



ASO SERVICE AGREEMENT TERM SHEET AND DEAL POINTS

The City of Durham, NC and Blue Cross Blue Shield of North Carolina (BCBSNC) agree to the following terms and deal points to be incorporated into an ASO Service agreement, for the period 9/1/15-6/30/18, between and to be executed further by the parties:

BCBSNC Claims Discount Rate Guarantee

	Year 1	Year 2	Year 3
Blue Local Minimum Enrollment Threshold*	Discount Guarantee	Discount Guarantee	Discount Guarantee
	N/A	53.89%	
20%		52.7%	52.7%
30%		53.8%	53.8%
40%		54.8%	54.8%
50%		55.9%	55.9%
60%		56.9%	56.9%
70%		58.0%	58.0%
80%		59.1%	59.1%

Guarantee Assumptions

Guarantee Period: 9/1/15-6/30/18

Metric: Dollar value of difference between allowed claims based on actual discounts and guaranteed discounts

Settlement Basis (Settlement to take place within 45 days after the run-out period)

Year 1 - Claims incurred 9/1/15-6/30/16 with 3 months of paid run-out

Year 2 - Claims incurred 7/1/16-6/30/17 with 3 months of paid run-out

Year 3 - Claims incurred 7/1/17-6/30/18 with 3 months of paid run-out

Maximum Liability**

Year 1 = \$6,857,314

Year 2 = \$6,857,314-Year 1 Payout

Year 3 = \$6,857,314-Year 1 Payout-Year 2 Payout

* The average Membership over the guaranteed period will be used to blend the average Blue Options discount with the average Blue Local discount over the guarantee period to calculate the Membership Weighted Discount Guarantee Percent.

****Guarantee Provisions:**

- Contingent upon existing Pharmacy terms continuing for the guarantee period.
- BCBSNC will make a payment of \$735,000 to City of Durham no later than 12/31/15 which shall be credited against the first \$735,000 in guarantee payout, except that if there is no guarantee

payout or if the payout is less than \$735,000, the City shall retain the balance and/or entire amount.

- ✓ The year one guarantee assumes the City will participate in the Blue Rewards Providers Steerage Program from 9/1/15 – 6/30/16. While the final details have yet to be determined, the parties will work together in good faith to implement the program and in no instance will the City's obligation for funding the program exceed \$50,000.
- ✓ All billed claims (both in-network and out-of-network) shall be used for calculating the discount upon which the guarantee is made, excluding all claims that are out-of-network and in excess of \$150,000 as well as those claims that are both out-of-state and out-of-network. The total savings guarantee is offered on total fee-for-service claims (combination of inpatient, outpatient, and professional/other costs) excluding care management fees, prescription drugs and network access fees, if any.
- ✓ The City may request an audit of both the data and the calculations used to measure the discount guarantee.
- ✓ The amount of the discount guarantee for Blue Local enrollment rates below 20% or above 80% will be determined later, if applicable.
- ✓ Discount Guarantee Definitions/Calculations:
 - In-Network Contracted (IC): Claims paid at in-network benefit levels to contracted providers
 - In-Network Non-Contracted (IX): Claims paid at in-network benefit levels to non-contracted providers
 - Out-of-Network Contracted (OC): Claims paid at out-of-network benefit levels to providers who are contracted on networks other than the primary product network
 - Out-of-Network Non-Contracted (OX): Claims paid at out-of-network benefit levels to non-contracted providers
 - After excluding all out-of-network claims (OC & OX) over \$150,000 and all out-of-state/out-of-network (OC & OX) claims from any portion of the calculation, the Total Discount % achieved for the measurement year shall be as follows:

$$\frac{(\text{Billed IC} - \text{Allowed IC}) + (\text{Billed IX} - \text{Allowed IX}) + (\text{Billed OC} - \text{Allowed OC}) + (\text{Billed OX} - \text{Allowed OX})}{\text{Billed IC} + \text{Billed IX} + \text{Billed OC} + \text{Billed OX}} = \text{Total Discount \%}$$

Additional Provisions

BCBSNC will provide the City with "Enhanced Wellness" services as summarized below and described in more detail in the May 8, 2015 BCBSNC RFP Response Addendum:

- Dedicated program manager and funding - \$45,000 annually along with access to a dedicated BCBSNC wellness program manager.

- Customized programming – including Digital Engagement via BlueConnect (no additional cost to the City), Functional Movement Screenings (\$7,500 value), Diabetes Education (no additional cost to City) and Stress and Resilience Tools (value of \$3,000).
- Professional marketing firm to redesign the City's wellness brand – funding to hire the firm up to \$50,000.

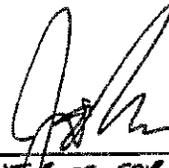
Administrative Service Fee Guarantee – The Per Employee Per Month (PEPM) medical administrative charge effective 9/1/15 shall be \$31.01 PEPM and shall not increase for the term of this agreement.

These terms shall be incorporated into the final ASO Agreement which shall be executed by all parties no later than June 30, 2015.

Agreed this 15th day of June, 2015.



Thomas J. Bonfield
City Manager
City of Durham



JOINT ROOS FOR BRAD WILSON
Brad Wilson
Chief Executive Officer
Blue Cross Blue Shield of North Carolina