b>                     |                                                                                                                                                                     |                          |                              |
| <b>Audits &amp; Complaints</b>                          |                                                                                                                                                                     |                          |                              |
| SOW: Sub-paragraph 2.11 – Participating Pharmacy Audits | Contractor shall perform routine audits of Participating Pharmacies and provide quarterly audit findings to LACDMH.                                                 | Inspection & Observation | \$_____ paid for missing PG. |
| <b>Measurement Period: Annually</b>                     |                                                                                                                                                                     |                          |                              |
| <b>Claims</b>                                           |                                                                                                                                                                     |                          |                              |
| Paper Claims Adjudication                               | Ninety-five percent (95%) or greater of paper Claims will be released for reimbursement or responded to within an average of 10 business days from receipt.         | Inspection & Observation | \$2,900 paid for missing PG. |
| <b>Measurement Period: Annually</b>                     |                                                                                                                                                                     |                          |                              |
| SOW: Sub-paragraph 2.2 –Claims Adjudication             | Ninety-nine percent (99%) or greater of claims from Participating Pharmacies (based on total a random sample of book of business claims) will be billed accurately. | Inspection & Observation | \$2,900 paid for missing PG. |
| <b>Measurement Period: Annually</b>                     |                                                                                                                                                                     |                          |                              |

| Participating Pharmacy Network                                     |                                                                                                                                                                                                                                                        |                          |                              |
|--------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------|
| SOW: Sub-paragraph 2.4 – Participating Pharmacy Network Management | One hundred percent (100%) of retail Participating Pharmacies will include the "lower of" Usual and Customary (U & C) pricing component in their respective contracted reimbursement arrangements with PBM.<br><br><b>Measurement Period: Annually</b> | Inspection & Observation | \$2,900 paid for missing PG. |

## **EXHIBIT M-10**

### **LACDMH AUDIT MANDATE**

1. The following individuals and/or entities may conduct audits related to the Contract, based on the following general guidelines:

1.1 LACDMH (or any agents of LACDMH satisfying the requirements of 1.2.2 below), may inspect and audit, or cause to be inspected and audited, the books and records of Contractor concerning all Contractor Services provided under this Contract.

1.1.1 The parties acknowledge that representatives of a regulatory or accreditation agency may also inspect and audit Contractor's and LACDMH books and records.

1.1.2 LACDMH and Contractor shall fully cooperate with representatives of each other, with independent accountants and consultants retained by LACDMH, and with representatives of any regulatory or accreditation agency, to conduct any inspection or audit.

1.1.3 All audits conducted by LACDMH (or any agents of LACDMH satisfying the requirements of Sections 1.2.1 and 1.2.2 below) shall be made during normal business hours. All audits shall be conducted without undue interference to the audited Party's business activity, and in accordance with reasonable audit practices.

1.1.4 LACDMH (or its auditors) shall be entitled to commence an audit within 30 days after LACDMH has provided written notice to Contractor of its intention to conduct an audit. Contractor shall be obligated to provide all electronic data identified in Section 1.3 of this Exhibit M - 10 to LACDMH (or its auditor) within 30 days of Contractor's receipt of said notice. Contractor shall be obligated to provide all other documents and data identified in Section 1.3 of this Exhibit 10 no later than 30 days after Contractor's receipt of said notice.

1.1.5 In the event any questions are raised, or any additional requests for information or documents or data are requested, by LACDMH (or its auditor) during any audit, Contractor shall be obligated to respond to all such questions, and produce all additional information, documents and/or data within seven (7) business days of receipt of such questions or requests. If Contractor cannot respond in said time period, Contractor shall provide a written statement as to when Contractor will respond, but in any event, Contractor's response must be no later than 20 business days after receiving

LACDMH's (or its auditor's) written request.

1.1.6 In the event that an audit concludes Contractor has violated its obligations or the terms of this Contract, and Contractor disputes said audit findings, Contractor must set forth the basis for its dispute, with all supporting documentation, within 20 business days of Contractor's receipt of the disputed audit findings. Contractor shall provide sufficient documentation to permit adequate review of the disputed issues, and shall have the burden of demonstrating that LACDMH's (or its auditor's) conclusions are incorrect. To the extent Contractor fails to provide documentation substantiating any part of its position, or fails to meet its burden of proof, Contractor shall waive its right to further dispute that matter. After receiving Contractor's documentation, LACDMH (or its auditor) shall review said documentation and advise Contractor whether LACDMH has changed its audit findings or conclusions.

1.1.7 In the event Contractor disputes LACDMH's (or its auditor's) audit findings, and Contractor's basis for dispute is that LACDMH required or authorized certain activity, procedures, mechanisms or calculations to occur that are the subject of the dispute, Contractor shall have the burden of providing documentary evidence demonstrating its allegations. If Contractor is unable to provide such evidence, Contractor shall waive its right to assert such allegations.

1.2 The following terms shall control LACDMH's audits of Contractor:

1.2.1 LACDMH shall have the unfettered right to select its own auditor. However, LACDMH auditor shall not be an individual or entity that is: a competitor of Contractor, a Pharmaceutical Manufacturer representative, or any retail, mail or specialty drug Participating Pharmacy representative or vendor.

1.2.2 Prior to commencing its audit, LACDMH auditor shall execute a Confidentiality Contract. Contractor may not substitute its own form of Confidentiality Contract. Contractor shall be obligated to deliver to LACDMH a copy of any Confidentiality Contract or other document Contractor requires LACDMH auditor to sign. Prior to commencing its audit, LACDMH shall also execute a Confidentiality Contract, to ensure that to the extent permitted by law all information disclosed by the auditor to LACDMH shall remain confidential and protected from disclosure by LACDMH to third parties.

1.2.3 In the event that any audit concludes Contractor has violated the terms of this Contract, and the amount Contractor owes for said violation(s) is one hundred thousand dollars (\$100,000) or more, Contractor shall be required to pay for the audit costs incurred by LACDMH, at an auditor's rate of no more than one hundred seventy-five dollars (\$175) per hour, and with audit costs for each annual

audit not to exceed one hundred thousand dollars (\$100,000).

1.3 The following terms shall control the substantive areas that LACDMH may audit, how often those areas may be audited, the access to information that LACDMH and its auditors must be provided during each audit, and the location where such access must be provided:

1.3.1 Contractor will produce, and LACDMH and its auditor shall have access to, all documents and data needed to audit Contractor's implementation and satisfaction of this Contract, including but not limited to the following:

1.3.1.1 At any time after the end of the first month the Contract is in effect, LACDMH (or its auditor) shall be entitled to conduct an audit to ensure Contractor has set-up its computer and other systems accurately so as to conform to the requirements of the Contract and any LACDMH supplementary written protocols.

1.3.1.2 On an annual basis, Contractor shall provide to LACDMH (or its auditor) an electronic data file reflecting all Claims transactions for LACDMH during the Audit period specified by LACDMH. Said electronic file shall include (i) Contractor's invoiced costs to LACDMH for each retail drug, and (ii) Contractor's reimbursement costs for each retail drug to each Participating Pharmacies. Said electronic Claims file shall contain at least the fields of information identified in SOW, Exhibit - M Exhibits, Exhibit M - 8 (Claims Data Utilization Fields). Brand Drugs and Generic Drugs shall be classified in said Claims file using the definitions stated in the Contract. Claims data shall be produced in one of the following formats: Access, fixed-length flat file or delimited flat file. Any data submitted in flat file format must either have a data layout attached, or the first line of the file must contain field names. File formats must remain constant from submission to submission, unless additional fields need to be added. Contractor shall transmit all such electronic data to LACDMH, or to LACDMH auditor, or to both, as directed by LACDMH.

1.3.1.3 LACDMH (or its auditor) shall be permitted to make a selection of up to 100 Claim transactions per quarter or 400 Claim transactions annually. For those Claims selected, LACDMH shall be able to verify Contractor's payment to the vendor through examination of the relevant American National Standards Institute (ANSI) 835 Health Care Claims Payment/Advice and Contractor's bank statement. Examination of those documents may be limited by Contractor to an on-site examination. In the event that any discrepancies are found in this limited selection, LACDMH (or its auditor) shall work with Contractor to develop a plan to extend the selection. In the event that the parties are not able to

agree on such a process, or the parties agree to such an extension and additional discrepancies are found, the parties agree that LACDMH (or its auditor) shall have the right to extrapolate from the results of the initial sample or the extended sample to determine the total error and the amount owed to LACDMH as a result of Contractor's failure to pass- through its costs.

1.3.1.4 On an annual basis, at LACDMH's request or as part of an auditing process, Contractor shall provide electronic and other data sufficient to enable LACDMH (or its auditor) to verify that all Special Programs selected for implementation by LACDMH have been properly implemented by Contractor. Contractor shall also provide all data and documents necessary to enable LACDMH (or its auditor) to calculate any compensation Contractor must pay, if any such Special Program was not properly implemented.

1.3.1.5 On an annual basis, at LACDMH's request or as part of an auditing process, Contractor shall provide information sufficient to allow LACDMH (or its auditor) to assess whether Contractor has passed through the appropriate Pro Rata Share of Financial Elements to LACDMH, if LACDMH and Contractor have agreed that certain Contractor Financial Element contracts are to be used to collect Financial Elements from Pharmaceutical Manufacturers. Contractor shall transmit all such electronic and other data to LACDMH, or to LACDMH auditor, as directed by LACDMH. LACDMH auditor may also request copies of Contractor's invoices to Pharmaceutical Manufacturers, or Pharmaceutical Manufacturers' payments or credits or discounts (or other Financial Elements) made to Contractor. Said documents and data may be produced by Contractor at Contractor's offices, but after reviewing any such documents, LACDMH's auditor may request and Contractor shall provide, copies of requested documents (other than Contractor/Pharmaceutical Manufacturer Contracts) to LACDMH's auditor.

1.3.1.6 On an annual basis, at LACDMH's request or as part of an auditing process, Contractor shall also provide LACDMH access to (or its auditor) specified Contractor/Participating Participating Pharmacy Contracts to enable LACDMH to verify Contractor is passing-through its best available pricing terms to LACDMH, as required. Contractor shall also be required to produce specified and sufficient Contractor transmittals to third parties in connection with sales of Claims data, to enable LACDMH to verify that LACDMH Claims data is not being sold to third parties in violation of the Contract. All such documents may be produced at Contractor's offices.

1.3.2 With respect to all data and documents produced by Contractor to LACDMH or to its

agents or auditors, Contractor's production shall be made without redacting or altering any information from the data and documents produced. When electronic data is produced by Contractor, all fields created or maintained or used by Contractor shall be produced, and none shall be withheld, redacted or deleted. In addition, appropriate manuals and/or guides identifying the meaning of each field shall be produced.

1.3.3 Notwithstanding that LACDMH is given the right in Section 1.3 above to conduct a set-up audit and certain quarterly audits, LACDMH will only be allowed to be reimbursed based on audit findings, and pay interest as described in Section 2.0 below, after the conclusion of annual audits.

2. Contractor's Contract to Pay Interest on Certain Amounts Owed as a Result of an Accurate Annual Audit Finding that Contractor has Violated Certain Terms Identified in the Contract.

2.1 Contractor agrees that should LACDMH (or its auditor) accurately conclude in an annual audit that Contractor has violated any of the following contract provisions, Contractor will be required to pay interest on all amounts that are found due and owing, from the date Contractor's contract breach occurred, as more fully described below, until the date Contractor reimburses LACDMH for the losses caused. Interest shall be calculated at a rate of point one percent (.1%) a month.

2.1.1 Contractor's obligation to provide Pass-Through Pricing, as stated in Section 2.0 of Exhibit 12 (LACDMH Participating Pharmacy Drug Pricing and Guarantees) (interest to begin running as of the date of the relevant Invoice Statement)

2.1.2 Contractor's obligation to satisfy each Average Annual Guarantee, as stated in Section 4.0 of Exhibit M - 12 (LACDMH Participating Pharmacy Drug Pricing and Guarantees) (interest to begin running as of the year-end date Contractor was obligated to satisfy the Guarantee).

2.1.3 Contractor's obligation to satisfy Maximum Guaranteed Prices for Newly Available Generic Drugs (should the parties agree upon such Maximum Guaranteed Prices), as stated in Section 5.1.3 of Exhibit M-12 (LACDMH Participating Pharmacy Drug Pricing and Guarantees) (interest to begin running as of the date of the relevant Invoice Statement).

2.1.4 Contractor's obligation to satisfy Commonly Used Drug Guarantees (interest to begin running as of the date of the relevant Invoice Statement).

2.1.5 If LACDMH decides to rely on certain Contractor/Pharmaceutical Manufacturer Contracts to collect certain Financial Elements: Contractor's obligation to pass through all such Financial Elements negotiated by Contractor (interest to begin running as of the date Contractor was obligated to pass through the Financial Elements).

2.1.6 Contractor's obligation to accurately invoice its per prescription Administrative Fee (interest to begin running as of the date of the relevant Invoice Statement).

2.2 Timely Payment of Damages. Should LACDMH and its auditor accurately conclude Contractor has failed to satisfy any of the terms identified in Section 2.1 of this Exhibit M-11, Contractor shall be obligated to reimburse LACDMH for its failure to do so, and pay the appropriate amount of interest as stated in Section 2.1, within 90 days after Contractor is accurately notified of its failure to do so.

## **EXHIBIT M-11**

### **LACDMH PARTICIPATING PHARMACY DRUG PRICING AND GUARANTEES**

#### **1.0 Contractor's Agency and Fiduciary Duties Related to Participating Pharmacies**

Participating Pharmacy Delegation to Contractor as Agent and Fiduciary: LACDMH delegates to Contractor, as LACDMH's agent and fiduciary, all Participating Pharmacy management and control. Such delegation shall include, without limitation: Determining with which retail pharmacies to the contract to establish a Participating Pharmacy determining the terms of Participating Pharmacy contracts, negotiating and executing Participating Pharmacy contracts, managing Participating Pharmacies' participation in the network, negotiating on an ongoing basis to reduce reimbursements to Participating Pharmacies, determining which Participating Pharmacies to audit and when and what and how to audit, and adding or terminating retail pharmacies from its network. In the event Contractor recovers any amounts related to any Claim from any Participating Pharmacy as a result of a pharmacy audit, Contractor shall be obligated to pass through to LACDMH 100% of said amounts. LACDMH (or its agents) shall also have the right but not the obligation to also conduct audits of Participating Pharmacies to ensure all such pharmacies are complying with all terms in this Contract. Such right shall not in any way limit Contractor's obligation to ensure through its own audits that Participating Pharmacies are complying with all terms in the Contract.

**2.0 Contractor's Contract to Provide Pass Through Pricing.** Contractor agrees to provide Pass Through Pricing to LACDMH and to invoice LACDMH in each Invoice based on Pass Through Pricing in connection with each prescription drug or drug product dispensed to a Covered Client (and if LACDMH requests that mail order and/or Specialty Drugs are dispensed, with respect to each such prescription drug or drug product as well. Purchase discounts are not considered pass through).

Contractor further agrees that to the extent Contractor has negotiated or will negotiate multiple contracts, or alternative financial terms within the same contract with any Participating Pharmacy, Contractor will pass through to LACDMH the terms most favorable for (and least expensive to) LACDMH, provided LACDMH is eligible to receive such terms, and recognizing that certain alternative financial terms have been negotiated by Contractor for clients dissimilar to LACDMH, such as Workers Compensation providers, Medicare Part D providers, 340(b) providers, or Staff Model Pharmacies.

**3.0** Contractor's Contract that its Pass-Through Pricing will Satisfy Certain Stated Guarantees. Contractor further agrees that its Pass-Through Pricing will provide pricing to LACDMH that is at least as favorable for LACDMH as the pricing provided in each of the following guarantees:

**4.0 Average Annual Guarantees for Retail and Retail 90 Drugs**

4.1 Contractor's Guaranteed Retail and Retail 90 Rates: Contractor guarantees that its Pass-Through Pricing for retail and retail 90 Paid Claims shall on an annual (12 month) basis provide (i) Dispensing Fees that are no more costly to LACDMH than the average annual Dispensing Fees listed below; and (ii) AWP discounts that are at least as financially advantageous for LACDMH as the average annual AWP discounts listed below:

4.1.1 In calculating each Average Annual Guarantee for Dispensing Fees, Contractor shall categorize "Brand Drugs" and "Generic Drugs" based on the definitions contained in this Contract, and shall include all Claims for Prescription Drug Products based on said definitions (including any OTC drugs if covered by LACDMH, Paid Claims constituting "quantity errors", and all VA Paid Claims, but excluding Consumer submitted Claims, Claims processed and paid through another insurer as a result of the coordination of benefits, specialty medications. Claims constituting "quantity errors" shall be defined as all Brand Drug Prescription Drug Products reflecting an AWP discount of 90% or greater. Contractor shall include all identified Paid Claims regardless of whether Contractor reimbursed a pharmacy using an AWP discount price, a MAC price or a non MAC price; In instances where Contractor used U&C price to reimburse the Participating Pharmacy, Contractor will be entitled to credit itself with a noDispensing Fees.

4.1.2 In calculating each Average Annual Guarantee for Ingredient Costs, Contractor shall categorize "Brand Drugs" and "Generic Drugs" based on the definitions contained in SOW Exhibits, Exhibit M-3, and shall include all Claims for Covered Items (including OTC drugs if covered by LACDMH, but excluding coded and uncoded compound medications, consumer submitted Claims, Claims processed and paid through another insurer as a result of the coordination of benefits, VA Paid Claims, and Claims constituting "quantity errors and specialty medications." Claims constituting quantity errors shall be defined as all Brand Drug Covered Items reflecting an AWP discount of 90% or greater. Contractor shall include all of the above described drugs regardless of whether Contractor reimbursed a pharmacy using an AWP discount price, a MAC price or a non MAC price.

In instances where Contractor used U&C price to reimburse the Participating Pharmacy, Contractor will allocate its entire cost to the Ingredient Cost.

4.1.3 In calculating any Average Annual Guarantee, Contractor shall also not include any Financial Elements that it received or passed through to LACDMH. All such Financial Elements shall be treated as Financial Elements, and shall not be included in determining whether Contractor satisfied its Average Annual Guarantees or any other guarantees in this Contract. Any Claim processor fees received by Contractor and passed through to LACDMH shall be included in determining whether Contractor has satisfied the relevant retail or retail 90 Average Annual Dispensing Fees Guarantees.

4.1.4 In calculating each Average Annual Guarantee, Contractor shall also not include any savings brought about by any Special Programs implemented by LACDMH, such as the savings resulting from the Mandatory Generic Drug Program. The AWP discount for the Brand Drug paid for by the Covered Client shall be factored into the applicable Brand Drug Average Annual Guarantee, and Contractor shall not include in calculating said AWP discount the reduced cost to LACDMH as a result of the Special Programs. Similarly, in connection with other Special Programs (including but not limited to the Prior Authorization and Step Therapy and Fund One ), the invoiced Ingredient Cost and Dispensing Fees to LACDMH of the drug dispensed shall be the only figures used to determine Contractor's satisfaction of the relevant Average Annual Guarantees, and any savings resulting from the Special Programs shall not also be factored into calculating satisfaction of Average Annual Guarantees.

4.2 Contractor's Payment for Breach of any Average Annual Guarantee. In addition to the parameters set forth in above, the parties agree that the following methods shall be used by Contractor, LACDMH or LACDMH's auditor to determine whether Contractor has satisfied each of the Average Annual Guarantees stated in above LACDMH will permit offset only when surplus in one guarantee can offset a shortfall in another.

4.2.1 For each of the four (4) Dispensing Fees Guarantees (retail brand, retail generic, retail 90 brand and retail 90 generic): The total number of Claims shall be calculated based on the parameters set forth in, and the total Dispensing Fees associated with those Claims shall be calculated, and the latter shall be divided by the former to determine the actual average Dispensing Fees

for that Guarantee.

4.2.2 For each of the six (6) Ingredient Cost Guarantees (one brand, and one (1) generic guarantees in each of two (2) drug categories – retail and retail 90): The total sum of the Extended AWP's shall be calculated for all Paid Claims based on the parameters. The total Ingredient Costs invoiced to LACDMH for the same Claims shall be calculated and shall be called "Total Ingredient Costs". The following formula shall thereafter be applied:

$$1. (\text{Total Ingredient Costs} / \text{Total AWP's}) = \text{Actual Average Annual Rate}$$

If the Actual Average Annual Rate is less than the Average Annual Guarantee stated above for any guarantee, then the overcharge Contractor must reimburse to LACDMH is:

$$(\text{Average Annual Guarantee Rate} - \text{Actual Average Annual Rate}) \times (\text{Total AWP's})$$

Should Contractor be found by LACDMH (or LACDMH's auditor) to breach any of the Average Annual Guarantees (or any renegotiations of said guarantees), Contractor shall pay LACDMH the above calculated amount.

4.2.3 Contractor's Contract to Transmit Annual Reconciliations Comparing its "Actual Average Annual Rates" for Retail and Retail 90 Drugs with its "Average Annual Guarantees" for all Such Drugs. Notwithstanding LACDMH's right to audit Contractor's satisfaction of its Average Annual Guarantees, Contractor shall also be obligated to transmit an annual statement on or before one (1) year and three (3) months after the execution date of the Contract in which Contractor calculates for LACDMH Contractor's Actual Average Annual Rates for all Claims dispensed to LACDMH during the previous contract year for each of the Average Annual Guarantees identified above using the methodology set forth above. Contractor further agrees to provide all documents and data requested by LACDMH (or its auditors) to enable said parties to determine the accuracy of Contractor's calculations.

4.2.4 Contractor's Contract to Pay the Difference Between its "Actual Average Annual Rates" for Retail and Retail 90 Drugs and its "Average Annual Guarantees" for all such drugs if the former result in higher costs than the latter. If Contractor's annual reconciliation shows that any of Contractor's Actual Average Annual Rates is less favorable for LACDMH than any of Contractor's related Average Annual Guarantees, Contractor agrees to provide LACDMH with a payment constituting the difference for breaches of the Average Annual Guarantees. Said amounts shall be calculated

based on the formula set forth above. LACDMH will permit offsets, such that a surplus in one of the Average Annual Guarantees can offset a shortfall in another. All such payment(s) shall be made to LACDMH at the time Contractor transmits the information described above. LACDMH or its auditor may also independently audit Contractor's satisfaction of each or any of Contractor's Average Annual Guarantees to determine Contractor's satisfaction of said Guarantees.

4.2.5 Contractor's Contract to Renegotiate Average Annual Guarantees. LACDMH and Contractor shall in good faith agree upon new Average Annual Guarantees for each of the Average Annual Guarantees identified in above, which Average Annual Guarantees shall represent guaranteed rates to be applied for Claims dispensed from retail and retail 90 Participating Pharmacies, respectively, during the subsequent contract year, , no later than 90 days from the start of the new contract term. If Contractor does not present guaranteed rates for the new contract year by the stated deadline than the prior contract year's rates shall remain in effect. The newly negotiated Average Annual Guarantees shall be at least as favorable as the Average Annual Guarantees stated in the Contract, unless the availability, actual acquisition cost, or any forces outside the control of Contractor, preclude Contractor from providing such adjusted Average Annual Guarantees. Should Contractor claim that any Average Annual Guarantee must be reduced, Contractor shall have the burden of demonstrating the need for the reduction. The newly negotiated Average Annual Guarantees shall be memorialized in writing by the parties as an amendment to the Contract and documented in Exhibit N-1, Prescription Drug Effective Rates and Dispensing Fees. Contractor shall also be obligated to negotiate Average Annual Guarantees for Mail Order Drugs, should LACDMH request such guarantees.

4.2.6 Contractor's Contract to Transmit Annual Reconciliations Comparing its "Actual Average Annual Rates" for Retail and Retail 90 Drugs with its Newly Negotiated "Average Annual Guarantees" for all such drugs. Notwithstanding LACDMH's right to conduct audits of Contractor's satisfaction of its newly negotiated Average Annual Guarantees, Contractor shall also be obligated to transmit an annual statement, in which Contractor calculates for LACDMH Contractor's Actual Average Annual Rates for all Claims dispensed to LACDMH during the previous contract year and compares said Rates with its newly negotiated Average Annual Guarantees, using the methodology above. If in either year, Contractor's annual reconciliation shows Contractor has breached any Average Annual

Guarantee, Contractor shall provide the compensation as outlined above, pursuant to the timing requirements described therein.

## **5.0 Generic Drug Pricing and Additional Drug-by-Drug Guarantees**

5.1 Generic Drug Delegation to Contractor as Agent and Fiduciary: LACDMH delegates to Contractor as LACDMH's agent and fiduciary the management and control of pricing for Generic Drugs (whether said Generic Drugs are multisource Brand Drugs or multisource Generic Drugs or single source Generic Drugs). Such delegation shall include without limitation: Negotiating on an ongoing basis all MAC and non-MAC reimbursement rates with Participating Pharmacies.

5.2 Pricing Contract Concerning all Generic Drugs Dispensed by Participating Pharmacies. Contractor agrees to pass through to LACDMH, and invoice LACDMH, for all Generic Drugs, using Contractor's actual reimbursement to Participating Pharmacies.

5.3 Pricing Contract Concerning Newly Available Generic Drugs. In connection with any Newly Available Generic Drug (as defined in this Contract), the parties agree that should LACDMH become aware that a Newly Available Generic Drug has become available at a significantly lower cost (for any or all forms and strengths of the Drug), LACDMH shall be entitled to present information to Contractor about the significantly lower cost that is available, and request Contractor alter its reimbursement rate to Participating Pharmacies (and Pass-Through Pricing invoiced cost to LACDMH) within 10 days of the parties' discussion of the significantly lower cost that is available. The parties further agree that the new target cost for the specified Newly Available Generic Drug (for any or all forms and strengths, as relevant) will be at least as favorable to LACDMH as the greater of (a) a cost that will provide a 40% gross margin to the Participating Pharmacy based on the actual cost that is available; or (b) a cost that will provide a total margin of six dollars (\$6.00) above the actual cost that is available to the Participating Pharmacy.

## **6.0 Transaction Charges**

The parties agree that Participating Pharmacies are responsible for any applicable transaction and/or switch charges associated with the submission of Claims to Contractor. Such charges will not be deducted by Contractor from its reimbursements to Participating Pharmacies, and therefore shall not be invoiced or passed through to LACDMH.

**EXHIBIT N  
PRICING SCHEDULE**

**EXHIBIT N-1**

**PRESCRIPTION DRUG EFFECTIVE RATES AND DISPENSING FEES**

For purposes of calculating the costs of medication the Contractor agrees to the following Average Annual Guarantees as further described in Exhibit M-11, LACDMH Participating Pharmacy Drug Pricing and Guarantees:

| <b>Broad Retail Network</b> | <b>AWP<br/>Discount<br/>Retail Supply<br/>Up to 30 days</b> | <b>AWP<br/>Discount<br/>Retail<br/>3 month supply</b> |
|-----------------------------|-------------------------------------------------------------|-------------------------------------------------------|
| <b>Brand Drugs</b>          |                                                             |                                                       |
| Brand Effective Rate        | 16%                                                         | 20%                                                   |
| Dispensing Fee Per Rx:      | \$1.30 per Rx                                               | \$0.75 per Rx                                         |
| <b>Generic Drugs</b>        |                                                             |                                                       |
| Generic Effective Rate      | 78%                                                         | 78%                                                   |
| Dispensing Fee Per Rx:      | \$1.30 per Rx                                               | \$0.75 per Rx                                         |

| <b>Mail Order</b>            | <b>Supply<br/>Up to 30 days</b> | <b>Supply<br/>3 month</b> |
|------------------------------|---------------------------------|---------------------------|
| <b>Brand Drugs</b>           |                                 |                           |
| Actual Drug Acquisition Cost | AWP-\$16.00                     | AWP-\$24.50               |
| Dispensing Fee Per Rx:       | \$0.00 per Rx                   | \$0.00 per Rx             |
| <b>Generic Drugs</b>         |                                 |                           |
| Actual Drug Acquisition Cost | AWP-\$78.00                     | AWP-\$78.00               |
| Dispensing Fee Per Rx:       | \$0.00 per Rx                   | \$0.00 per Rx             |

| <b>Specialty Pharmacy</b>    | <b>Supply<br/>Up to 30 days</b> | <b>Supply<br/>3 month</b>     |
|------------------------------|---------------------------------|-------------------------------|
| <b>Brand Drugs</b>           |                                 |                               |
| Actual Drug Acquisition Cost | AWP-16.50%<br>(Exclusive)       | AWP-16.50%<br>(Exclusive)     |
| Dispensing Fee Per Rx:       | \$0.00 per Rx                   | \$0.00 per Rx                 |
| <b>Generic Drugs</b>         |                                 |                               |
| Actual Drug Acquisition Cost | Lower of MAC or<br>AWP-16.50%   | Lower of MAC or<br>AWP-16.50% |
| Dispensing Fee Per Rx:       | \$0.00 per Rx                   | \$0.00 per Rx                 |

**Los Angeles County Department of Mental Health  
Fee Schedule  
FY 2016-17  
Magellan Pharmacy Solutions, Inc.  
Pharmacy Benefit Management Services Agreement**

In addition to medication drug costs and Dispensing Fees that will be invoiced in accordance with Exhibit N-1, the following additional fees are paid per claim:

|                               |                 |
|-------------------------------|-----------------|
| <b>Administrative Fee**</b>   | <b>\$ 10.48</b> |
| E-Prescribing Transaction Fee | \$ 0.15         |

| <b>LACDMH may also request the following Ancillary Services:</b> |                  |             |
|------------------------------------------------------------------|------------------|-------------|
| <b>Description</b>                                               | <b>Unit Cost</b> | <b>Unit</b> |
| Onsite Pharmacy Audits                                           | \$ 1,650.00      | Each        |
| Desktop Pharmacy Audits                                          | \$ 600.00        | Each        |
| Prior Authorizations                                             | \$ 35.00         | Each        |
| Verification of Benefits Letters                                 | \$ 6.25          | Letter      |
| ID Replacement Cards                                             | \$ 1.25          | Each        |
| Postage                                                          | \$ 0.49          | Each        |
| Specialized Reporting                                            | \$ 195.00        | Hour        |
| Specialty Prior Authorization                                    | \$ 55.00         | Each        |

\*Contractor agrees to rates and fees in Exhibit N-1, Prescription Drug Effective Rates and Dispensing Fees.

\*\* Contractor agrees to an all inclusive per Claim Administrative Fee (see Exhibit N-3 for services included in Administrative Fee).

**Los Angeles County Department of Mental Health  
Fee Schedule  
FY 2017-18  
Magellan Pharmacy Solutions, Inc.  
Pharmacy Benefit Management Services Agreement**

In addition to medication drug costs and Dispensing Fees that will be invoiced in accordance with Exhibit N-1, the following additional fees are paid per claim:

|                               |          |
|-------------------------------|----------|
| <b>Administrative Fee**</b>   | \$ 10.48 |
| E-Prescribing Transaction Fee | \$ 0.15  |

| LACDMH may also request the following Ancillary Services: |             |        |
|-----------------------------------------------------------|-------------|--------|
| Description                                               | Unit Cost   | Unit   |
| Onsite Pharmacy Audits                                    | \$ 1,650.00 | Each   |
| Desktop Pharmacy Audits                                   | \$ 600.00   | Each   |
| Prior Authorizations                                      | \$ 35.00    | Each   |
| Verification of Benefits Letters                          | \$ 6.25     | Letter |
| ID Replacement Cards                                      | \$ 1.25     | Each   |
| Postage                                                   | \$ 0.49     | Each   |
| Specialized Reporting                                     | \$ 195.00   | Hour   |
| Specialty Prior Authorization                             | \$ 55.00    | Each   |
|                                                           |             |        |

\*Contractor agrees to rates and fees in Exhibit N-1, Prescription Drug Effective Rates and Dispensing Fees.

\*\* Contractor agrees to an all inclusive per Claim Administrative Fee (see Exhibit N-3 for services included in Administrative Fee).

**Los Angeles County Department of Mental Health  
Fee Schedule  
FY 2018-19  
Magellan Pharmacy Solutions, Inc.  
Pharmacy Benefit Management Services Agreement**

In addition to medication drug costs and Dispensing Fees that will be invoiced in accordance with Exhibit N-1, the following additional fees are paid per claim:

|                               |          |
|-------------------------------|----------|
| <b>Administrative Fee**</b>   | \$ 10.48 |
| E-Prescribing Transaction Fee | \$ 0.15  |

| <b>LACDMH may also request the following Ancillary Services:</b> |                  |             |
|------------------------------------------------------------------|------------------|-------------|
| <b>Description</b>                                               | <b>Unit Cost</b> | <b>Unit</b> |
| Onsite Pharmacy Audits                                           | \$ 1,650.00      | Each        |
| Desktop Pharmacy Audits                                          | \$ 600.00        | Each        |
| Prior Authorizations                                             | \$ 35.00         | Each        |
| Verification of Benefits Letters                                 | \$ 6.25          | Letter      |
| ID Replacement Cards                                             | \$ 1.25          | Each        |
| Postage                                                          | \$ 0.49          | Each        |
| Specialized Reporting                                            | \$ 195.00        | Hour        |
| Specialty Prior Authorization                                    | \$ 55.00         | Each        |
|                                                                  |                  |             |

\*Contractor agrees to rates and fees in Exhibit N-1, Prescription Drug Effective Rates and Dispensing Fees.

\*\* Contractor agrees to an all inclusive per Claim Administrative Fee (see Exhibit N-3 for services included in Administrative Fee).

**Los Angeles County Department of Mental Health  
Fee Schedule  
FY 2019-20  
Magellan Pharmacy Solutions, Inc.  
Pharmacy Benefit Management Services Agreement**

In addition to medication drug costs and Dispensing Fees that will be invoiced in accordance with Exhibit N-1, the following additional fees are paid per claim:

|                               |          |
|-------------------------------|----------|
| <b>Administrative Fee**</b>   | \$ 10.48 |
| E-Prescribing Transaction Fee | \$ 0.15  |

| <b>LACDMH may also request the following Ancillary Services:</b> |                  |             |
|------------------------------------------------------------------|------------------|-------------|
| <b>Description</b>                                               | <b>Unit Cost</b> | <b>Unit</b> |
| Onsite Pharmacy Audits                                           | \$ 1,650.00      | Each        |
| Desktop Pharmacy Audits                                          | \$ 600.00        | Each        |
| Prior Authorizations                                             | \$ 35.00         | Each        |
| Verification of Benefits Letters                                 | \$ 6.25          | Letter      |
| ID Replacement Cards                                             | \$ 1.25          | Each        |
| Postage                                                          | \$ 0.49          | Each        |
| Specialized Reporting                                            | \$ 195.00        | Hour        |
| Specialty Prior Authorization                                    | \$ 55.00         | Each        |
|                                                                  |                  |             |

\*Contractor agrees to rates and fees in Exhibit N-1, Prescription Drug Effective Rates and Dispensing Fees.

\*\* Contractor agrees to an all inclusive per Claim Administrative Fee (see Exhibit N-3 for services included in Administrative Fee).

**Los Angeles County Department of Mental Health  
Fee Schedule  
FY 2020-21  
Magellan Pharmacy Solutions, Inc.  
Pharmacy Benefit Management Services Agreement**

In addition to medication drug costs and Dispensing Fees that will be invoiced in accordance with Exhibit N-1, the following additional fees are paid per claim:

|                               |          |
|-------------------------------|----------|
| <b>Administrative Fee**</b>   | \$ 10.48 |
| E-Prescribing Transaction Fee | \$ 0.15  |

| <b>LACDMH may also request the following Ancillary Services:</b> |                  |             |
|------------------------------------------------------------------|------------------|-------------|
| <b>Description</b>                                               | <b>Unit Cost</b> | <b>Unit</b> |
| Onsite Pharmacy Audits                                           | \$ 1,650.00      | Each        |
| Desktop Pharmacy Audits                                          | \$ 600.00        | Each        |
| Prior Authorizations                                             | \$ 35.00         | Each        |
| Verification of Benefits Letters                                 | \$ 6.25          | Letter      |
| ID Replacement Cards                                             | \$ 1.25          | Each        |
| Postage                                                          | \$ 0.49          | Each        |
| Specialized Reporting                                            | \$ 195.00        | Hour        |
| Specialty Prior Authorization                                    | \$ 55.00         | Each        |
|                                                                  |                  |             |

\*Contractor agrees to rates and fees in Exhibit N-1, Prescription Drug Effective Rates and Dispensing Fees.

\*\* Contractor agrees to an all inclusive per Claim Administrative Fee (see Exhibit N-3 for services included in Administrative Fee).

**EXHIBIT N-3**

Page 1 of 2

**ADMINISTRATIVE FEE AND ANCILLARY SERVICES**

The following are the services that are included in the per prescription Administrative Fee. Contractor agrees to provide at no additional cost to LACDMH. Per prescription Administrative Fee will not be paid on reversed Claims and in addition to carving our adjustments, errors, and "redos".

| <b>ADMINISTRATIVE SERVICES</b>                                                                               |                                                        |                                                       |                                       |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
| Ad-hoc reporting                                                                                             | Data Requests                                          | Pharmacy Network Maintenance & Administration         | Report Development                    |
| Claims Adjudication                                                                                          | LACDMH Portal (development, maintenance, & IT support) | Provider Education                                    | Retrospective Drug Utilization Review |
| Client eligibility and maintenance                                                                           | Formulary Management & Lists                           | Providing ID Cards (Initial,)                         | Standard Report Package               |
| Client Education                                                                                             | Fund One Program                                       | Quantity Limit Mgmt.                                  | Standard Systems Edits                |
| Comprehensive Auditing Services                                                                              | MAC pricing program administration                     | Quarterly Formulary Newsletter                        | Step Therapy                          |
| Concurrent Drug Utilization Review                                                                           | Monthly Clinical Newsletter                            | Rebate Management                                     | System Training (Initial)             |
| Customer Service including toll free telephone and web-based access for clients and participating pharmacies | Pharmacy Directories                                   | Retroactive Terminations and Reversal of Amounts Paid | System Training (Ongoing)             |

**EXHIBIT N-3**

Page 2 of 2

**ANCILLARY SERVICES**

The following are additional services not included in the Administrative Fee that LACDMH may request during the contract term. Contractor agrees to the prices below:

| <b>SERVICE</b>                                                                             | <b>FEE</b>                                                   |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Prior Authorization (Monthly Billing)                                                      | \$35.00 per review                                           |
| Specialized Reporting (\$195 per hour @ 15Hrs)<br>(Monthly Billing) *different from Ad Hoc | \$195.00 per hour                                            |
| Pharmacy Audit (Per Audit Event)                                                           | \$1,650 (onsite), \$600 (desktop) and \$6.25 per VOB Letter) |
| Replacement ID Cards (Monthly Billing)                                                     | \$1.25 plus postage                                          |
| Specialty Prior Authorization                                                              | \$55.00 per review                                           |
| Custom program and Reporting                                                               | Agreed upon pricing based on scope of program                |
| E-Prescribing*                                                                             | \$0.15 per eligibility transaction                           |
| Whole Health Rx                                                                            | Included in Base                                             |

\*Data provided by Surescripts

**INVOICE**

Date: \_\_\_\_\_

Invoice Number: \_\_\_\_\_

**To:**

Los Angeles County Department of Mental Health  
 550 S. Vermont Ave., Los Angeles, CA 90020  
 Attn: Cecilia Garcia

**Contractor:**

Magellan Pharmacy  
 Solutions, Inc.

**Invoice Period:** \_\_\_\_\_**Invoice Period Claims Volume:** \_\_\_\_\_

| Description                       | Rate        | Quantity/Claims<br>Volume | Amount Due |
|-----------------------------------|-------------|---------------------------|------------|
| <b>PER CLAIM FEES</b>             |             |                           |            |
| Medication Costs:                 |             |                           | \$ -       |
| Dispensing Fees:                  |             |                           | \$ -       |
| Administrative Fee*:              | \$ 10.48    |                           | \$ -       |
| E-Prescribing Transaction Fee:    | \$ 0.15     |                           |            |
| Per Claim Fees Subtotal:          |             |                           | \$ -       |
| <b>ANCILLARY SERVICES</b>         |             |                           |            |
| <b>Pharmacy Audits:</b>           |             |                           |            |
| Onsite                            | \$ 1,650.00 |                           | \$ -       |
| Desktop                           | \$ 600.00   |                           | \$ -       |
|                                   |             |                           |            |
| Prior Authorizations:             | \$ 35.00    |                           | \$ -       |
| Verification of Benefits Letters: | \$ 6.25     |                           | \$ -       |
| ID Replacement Cards:             | \$ 1.25     |                           | \$ -       |
| Postage:                          | \$ 0.49     |                           | \$ -       |
| Other:                            | \$ -        |                           | \$ -       |
| Ancillary Fees Subtotal:          |             |                           | \$ -       |
|                                   |             |                           |            |
| Total Amount Due:                 |             |                           | \$ -       |

\*In accordance with the rates and pricing set forth in the Agreement (Exhibits N-1, N-2, and N-3).

**EXHIBIT N-4**  
**Page 2 of 2**

**Payment Addresses:**

Check

Magellan Health Services

Magellan Lockbox

PO Box

Philadelphia, Pennsylvania 19178-5341

ACH/Wire Transfer

Wells Fargo

Routing #:

Acct. Name: Magellan Health Services

Account #:

I hereby certify that all information contained above is for PBM Services and Costs are eligible under the terms and conditions for reimbursement for the PBM services Agreement.

Magellan Authorized Signer

Date

LACDMH Approval

Approving Manager

Office of the Medical Director, LACDMH

Date

**EXHIBIT O**  
Title 2 ADMINISTRATION  
Chapter 2.201 LIVING WAGE PROGRAM

**Chapter 2.201 - LIVING WAGE PROGRAM**

- 2.201.010 - Findings.
- 2.201.020 - Definitions.
- 2.201.030 - Prospective effect.
- 2.201.040 - Payment of living wage.
- 2.201.050 - Other provisions.
- 2.201.060 - Employer retaliation prohibited.
- 2.201.070 - Employee retention rights.
- 2.201.080 - Enforcement and remedies.
- 2.201.090 - Exceptions.
- 2.201.100 - Severability.

**Sections:**

**2.201.010 - Findings.**

The board of supervisors finds that the county of Los Angeles is the principal provider of social and health services within the county, especially to persons who are compelled to turn to the county for such services. Employers' failure to pay a living wage to their employees causes them to use such services thereby placing an additional burden on the county of Los Angeles.

(Ord. 2007-0011 § 1, 2007; Ord. 99-0048 § 1 (part), 1999.)

**2.201.020 - Definitions.**

The general definitions contained in Chapter 2.02 shall be applicable to this Chapter unless inconsistent with the following definitions:

- A. "County" includes the County of Los Angeles, any County officer or body, any County department head, and any County employee authorized to enter into a Proposition A contract or a cafeteria services contract with an employer.
- B. "Employee" means any individual who is an employee of an employer under the laws of California, and who is providing full- or part-time services to an employer, some or all of which are provided to the County of Los Angeles under a Proposition A contract, or under a cafeteria services contract at a County of Los Angeles owned or leased facility.
- C. "Employer" means:
  - 1. An individual or entity who has a contract with the County:
    - a. For services which is required to be more economical or feasible under Section 44.7 of the Charter of the County of Los Angeles, and is not listed

as an excluded contract in Section 2.121.250 B of the Los Angeles County Code, referred to in this Chapter as a "Proposition A contract," or

- b. For cafeteria services, referred to in this Chapter as a "cafeteria services contract," and
  - c. Who has received or will receive an aggregate sum of \$25,000.00 or more in any 12 month period under one or more Proposition A contracts and/or one or more cafeteria services contracts; or
2. An individual or entity that enters into a subcontract with an employer, as defined in subsection C1 and who employs employees to provide services under the employer's contract with the County.
- D. "Full time" means a minimum 40 hours worked per week, or a lesser number of hours, if the lesser number is a recognized industry standard and is approved as such by the Chief Executive Officer, but in no event less than 35 hours worked per week.
- E. "Part time" means less than 40 hours worked per week, unless a lesser number is a recognized industry standard and is approved as such by the Chief Executive Officer.
- F. "Proposition A contract" means a contract governed by Title 2, Section 2.121.250 et seq., of this code, entitled Contracting with Private Business.

(Ord. 2015-0061 § 1, 2015: Ord. 2007-0011 § 2, 2007: Ord. 99-0048 § 1 (part), 1999.)

#### **2.201.030 - Prospective effect.**

This chapter shall be applicable to Proposition A contracts and cafeteria services contracts and their amendments the terms of which commence three months or more after the effective date of this chapter. <sup>166</sup> It shall not be applicable to Proposition A contracts or cafeteria services contracts or their amendments in effect before this chapter becomes applicable.

(Ord. 99-0048 § 1 (part), 1999.)

#### **2.201.040 - Payment of living wage.**

- A. Employers shall pay employees a living wage for their services provided to the County of no less than the hourly rate set under this Chapter or in Title 8 — Consumer Protection, Business and Wage Regulations, commencing with Section 8.100.010, whichever is higher. The rate shall be as follows:
- 1. On March 1, 2016, and thereafter the rate shall be \$13.25 per hour;
  - 2. On January 1, 2017, and thereafter the rate shall be \$14.25 per hour;
  - 3. On January 1, 2018, and thereafter the rate shall be \$15.00 per hour;
  - 4. On January 1, 2019, and thereafter the rate shall be \$ 15.79 per hour;
  - 5. Beginning January 1, 2020, and thereafter the living wage rate shall increase annually based on the average Consumer Price Index for Urban Wage Earners and Clerical Works (CPI-W) for the Los Angeles metropolitan area (Los

Angeles-Riverside-Orange County, CA), which is published by the Bureau of Labor Statistics of the United States Department of Labor.

- B. The Board of Supervisors may, from time to time, adjust the amounts specified in subsection A of this Section, above for future contracts. Any adjustments to the living wage rate specified in subsection A that are adopted by the Board of Supervisors shall be applicable to Proposition A contracts and cafeteria services contracts and their amendments.

(Ord. 2015-0061 § 2, 2015; Ord. 2007-0011 § 3, 2007; Ord. 99-0048 § 1 (part), 1999.)

#### **2.201.050 - Other provisions.**

- A. Full Time Employees. An employer shall assign and use full time employees to provide services under a Proposition A contract or a cafeteria services contract, unless the employer can demonstrate to the County the necessity to use non-full time employees based on staffing efficiency or the County requirements of an individual job.
- B. Neutrality in Labor Relations. An employer shall not use any consideration received under a Proposition A contract or a cafeteria services contract to hinder, or to further, organization of, or collective bargaining activities by or on behalf of an employer's employees, except that this restriction shall not apply to any expenditure made in the course of good faith collective bargaining, or to any expenditure pursuant to obligations incurred under a bona fide collective bargaining agreement, or which would otherwise be permitted under the provisions of the National Labor Relations Act.
- C. Administration. The Chief Executive Officer and the Internal Services Department shall be responsible for the administration of this chapter. The Chief Executive Officer and the Internal Services Department may, with the advice of County Counsel, issue interpretations of the provisions of this chapter. The Chief Executive Officer in conjunction with the Internal Services Department shall issue written instructions on the implementation and ongoing administration of this Chapter. Such instructions may provide for the delegation of functions to other County departments.
- D. Compliance Certification. An employer shall, during the term of a Proposition A contract, or a cafeteria services contract, report for each employee and certify the hours worked, wages paid, and provide other information deemed relevant to the enforcement of this Chapter by the County. Such reports shall be made at the times and in the manner set forth in instructions issued by the Chief Executive Officer in conjunction with the Internal Services Department. The Internal Services Department in conjunction with the Chief Executive Officer shall report annually to the Board of Supervisors on contractor compliance with the provisions of this Chapter.
- E. Contractor Standards. An employer shall demonstrate during the procurement process and for the duration of a Proposition A contract or a cafeteria services contract a history of business stability, integrity in employee relations, and the financial ability to pay a living wage.

(Ord. 2015-0061 § 3, 2015: Ord. 2011-0066 § 3, 2011: Ord. 99-0048 § 1 (part), 1999.)

### **2.201.060 - Employer retaliation prohibited.**

No employer shall take an adverse action causing a loss of any benefit of employment, of any contract benefit, or any statutory benefit to any employee, person, or other entity, who has reported a violation of this chapter to the board of supervisors or to one or more of their offices, to the county chief administrative officer, or to the county auditor controller, or to the county department administering the Proposition A contract or cafeteria services contract.

(Ord. 99-0048 § 1 (part), 1999.)

### **2.201.070 - Employee retention rights.**

In the event that any Proposition A contract or cafeteria service contract is terminated by the county prior to its expiration, any new contract with a subsequent employer for such services shall provide for the employment of the predecessor employer's employees as provided in this section.

- A. A "retention employee" is an employee of a predecessor employer:
  - 1. Who is not an exempt employee under the minimum wage and maximum hour exemptions defined in the federal Fair Labor Standards Act;
  - 2. Who has been employed by an employer under a predecessor Proposition A contract or a predecessor cafeteria services contract for at least six months prior to the date of a new contract; and
  - 3. Who is or will be terminated from his or her employment as a result of the county entering into a new contract.
- B. Subsequent employers shall offer employment to all retention employees who are qualified for such jobs.
- C. A subsequent employer is not required to hire a retention employee who:
  - 1. Has been convicted of a crime related to the job or his or her job performance; or
  - 2. Fails to meet any other county requirement for employees of a contractor.
- D. A subsequent employer may not terminate a retention employee for the first 90 days of employment under a new contract, except for cause. Thereafter a subsequent employer may retain a retention employee on the same terms and conditions as the subsequent employer's other employees.

(Ord. 99-0048 § 1 (part), 1999.)

### **2.201.080 - Enforcement and remedies.**

For violation of any of the provisions of this chapter:

- A. An employee may bring an action in the courts of the state of California for damages caused by an employer's violation of this chapter.
- B. The county department head responsible for administering a Proposition A contract or a cafeteria services contract may do one or more of the following in accordance with such instructions as may be issued by the chief administrative officer:
  - 1. Assess liquidated damages as provided in the contract; and/or

2. Recommend to the board of supervisors the termination of the contract; and/or
3. Recommend to the board of supervisors that an employer be barred from award of future county contracts for a period of time consistent with the seriousness of the employer's violation of this chapter, in accordance with Section 2.202.040 of this code.

(Ord. 2007-0011 § 4, 2007; Ord. 99-0048 § 1 (part), 1999.)

**2.201.090 - Exceptions.**

- A. Other Laws. This Chapter shall not be interpreted or applied to any employer or to any employee in a manner inconsistent with United States or California laws.
- B. Collective Bargaining Agreements. Any provision of this Chapter shall be superseded by a collective bargaining agreement that expressly so provides.

(Ord. 2015-0061 § 4, 2015; Ord. 99-0055 § 1, 1999; Ord. 99-0048 § 1 (part), 1999.)

**2.201.100 - Severability.**

If any provision of this chapter is found invalid by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect.

(Ord. 99-0048 § 1 (part), 1999.)

### **Living Wage Rate Annual Adjustments**

The Living Wage Ordinance is applicable to Proposition A and cafeteria services contracts. Employers shall pay employees a Living Wage for their services provided to the county of no less than the hourly rates and effective dates as follows:

| <b>Effective Date</b> | <b>Hourly Rate</b> |
|-----------------------|--------------------|
| March 1, 2016         | \$13.25            |
| January 1, 2017       | \$14.25            |
| January 1, 2018       | \$15.00            |
| January 1, 2019       | \$15.79            |

Effective January 1, 2020, the Living Wage rate will be adjusted based on the U.S. Department of Labor, Bureau of Labor Statistics' Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County Area for the 12-month period preceding July 1 of each year.

The Chief Executive Office (CEO) will issue a memo advising departments of the CPI to be used when determining the Living Wage rate effective January 1, 2020, and every year thereafter.



**COUNTY OF LOS ANGELES  
LIVING WAGE PROGRAM**

**PAYROLL STATEMENT OF COMPLIANCE**

I, \_\_\_\_\_  
(Name of Owner or Company Representative) \_\_\_\_\_ (Title)

Do hereby state:

1. That I pay or supervise the payment of the persons employed by \_\_\_\_\_  
Service, Building or Work Site  
\_\_\_\_\_ day of \_\_\_\_\_, and ending the \_\_\_\_\_ day of \_\_\_\_\_  
Calendar Day of Month Month and Year Calendar Day of Month  
\_\_\_\_\_ all persons employed on said work site have been paid the full weekly wages  
Month and Year  
earned, that no rebates have been or will be made, either directly or indirectly, to or on behalf of  
\_\_\_\_\_ from the full weekly wages earned by any  
Company Name  
person, and that no deductions have been made either directly or indirectly, from the full wages  
earned by any person, other than permissible deductions as defined in Regulations, Part 3 (29 CFR  
Subtitle A), issued by the Secretary of Labor under the Copeland Act, as amended (48 Stat. 948, 63  
Stat. 108, 72 Stat. 357; 40 U.S.C. 276c), and described below:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. That any payrolls otherwise under this contract required to be submitted for the above period are correct and complete; that the wage rates for employees contained therein are not less than the applicable County of Los Angeles Living Wage rates contained in the contract.

**I have reviewed the information in this report and as company owner or authorized agent for this company, I sign under penalty of perjury certifying that all information herein is complete and correct.**

Print Name and Title

Owner or Company Representative Signature:

Date:

**THE WILLFUL FALSIFICATION OF ANY OF THE ABOVE STATEMENTS MAY SUBJECT THE CONTRACTOR OR SUBCONTRACTOR TO CIVIL OR CRIMINAL PROSECUTION. IN ADDITION, THE CONTRACTOR OR SUBCONTRACTOR MAY BE SUSPENDED AND PRECLUDED FROM BIDDING ON OR PARTICIPATING IN ANY COUNTY CONTRACT OR PROJECT FOR A PERIOD CONSISTENT WITH THE SERIOUSNESS OF THE VIOLATION.**



JOHN NAIMO  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

ADDRESS ALL CORRESPONDENCE TO:  
AUDIT DIVISION  
350 S. FIGUEROA ST., 8<sup>th</sup> FLOOR  
LOS ANGELES, CA 90071-1304

December 20, 2016

TO: Darlesh K. Horn, MPP, Administrative Services Manager III  
Contracts Development and Administration Division  
Department of Mental Health

FROM: Terri Kasman   
Chief Accountant-Auditor

SUBJECT: **APPROVAL OF PROPOSITION A COST ANALYSIS FOR PHARMACY  
BENEFIT MANAGEMENT SERVICES**

We have reviewed and approved the Proposition A analysis performed by your Department for the proposed contract for Pharmacy Benefit Management Services. Your Department's analysis indicates the contract is cost effective and the rates paid to contractor employees meet living wage requirements. We noted that the actual cost savings may be more or less than estimated based on the number of uninsured client claims.

As previously discussed, while we concur that the proposed contract is cost effective, we have the following concerns:

- The proposed contract does not include terms that would allow the County to directly audit Magellan's contracted pharmacies. Instead, the County will have to rely on Magellan's subcontractor to audit the pharmacies, and will be reliant on the quality and thoroughness of the subcontractor's audit work. Because the subcontractor is not independent from Magellan, we are concerned that the subcontractor does not have adequate motivation to ensure that audit findings are appropriately pursued and reported.
- We were unable to validate DMH's estimated avoidable IT positions due to lack of an appropriate basis for comparison. However, taking this into consideration, we still concur that the contract is cost effective.

Darlesh K. Horn  
December 20, 2016  
Page 2

We intend to separately notify the Board of Supervisors of our approval of your Proposition A analysis for this contract. Accordingly, please provide me with a copy of your Board letter recommending the award of the contract along with the date the item will be on the Board's agenda.

If you have any questions, please call Nancy Neville at (213) 253-0158.

TK:NN



**LOS ANGELES COUNTY  
DEPARTMENT OF MENTAL HEALTH**

JONATHAN E. SHERIN, M.D., Ph.D., Director  
ROBIN KAY, Ph.D., Chief Deputy Director  
RODERICK SHANER, M.D., Medical Director



**ATTACHMENT III**

**List of Exceptions to Standard Terms and Conditions of County Contract**

As a result of the PBM solicitation process and vendor selection, DMH entered into negotiations with Magellan on April 29, 2015. DMH accepted Magellan's proposed exceptions to the Standard Terms and Conditions of the Sample Agreement and Statement of Work (SOW) and received concurrence from the CEO Risk Management Branch, County Counsel, and outside counsel. As a result of the negotiations the parties agreed to the following exceptions:

1. **Compensation and Invoicing:** DMH and Magellan agreed that Magellan will invoice DMH bi-monthly, and DMH will pay Magellan Administrative and Ancillary fees in arrears within 30 calendar days and will pay medication costs and dispensing fees within five (5) calendar days via electronic payment of receipt of invoices. The accelerated payment to Magellan for medication costs and dispensing fees will permit Magellan to satisfy its contractual payment obligations with its existing pharmacy contractors.
2. **Confidentiality and Compliance with Applicable Laws:** DMH and Magellan negotiated an arrangement that will allow the County to coordinate alternate defense counsel, if necessary, and seek reimbursement from Magellan. The following language was added to the Agreement: "County shall have the right to participate in any such defense at its sole cost and expense, except that in the event Contractor fails to provide County with a full and adequate defense, as determined by County in its sole judgment, County shall be entitled to notify Contractor in writing and Contractor shall within 10 business days provide at least two alternate counsels to LACDMH for consideration. Contractor shall take under consideration LACDMH's opinion as to which counsel to retain and exercise Contractor's discretion in selecting new counsel. Contractor shall not have the right to enter into any settlement, agree to any injunction, or make any admission, in each case, on behalf of County without County's prior written approval."
3. **General Provisions for All Insurance Coverage:** DMH accepted Magellan's request to forgo providing DMH a copy of an Additional Insured endorsement and to submit certificate(s) of insurance coverage (Certificate) satisfactory to County confirming County and its Agents has been given Additional Insured status under the Contractor's General Liability policy. DMH reviewed with County Risk Management and accepted Magellan's request to allow Renewal Certificates to be provided to County not

less than ten (10) days after, rather than ten (10) days prior Contractor's policy expiration dates.

4. Deductibles and Self-Insured Retentions (SIRs): DMH and Magellan agreed to strike language permitting County's right to require Contractor to reduce or eliminate policy deductibles and SIRS as respects the County, or provide a bond guaranteeing Contractor's payment of all deductibles and SIRs, including all related claims investigation, administration and defense expenses. DMH consulted with County Risk Management and other Subject Matter Experts and determined that deletion of this provision does not increase the risk to the County.

5. Insurance Coverage: DMH reviewed Magellan's Technology Errors and Omissions coverage insurance certificates and validated that Magellan's certificates cover all liabilities required by County.

6. Privacy/Network Security (Cyber): DMH and Magellan agreed that insurance certificates cover all liabilities required by County with limits not less than \$15 million.

7. Liquidated Damages: DMH and Magellan agreed to strike from the Agreement the \$100 per day, per infraction, penalty since said amount is included in Performance Requirements Summary.

8. Most Favored Public Entity: DMH and Magellan agreed to add the following language to the agreement: "If the Contractor's prices decline, or should the Contractor at any time during the term of this Contract provide the same goods or services under similar quantity and delivery conditions to the State of California or any county, municipality, or district of the State at prices below those set forth in this Contract, then such lower prices shall be immediately extended to the County. This section applies to Magellan Pharmacy Solutions, Inc. only and does not apply to any existing or future Magellan Pharmacy Solutions, Inc. affiliate."

9. Standard Terms and Conditions: DMH and Magellan agreed to increase notice of Termination for Convenience from 10 days to 120 days.

10. Termination for Convenience: DMH and Magellan agreed to increase termination for convenience notice from 10 days to 120 days and added the following language to the Agreement: "This Contract may be terminated, in whole or in part, from time to time, when such action is deemed by the County, in its sole discretion, to be in its best interest. Termination of work hereunder shall be effected by notice of termination to the Contractor specifying the extent to which performance of work is terminated and the date upon which such termination becomes effective. The date upon which such termination becomes effective shall be no less than one hundred twenty (120) days after the notice is sent."

DMH and Magellan also agreed that DMH would be responsible for any early termination fees, excluding non-renewal of the Agreement, by adding the following language to the Agreement: "Termination Fees and Reimbursement. In the event this Agreement terminates under Section 8.1.E. or 8.41 or 8.46 because of the difficulty in determining the amount of harm to the Contractor in the event of such termination, the County shall remit the specified amounts set forth below to the Contractor, based on the date County notifies Contractor of its intent to terminate this Agreement (as liquidated damages and not as a penalty):

| Notice received:                                                                   | Early Termination Fee Due Magellan |
|------------------------------------------------------------------------------------|------------------------------------|
| Less than or equal to 1 year from operations start date                            | \$600,000                          |
| Greater than 1 year, but less than or equal to 2 years from Go-Live start date     | \$450,000                          |
| Greater than 2 years, but less than or equal to 3 years from operations start date | \$300,000                          |

11. Data Destruction: DMH and Magellan agreed to the following updated language in the Agreement: "The County must receive within ten (10) business days of removal from Contractor's data center, a signed document from Contractor(s) and Vendor(s) that certifies and validates the data and information were placed in one or more of the following stored states: unusable, unreadable, and indecipherable.

At the termination of the Agreement, upon written request of County, Contractor shall render the data and/or information unusable, unreadable, and indecipherable in accordance with Contractor's Data Destruction Policy as approved by LACDMH."

12. Audit Mandate: DMH and Magellan agreed to the following revised language in the SOW: "County Auditor may direct contractor to audit participating pharmacies."

13. Budget Reductions: DMH and Magellan agreed that County's notice to Contractor regarding said reduction in payment obligation shall be provided within five (5) business rather than thirty (30) calendar days of the Board's approval of such action.