

MANAGED CARE SERVICING AGREEMENT

28996

This Agreement is made and entered, in duplicate, as of December 21, 2004, pursuant to a minute order adopted by the City Council of the City of Long Beach at its meeting on December 14, 2004, by and between TRISTAR Managed Care, Inc., a California corporation ("TRISTAR"), with principal offices at 100 Oceangate, Suite 700, Long Beach, CA 90802, and City of Long Beach ("Client"), a municipal corporation, with principal offices at 333 W. Ocean Boulevard, Long Beach, CA 90802.

I. RECITALS

This Agreement is made and entered with respect to the following facts, which are incorporated by reference into the Agreement:

- (a) TRISTAR, for the purposes of this Agreement, is in the business of providing medical bill review and case management services to workers' compensation third party administrators and self-insured employers; and
- (b) Client is obligated, either on its own behalf or contractually on behalf of others, to (i) make workers' compensation benefit and coverage related decisions to select injured workers; (ii) pay and adjust claims related to these workers as per applicable statutes; and (iii) provide for managed care services as may be deemed necessary; and
- (c) Client desires to secure the services of TRISTAR for bill review, networks including medical, pharmacy and durable medical equipment, and case management services. Case management consists of case management and utilization review services.
- (d) TRISTAR has no exceptions to any provision, clause or requirement outlined in the Integrated Managed Care Request for Proposal dated 7/1/2004, including its exhibits and attachments.
- (e) TRISTAR has agreed that its services will conform to the California Labor Code and any rules and regulations issued pursuant to the Code, in existence at the time of execution of this Agreement or effective during the term of this Agreement, and that TRISTAR shall perform its services in accordance with the leading practices and standards in the business of case management.
- (f) TRISTAR shall ensure that adequate contractual language exists with PPO and Medical Network providers that will allow the Client to have access to discounts.

In consideration of the covenants and agreements contained herein, the parties agree as follows:

II. EFFECTIVE DATE AND TERM

This Agreement shall begin on November 1, 2004, and shall end on October 31, 2005 (both days inclusive), unless terminated earlier in accordance with Section 13. By mutual agreement and amendment of this Agreement, the parties may extend the initial term for two separate, consecutive periods of one year each.

III. RESPONSIBILITIES OF TRISTAR

3.1 TRISTAR shall provide to Client medical bill review services in accordance with the standards set forth in Exhibit A, Exhibit B, and Exhibit C, attached to and made part of this Agreement by this reference.

3.2 TRISTAR shall medically manage each individual case submitted to TRISTAR by Client in accordance with the criteria established in this Agreement and its Exhibits.

3.3 TRISTAR shall perform the various systems implementations and transfer and maintenance duties reasonably required by policies and procedures established by Client. TRISTAR shall make available individual case notes, to the extent allowable under applicable state regulations, updating patients' progress using transfer procedures implemented with the cooperation of Client.

3.4 TRISTAR shall provide to Client TRISTAR's standard reports and any custom reports as may be required and previously agreed to. In the case of a special request, TRISTAR will make every effort to provide the report the same day or the following business day, as long as no special programming is required by TRISTAR. There will be no additional fees for standard reports. TRISTAR's reports shall clearly break out savings and associated costs by bill review reduction and PPO reduction. TRISTAR shall provide standard reports monthly, quarterly and annually. Standard reports are defined as:

- (a) Savings Summary
- (b) UR Referrals and Savings History, containing both Detail and Summary information
- (c) Case Management Referrals and Savings History, containing both Detail and Summary information
- (d) Medical Network and PPO Penetration
- (e) List of Non-Network High Volume Providers
- (f) Bill Review Savings Summary
- (g) Pharmacy Savings Summary
- (h) Non-Network Provider Bill Review
- (i) Average disability duration by claimant type and condition.

3.5 TRISTAR shall designate a service coordinator, who shall be an employee of TRISTAR, to be available to Client to service Client's account with TRISTAR.

3.6 TRISTAR shall comply with all applicable laws, rules and regulations relating to its services under this Agreement and shall obtain, maintain and, upon request, provide to Client proof of any and all necessary certifications, licenses and regulatory approvals.

3.7 TRISTAR shall meet the guarantees described in Exhibit E attached to and made part of this Agreement by this reference.

IV. RESPONSIBILITIES OF CLIENT

4.1 Client shall designate TRISTAR as its exclusive provider of medical bill review and case management services.

4.2 Client understands and agrees that Client shall retain the sole responsibility for, and the sole authority to make, all decisions with respect to benefit and coverage determinations for workers' compensation cases covered under this Agreement. Additionally, Client will also be responsible for the payment of all related workers' compensation claims as may be required under applicable law. TRISTAR will not be responsible for the provision of, or payment of, any medical, indemnity, permanent disability or death benefits, medical-legal expenses, vocational rehabilitation, or legal and other allocated expenses to which the Client's injured workers' may be entitled.

4.3 Client shall be responsible for the payment of all applicable audit fees and assessments levied against Client by any governmental entity. Notwithstanding the immediately preceding sentence, any late or inconsistent payment penalties or fines assessed by any governmental entity shall be paid by the party, either Client or TRISTAR, responsible for causing the penalty or fine. Disputes regarding responsibility for the payment of any penalty or fine shall be resolved by good faith negotiations between the parties.

4.4 Client shall fully cooperate with and assist TRISTAR in the performance of TRISTAR's obligations under this Agreement. TRISTAR's performance under this Agreement shall be dependent upon Client's timely performance of its obligations hereunder provided that TRISTAR acts timely and promptly in its own regard. TRISTAR shall be entitled to rely upon information, authorization, decisions or approvals provided by Client to TRISTAR.

V. COMPENSATION

5.1 In consideration for the services provided by TRISTAR to Client under this Agreement, Client shall pay to TRISTAR the fees set forth in Exhibit D, attached to and made part of this Agreement by this reference.

5.2 TRISTAR may, at TRISTAR's sole discretion, adjust the fees to be charged to Client under this Agreement upon the occurrence of any of the following events:

(a) Any modification or amendment to this Agreement, which affects any change in the services to be provided by TRISTAR under this Agreement.

(b) Any modification of TRISTAR's administrative procedures made at the request of Client.

Any such adjustment in the fees pursuant to either subsection (a) or (b) above shall become effective on the effective date of the change in services mutually agreed to in writing between the parties and shall be reflected in an amendment to this Agreement. Client shall have the right to terminate this Agreement notwithstanding Article II, if Client does not accept the adjustment in fees.

5.3 With respect to case management, TRISTAR shall prepare and deliver to Client a statement calculating the fees or other charges within fifteen (15) days after the end of the month for which TRISTAR provided services. Bill review fees will be downloaded daily as soon as

Client's case management system (commonly known as IVOS) is operational. Client shall pay the fees to TRISTAR by the statement due date. In the event Client disputes any portion of any statement, Client shall timely pay the undisputed portion and work with TRISTAR towards the timely resolution of the disputed amount.

VI. REPRESENTATIONS AND WARRANTIES

6.1 Client represents and warrants that this Agreement and the transactions and activities contemplated by it (i) are within the municipal powers of Client; (ii) have been duly authorized by all necessary action of Client; (iii) constitute the legal, valid and binding obligations of Client, enforceable against it in accordance with their terms; and (iv) do not and will not conflict with or result in a breach of any of the provisions of, or constitute a default under the provisions of any law, regulation, licensing requirement, charter provision, or other instrument applicable to Client or its employees or to which Client is a party or by which Client may be bound.

6.2 TRISTAR represents and warrants that this Agreement and the transactions and activities contemplated hereby (i) are within the corporate powers of TRISTAR; (ii) have been duly authorized by all necessary corporate action of TRISTAR; (iii) constitute legal, valid and binding obligations of TRISTAR, enforceable against it in accordance with their terms; and (iv) do not and will not conflict with or result in a breach of any of the provisions of, or constitute a default under the provisions of any law, regulation licensing requirement, charter provision, by-law or other instrument applicable to TRISTAR or its employees or to which TRISTAR is a party or by which TRISTAR may be bound.

VII. BOOKS AND RECORDS

7.1 TRISTAR shall establish and maintain case data, in a mutually agreed upon manner and format, on each case referred to TRISTAR for Client.

7.2 TRISTAR and Client shall maintain such books and records, including but not limited to, payment records, notices, accounting and administrative records, as shall reasonably be required to accurately account for all services provided pursuant to this Agreement and any matters necessary for the proper administration of this Agreement. Such books and records shall be maintained in accordance with the generally accepted accounting principles and shall be maintained for at least seven (7) years, and such obligation shall not terminate upon termination of this Agreement.

7.3 TRISTAR and Client each shall have the mutual right, during the term of this Agreement and any extension of the initial term, to inspect, audit and copy, on no less than thirty (30) days prior notice to the other party, and during normal business hours or at such other times as may be agreed upon, said relevant books and records as they pertain to this Agreement. Such information shall be provided to each party pursuant to procedures designed to protect the confidentiality of patient health care records in accordance with applicable legal requirements and recognized standards of professional practice.

VIII. STATUS OF PARTIES

The parties agree that TRISTAR, its affiliated corporations, and the agents and employees of TRISTAR and its affiliated corporations, in the performance of this Agreement, shall act in an independent capacity as independent contractors and not as officers or employees of Client.

IX. CONFIDENTIALITY

9.1 The parties acknowledge and agree that each has developed certain trade secrets, client lists, software, knowledge, data, tools, methodologies, processes, plans, procedures, techniques, manuals, treatment protocols, clinical indicators, case rates, provider payment structure information, underwriting methodology, proprietary rating plans, provider practice data, employee-outcomes data, audit reports, actuarial analyses and other proprietary information (collectively "Confidential Information"). For purposes of this Agreement, the party that has developed Confidential Information to which the other has access is referred to as the "Protected Party." Except with the express written consent of the Protected Party, or as provided herein, other one party shall not disclose to others or take or use for its own purposes or the purpose of others at any time any Confidential Information of the Protected Party not otherwise in the public domain that may have been or may be obtained by the other party by reason of its relationship with the Protected Party. The parties further agree that this provision shall also be applied to all information that is designated as confidential or proprietary in writing by the Protected Party, whether by letter or by use of a stamp or legend before or at the time any such information is disclosed or delivered to the other party unless disclosure is required by subpoena, court order, the Public Records Act, or the confidential information becomes publicly available without breach of this Agreement by Client. Notwithstanding the foregoing provisions, the parties recognize that a patient's medical records are confidential and shall not be disclosed to third parties without the consent of the patient, unless otherwise permitted or required by applicable law.

9.2 This Agreement shall not be construed to grant either party any license or similar rights to Confidential Information disclosed or delivered to it by the other party. The parties agree that any breach by a receiving party of its obligation under this Agreement may result in irreparable injury to the Protected Party. Accordingly, in seeking enforcement of any of these obligations, the Protected Party shall be entitled, in addition to all other remedies, to seek injunctive and other equitable relief to prevent or restrain the breach of this Agreement.

X. DISPUTE RESOLUTION

In the event of any controversy or dispute arising out of or relating to this Agreement, the parties agree to exercise their best efforts to resolve the dispute as soon as possible. To invoke the dispute resolution process set forth in this Section, the invoking party shall give to the other party written notice of its decision to do so, including a description of the issues subject to the dispute and a proposed resolution thereof. Within ten (10) days after receipt of notice, a face-to-face meeting by TRISTAR and Client shall take place to attempt to resolve the issues. If the designated representatives cannot resolve the dispute, the parties shall meet within thirty (30) days after the initial meeting and describe the dispute and their respective proposals for resolution. If the dispute cannot be resolved at the second meeting, then the parties reserve the right to pursue all legal remedies available to them.

XI. INDEMNITY AND INSURANCE

11.1 TRISTAR shall defend, indemnify, and hold harmless Client, its officers, agents and employees, from and against any and all liability, loss, damage or expense, including punitive damages and attorney's fees, incurred in connection with claims or demands for damages of any nature whatsoever, except to the extent such claims or demands arise from or are caused by the sole negligence of Client.

11.2 Client shall defend, indemnify and hold harmless TRISTAR, its officers, agents and employees, from and against any and all liability, loss, damage or expense, including punitive damages and attorney's fees, incurred in connection with claims or demands for damages of any nature whatsoever, except to the extent such claims or demands arise from or are caused by the sole negligence of TRISTAR.

11.3 Prior to commencement of work under this Agreement, TRISTAR shall furnish to Client one or more original Certificates of Insurance completed and executed by an agent authorized to bind the insurer. Subject to TRISTAR's right to reasonable deductibles in such amounts as approved by Client, TRISTAR shall obtain and maintain for the duration of this Agreement, at TRISTAR's sole expense, insurance written by companies authorized and admitted to do business in the State of California or rated A:VIII or better by Am>m Best Company in the following types and amounts:

(a) Workers' Compensation Insurance with the statutory limits required by the laws of the State of California and Employers' Liability with minimum limits for bodily injury of \$1,000,000 per accident and \$1,000,000 per employee for disease with a policy aggregate of \$1,000,000.

(b) Commercial General Liability Insurance equivalent in scope to ISO CG 00 01 11 85 including but not limited to premises and operations, personal and advertising injury, products and completed operations, independent contractors and contractual liability, with minimum combined bodily injury (including death) and property damage limits of \$1,000,000 per occurrence, \$1,000,000 products and completed operations aggregate and \$2,000,000 general aggregate.

(c) Commercial Automobile Liability Insurance equivalent in scope to ISO CA 00 01 06 92 covering Symbol 1 ("Any Auto") with a minimum combined single limit of \$500,000.

(d) Professional Liability Insurance (including Errors and Omissions) with minimum limits of \$1,000,000 per occurrence and \$2,000,000 general aggregate. If this coverage is written on a "claims made" form, coverage shall be continuous by renewal or extended reporting period for not less than 24 months following completion of the Agreement and acceptance of the work by Client. Coverage, including renewals, shall contain the same retroactive date as the original policy applicable to this Agreement.

11.4 TRISTAR shall make available to Client, during normal business hours, all books, records, and other information relating to the insurance required by this Agreement and Client shall have the right to inspect each of the policies and endorsements. TRISTAR, upon Client's request, shall cause its insurers to provide to Client, at no cost, copies of all policies and endorsements.

11.5 Any self-insurance program, self-insured retention, or deductibles must be separately approved in writing by Client's Risk Manager or designee and shall protect the Client, its officials, employees and agents in the same manner and to the same extent as they would have been protected had the policy or policies not contained retention or deductibles. Each policy shall be endorsed to state that coverage shall not be reduced, non-renewed, or canceled except after thirty (30) days prior written notice to the Client, and shall be primary and not contributing to any other insurance or self-insurance maintained by Client. TRISTAR's insurance shall waive subrogation against Client, its officials and employees for bodily injury (including death), property damage, and any other loss. TRISTAR shall notify Client in writing within five (5)

business days after any insurance required in this Agreement has been voided by the insurer or canceled by TRISTAR. TRISTAR shall require that all subcontractors that it uses in the performance of this Agreement maintain insurance in compliance with this Agreement unless otherwise agreed in writing by Client's Risk Manager or designee.

Within thirty (30) days prior to expiration of the insurance required by this Agreement, TRISTAR shall furnish to Client certificates of insurance and endorsements evidencing renewal of the coverage.

Any modification or waiver of these insurance requirements shall only be made with the written approval of Client's Risk Manager or designee. The procuring or existence of insurance shall not be construed or deemed as a limitation on liability relating to TRISTAR's performance of this Agreement or as performance of or compliance with the indemnification provisions of this Agreement.

In the event TRISTAR is unable, after using its best efforts, to obtain any of the above-mentioned coverages, it shall immediately notify Client. Client shall then have the opportunity to immediately terminate this Agreement or to purchase insurance on TRISTAR's behalf and to deduct the cost of such insurance from the next payment due to TRISTAR.

XII. DEFAULT

12.1 The following are events of default under this Agreement:

- (a) Any breach of this Agreement which is not cured by breaching party within ten (10) days after receipt of notice of such breach by the other party.
- (b) The discovery by Client of the falsity of any representation or warranty made to Client by TRISTAR pursuant to Article VI hereof.
- (c) The levying of any attachment, execution of any process against TRISTAR which is not promptly removed or the filing of any petition under any bankruptcy statute against TRISTAR or the appointment of any receiver or trustee to take possession of TRISTAR's properties which is not set aside or terminated within ten (10) days from the occurrence thereof.

12.2 The failure of either party to declare a default upon the occurrence of an event constituting a default shall not waive that party's right to declare a default upon the occurrence of any subsequent event.

XIII. TERMINATION

13.1 This Agreement may be terminated by Client or TRISTAR as follows:

- (a) Upon ninety (90) days prior notice for any reason.
- (b) Upon ten (10) days prior notice in the event of a default.
- (c) Immediately upon notice in the event of fraud, abandonment, gross or willful misconduct, insolvency, or lack of legal capacity to act by the other party.

13.2 Notwithstanding the termination of this Agreement, this Agreement shall continue to apply to the extent needed for all obligations and liabilities incurred by each party prior to such termination to be fully performed and discharged by such parties.

13.3 Client shall have the right, in the event of a termination of this Agreement, to immediate possession of all electronic records not previously provided, and this right may be exercised at any time after termination.

XIV. HIRING AND ASSIGNMENT OF EMPLOYEES

14.1 Client agrees that during the term of and for a period of two (2) years after the termination of this Agreement, it will not, without prior written consent of TRISTAR, hire any employee of TRISTAR or its affiliate who was assigned to, or performed, any service for Client in connection with this Agreement.

14.2 Each party reserves the right to change its designated representative or staff assigned to the services performed under this Agreement. The Client requires thirty (30) days notice for changes in the designated representative and fourteen (14) days notice in changes in staff.

XV. GENERAL PROVISIONS

15.1 The subject headings of the Articles of this Agreement are included for purposes of convenience only and shall not affect the construction of interpretation of any of its provisions.

15.2 This Agreement sets forth the entire understanding of the parties and supersedes any prior agreement or understanding, oral or written, relating to the subject matter hereof. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all the parties. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

15.3 TRISTAR may not assign, sell, transfer or otherwise convey, pledge or encumber any of its rights, obligations or interests under this Agreement without the prior written consent of the Client.

15.4 Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

15.5 This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event that any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable or void in any jurisdiction, the other provisions of this Agreement shall remain in full force and applicable law shall be construed in order to effectuate the purpose and intent of this Agreement.

15.6 Each notice referred to in this Agreement shall be in writing and shall be given when delivered by hand, or is deposited in the U.S. Postal Service registered and return receipt, addressed to each party at the address set forth below or at such other address as such party, by notice to the other party, may designate from time to time. Notice shall be deemed given on the date personal hand delivery is made or on the date shown on the return receipt.

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If to TRISTAR:

TRISTAR Managed Care, Inc.
100 Oceangate, Suite 700
Long Beach, CA 90802
Attention: President

If to Client:

City of Long Beach
333 West Ocean Boulevard
13th Floor
Long Beach, CA 90802
Attention: City Manager

15.7 This Agreement is not intended or designed to or entered for the purpose of creating any benefit or right for any person or entity or any kind that is not a party to this Agreement.

15.8 TRISTAR shall not use the name of the Client, its officials or employees in any advertising or solicitation for business, nor as a reference, without the prior approval of Client's City Manager or his designee.

15.9 Termination or expiration of this Agreement shall not affect rights or liabilities of the parties which accrued prior to termination or expiration of this Agreement.

15.20 In the event of any conflict or ambiguity between the Agreement and any Exhibit, the terms of the Agreement shall govern.

15.21 TRISTAR, by executing this Agreement, certifies that, at the time it executes this Agreement and for its duration, TRISTAR does not and will not perform services for any other client which would create a conflict, whether monetary or otherwise, as between the interests of the Client and the interests of any other client of TRISTAR.

15.22 This Agreement shall be deemed the creation of both parties and it shall not be construed or interpreted against either party as the drafter.

15.23 The Proposal submitted to Client by TRISTAR is incorporated by reference to the extent that it does not contradict this Agreement. If there is any inconsistency between the Proposal and this Agreement, then this Agreement shall govern.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in duplicate

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by their authorized representatives as of the date first stated above.

TRISTAR MANAGED CARE, INC., a California corporation

Date: 12/29/04 By: [Signature]
Thomas J. Veale

Title: President and CEO

Date: 12/29/04 By: [Signature]
Title: Secretary

CITY OF LONG BEACH, a municipal corporation

Date: 1/12/05 By: Christine J. Shippey ASSISTANT
Gerald P. Miller

Title: City Manager

EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.

APPROVED AS TO FORM

1/11 20 05
ROBERT E. SHANNON, City Attorney

By [Signature]
HEATHER A. MAHOOD
ASSISTANT CITY ATTORNEY

EXHIBIT A

I. BILL REVIEW

A. TRISTAR shall provide medical bill review services consisting of analyzing provider billings for coding errors, duplication and fraud and repricing billed charges to the lesser of (i) charges pursuant to the applicable state mandated Fee Schedule; (ii) in non-Fee Schedule states, usual and customary charges, as determined by TRISTAR; (iii) charges taking into account negotiated discounts achieved through either BillChek, case management, or utilization management negotiations; or (iv) any contract charges.

B. TRISTAR shall process routine bills within (3) business days after receipt and complex bills within (5) business days after receipt. TRISTAR shall return bills to Client within seven (7) business days after receipt of complete information from the provider. The parties acknowledge and agree that certain complex bills, e.g. surgical review, high level consultant review, and medical legal review, may take longer to process and TRISTAR shall promptly notify Client if it is unable to process any bills within fourteen (14) days after receipt. The failure by TRISTAR to process complex bills within the time periods stated herein shall not constitute a breach of TRISTAR's obligations under the Agreement. TRISTAR shall submit to Client medical reports on all unidentified and complex procedures for review for additional savings. TRISTAR shall process bills with 99.5% accuracy.

The following performance measures will be used in measuring accuracy:

- (i) Processing of routine bills within three (3) business days after receipt
- (ii) Processing of complex bills (i.e., multiple surgeries) within five (5) business days after receipt
- (iii) Response to telephone inquiries within one (1) business day after receipt of call
- (iv) Response to written inquiries within five (5) business days after receipt of inquiry
- (v) Accuracy—99.5%

C. TRISTAR shall provide an explanation of benefits ("EOB") which shall explain the pricing format and adjustments and clearly set forth the net amount to pay to provider. TRISTAR shall transmit to Client EOBs and data necessary to permit issuance, by Client, of payments to providers.

D. TRISTAR shall perform bill review services on all Client bills submitted to TRISTAR during the term of this Agreement.

E. TRISTAR shall provide reports on bill review services which will include but not be limited to accuracy and a cost savings summary that includes gross and net savings.

II. REMITTANCE OF MEDICAL CLAIMS AND BILLING INFORMATION

A. Client shall provide to TRISTAR all medical claims and bill information received by Client.

B. During the term of this Agreement, TRISTAR shall serve as the repository for scanned images of bills that Client submits for bill review services. After the expiration or sooner termination of this Agreement, Client understands that TRISTAR will not be a repository for scanned images of bills that Client submits for bill review services; however, TRISTAR shall

promptly provide to Client the latest digital format containing the scanned images of bills that Client has submitted for bill review services during the term of the Agreement.

III. INQUIRIES FROM PARTICIPATING PROVIDERS

TRISTAR shall assist Client in resolving inquiries from medical providers during and after TRISTAR's review and shall answer any questions regarding the revised bill amounts during the term of this Agreement.

IV. DRGChek

TRISTAR shall provide to Client, upon request, retrospective bill audits designed to identify and document; (i) overcharges and undercharges; (ii) items unrelated to covered diagnoses; (iii) the medical necessity of billed services; and (iv) services billed but not delivered.

V. EXPERT TESTIMONY

If the medical care providers appeal to the Workers' Compensation Appeals Board (WCAB) or its equivalent in any state any of TRISTAR's recommendations for payment, TRISTAR shall send a witness to the hearing before the WCAB to testify and defend its recommendations at no cost to the Client. TRISTAR shall defend all of its recommendations or at the WCAB. TRISTAR shall provide a Hearing Representative whose purpose is to serve as an expert witness in bill review to defend recommendations, when requested by the City. Following termination of this Agreement, TRISTAR shall continue to provide expert witness testimony concerning any work performed pursuant to this Agreement at TRISTAR's then current rates and on its then current terms and conditions.

EXHIBIT B MEDICAL NETWORKS

I. TRISTAR shall develop a customized Medical Network for the Client at no additional charge. The Medical Network shall be of sufficient size and scope as to address the needs of the Client's employee population. TRISTAR shall promote the Medical Network to City's Client's employees through early intervention case management, panel posters and access to an electronic directory tailored to the Client. TRISTAR shall ensure that the Client's employees have access to medical care including specialists. TRISTAR shall work with the Client to develop a methodology to measure the anticipated benefits and savings related to Medical Provider Networks including increased quality care and a decrease in the life of a claim, indemnity costs and medical costs. TRISTAR shall ensure that Medical Network design adheres to current and any future California laws, rules and regulations.

II. TRISTAR shall provide reports on the services given by the Medical Provider Network which will include, but not be limited to, access data. TRISTAR shall provide the following performance measures as part of access measurement:

- (a) Quarterly Geoaccess reports by county and zip code that documents adequate numbers of all types of physicians and allied health professionals.
- (b) Quality Assurance Checklist containing the following elements:
 - (i) Adherence to ACOEM guidelines and cooperation with UR
 - (ii) Return of summary form with visit outcome.
- (c) Quality Assessment Reports

EXHIBIT C

I. CASE MANAGEMENT

Client is adopting an Early Intervention Model. TRISTAR shall provide the Case Management services listed below, based on this Model:

1.1 Utilization Review Criteria. TRISTAR shall provide Utilization Review based on referrals by Client. TRISTAR's utilization review standards shall meet or exceed all California laws, rules and regulations. TRISTAR shall:

- a) Verify initial ICD-9 code assignments.
- b) Review and pre-approve subsequent treatment plan updates and request medical authorization for services which (i) are not included in the initial pre-established treatment plan submitted by the medical provider or (ii) do not fall within TRISTAR's pre-established treatment plan.
- c) Establish appropriate treatment plan update intervals for concurrent review of services provided by the medical provider.
- d) Assist with referral to medical providers for the provision of medically necessary services not provided by the provider requesting the referral.

1.2 Utilization Review Quality Metrics and Performance Standards. TRISTAR shall perform the items on the following Quality Assurance Checklist:

- (a) TRISTAR shall make a prospective or concurrent decision within one (1) business day but not more than three (3) business days after receipt of reasonably necessary information to make determination
- (b) TRISTAR shall communicate with claimant regarding outcome within thirty (30) days after receipt of reasonably necessary information to make the determination
- (c) TRISTAR'S communications regarding all decisions of treatment shall provide the date of the decision, guidelines used, reviewer's name, dispute resolution and mandatory language as required.
- (d) TRISTAR shall provide to Client Detail and Summary information, including Return on Investment (ROI) calculation, showing savings on each UR referral.

1.3 Telephonic Case Management. TRISTAR shall provide telephonic case management services on claims referred by the Client. For all Claims referred to Telephonic Case Management arising from injuries or illnesses occurring on or after the effective date of this Agreement, TRISTAR shall assist in the coordination of services between Client and the medical provider to support the injured worker's return to work and improved medical outcomes, as follow:

- (a) 3 point (adjuster, provider and patient unless the patient is represented by legal counsel) contact within one (1) business day after Client referral including Initial Telephonic Case Management Assessment Report which shall include: date of last appointment, date of next appointment, work status, treatment plan, projected disability, claimant contact, nurse analysis/comment, and plan of action within five (5) business days.
- (b) Follow-up within one (1) to two (2) business days after identified appointment to determine outcome and to identify modified and full duty return to work opportunities.

(c) Where possible, coordinating treatment plans and return to work dates with the treating physician for full and/or modified duty, negotiating provider reimbursement amounts, and/or arranging for patient transfers to medical providers for injured workers receiving care from non-network medical providers; provided that TRISTAR shall not be responsible for any patient transportation costs associated with the transfer of an injured worker from one medical provider to another.

(d) Proactively coordinate return to modified duty with injured worker, employer and Client.

(e) If an injured worker seeks or receives care from a non-network medical provider and is referred by Client to TRISTAR, Client shall provide to TRISTAR all medical and other information necessary for TRISTAR to provide case management services. TRISTAR shall use its best efforts to provide appropriate services for injured workers receiving treatment from a non-network medical provider. Further, TRISTAR shall consult with Client prior to providing any such services, including patient transfer arrangements, on behalf of an injured worker receiving care from a non-network medical provider.

1.4 Telephonic Case Management Quality Metrics and Performance Measures.

A. TRISTAR shall provide case management savings quantified in summary and case detail format. TRISTAR shall calculate savings; and list the savings by line item.

B. TRISTAR shall perform in accordance with its Quality Assurance Checklist which shall include:

- (i) 3 point (adjuster, provider and patient unless the patient is represented by legal counsel) contact within one (1) business day
- (ii) Initial assessment report within five (5) business days
- (iii) Follow-up on appointments within two (2) business days after appointment, updates of plan of action, treatment plan and return to work
- (iv) Progress updates no less than every thirty (30) days provided through Client's case management system (commonly known as IVOS);
- (v) Promoting network at every possible opportunity (specialists, MRI, PT, DME, RX, etc)
- (vi) Maintain contact with Client as significant events occur including alerts to initial evaluation and on "request to proceed"
- (vii) Completed outcomes summary worksheet at case closure to detail savings
- (viii) Detailed progress reports when and if requested by Client

1.5 Task and Field Quality Metrics and Performance Measures.

TRISTAR shall meet the following performance measures on its Quality Assurance Checklist:

- (a) Case assigned to case manager within one (1) business day
- (b) File reviewed by case manager within one (1) business day
- (c) Contact made with employee, provider and employer within two (2) business days
- (d) Initial report made to Client within fourteen (14) days (Final report if Task Assignment)
- (e) Progress reports given to Client every thirty (30) days or as requested

1.6 Claim File Closure. TRISTAR shall determine the appropriate time for closure and notify the Client within one (1) business day. TRISTAR shall use the following criteria:

- a) Discontinuation of treatment because medical necessity was not found;
- b) Return-to-work after termination of an active treatment plan;
- c) Medical treatment completed or permanent and stationary status reached;
- d) No further value-added services can be performed;
- e) Request that the case be closed (may be for reasons of Compensability); or
- f) Medical Case Closure form with instructions for reopening the case

II. UTILIZATION MANAGEMENT AND QUALITY ASSURANCE

Depending on the severity of the work-related illness or injury and under the direction of the Physician Advisor (licensed physician working on behalf of TRISTAR), TRISTAR shall provide concurrent review of various treatment stages on any claims that fall within the criteria mentioned above in Sections 1.1 and 1.4.

TRISTAR shall develop, under the direction of the Physician Advisor, and establish and implement workers' compensation utilization management standards system of utilization management (including case management) and quality assurance program, the purpose of which is to promote adherence to generally accepted medical standards of care for decision-making regarding medically necessary care to encourage medical providers to provide high quality services in a cost effective manner.

The TRISTAR utilization management and quality assurance program consists of case management pre-certification of admissions, length of stay criteria, concurrent and retrospective review of specified services, pre-certification of specified procedures, retrospective ambulatory review, medical management, return to work planning, medical provider guidelines and injured worker and medical provider certification recommendation dispute procedures.

The TRISTAR utilization management and quality assurance program shall be operated in cooperation with medical providers in a manner that is consistent with any applicable medical provider agreements and state workers' compensation law.

III. PEER REVIEW

When necessary and appropriate under TRISTAR's peer review protocols, TRISTAR shall provide to Client physician peer review services to support identified utilization management issues. The Physician Advisor shall oversee the provision of peer clinical review for all cases where clinical determination is needed for an admission, procedure or services which receives a negative recommendation or non-recommendation during an initial review rendered by a case manager. The criteria for inclusion into the TRISTAR Peer Review Program are:

- a) Inconsistent medical opinions with no clear direction for treatment;
- b) Non-compliant treating physician;
- c) Nurse's recommendation of "no care" combined with Client's intention to deny ongoing treatment and/or petition to the Administrative Director of the California Department of Workers' Compensation, or its equivalent in any other state, for change of treating physician;
- d) Nurse's recommendation against a surgical procedure;
- e) Unusual procedure or procedure not currently recognized by the medical community, e.g., experimental;
- f) Cases in which the date of injury exceeds standard referral criteria, excessive medical treatment is at issue or on-site nursing is not appropriate;
- g) When protocol/guideline system recommends peer review; or

h) Retroactive review of medical treatment or procedure for appropriateness and /or necessity on a case-by-case basis.

IV. MEDICAL DISPUTE RESOLUTION

In the event Client disagrees with TRISTAR's case management recommendations regarding the provision of services to an injured employee, the parties agree to adhere to the following medical dispute resolution process:

(a) Level I Medical Disputes. For medical disputes between the Client's claims adjustor and the case manager involving a pre-recommended treatment plan with an estimated claims level below One Thousand Dollars (\$1000.00), as determined by the case manager, the claims adjustor and case manager shall promptly provide the necessary summary information to Client's claims supervisor and TRISTAR's case management technical lead, respectively, for resolution.

(b) Level II Medical Disputes. For medical disputes between the Client's claims adjustor and the case manager involving pre-recommended Treatment Plan with an estimated claims level greater than One Thousand Dollars (\$1000.00), as determined by the case manager, the claims adjustor and case manager shall promptly provide the necessary summary information to Client's branch or office manager and TRISTAR's account manager, respectively, for resolution.

The parties agree to use their best efforts to resolve all medical disputes within seventy-two (72) hours after Client's receipt of the necessary summary information from TRISTAR. In those instances where the parties cannot reach an agreement as to the appropriate treatment to be provided to an injured worker and Client's proposed alternative course of treatment varies materially, as determined by the Physician Advisor in his or her sole discretion, from the treatment plan recommended by TRISTAR and its medical providers, TRISTAR shall have the right to cease providing case management services relating to the injured worker's care.

In the event Client repeatedly fails to approve TRISTAR's recommendations for utilization review, TRISTAR may terminate this Agreement upon thirty (30) days prior notice to Client.

Notwithstanding the medical dispute resolution process described above and TRISTAR's obligations to perform case management services on behalf of Client under this Agreement, Client retains the sole responsibility and authority to accept or deny workers' compensation claims and to make workers' compensation benefit and coverage-related decisions.

V. EXPERT TESTIMONY

If the medical care providers appeal any of TRISTAR's recommendations for payment to the Workers' Compensation Appeals Board (WCAB), or its equivalent in any state, TRISTAR shall send a witness to the hearing at the WCAB to testify and defend its recommendations. TRISTAR shall not charge for the first appearance with respect to a contested bill if such appearance is within a one hundred (100) mile radius of a TRISTAR office location. If TRISTAR is required to appear on a second day with respect to the same bill or it is outside the above stated area, Client shall pay to TRISTAR Eighty-five Dollars (\$85.00) per hour for actual and direct travel time incurred by TRISTAR's personnel to and from the WCAB hearing and for each hour any TRISTAR employee is in attendance at the WCAB. Partial hours shall be charged on a pro rata basis in minimum increments of fifteen (15) minutes. Following termination of this Agreement,

TRISTAR shall continue to provide expert witness testimony concerning any work performed pursuant to this Agreement TRISTAR's then current rates and on its then current terms and conditions.

EXHIBIT D COMPENSATION

For services rendered pursuant to this Agreement, Client will pay to TRISTAR the following fees following receipt by Client of a monthly invoice from TRISTAR:

I. BILL REVIEW SERVICES FEES

The following fees will be billed by individual Client files:

A. For medical treatment and pharmacy bills reviewed to the Official Medical Fee Schedule or Usual and Customary database the fee is \$2.30 per bill, \$1.25 per line, with a four line minimum and a 16 line maximum.

B. For medical treatment and pharmacy bills that belong to the PPO the fee is twenty-three percent (23%) of the PPO savings.

C. For IMFS (Inpatient Medical Fee Schedule and PPO discount) the fee is seven percent (7%) of savings.

D. For BillChek reductions the fee is thirty percent (30%) of savings.

II. CASE MANAGEMENT SERVICE FEES

A. For Utilization Review the fee is \$100.00 per initial inpatient pre-certification; thereafter, the fee is \$85.00 per hour (including review of treatment guidelines for appropriateness of care including length of stay and need for assistant surgeon, directing into PPO and confirmation letters). The fee is \$75.00 per initial outpatient pre-certification; thereafter, the fee is \$85.00 per hour (including review of treatment guidelines for appropriateness of care, directing into PPO and confirmation letters).

B. For Telephonic Case Management where the case management is ongoing, the fee is a flat fee of \$300 if the case management continues for 1-30 days, a flat fee of \$200 if the case management continues for 31-60 days, and a flat fee of \$100 if the case management continues for 61-90 days. However, if the telephonic case management is task-based (rather than ongoing), the fee is an hourly rate of \$85.00 per hour.

C. If Client requests that TRISTAR perform a task that is considered field case management and is not considered a regular or ongoing task, then TRISTAR shall perform the task or tasks at its hourly rate of \$85.00 per hour.

D. For Physician Advisor Level 1 the fee is \$200.00 per hour (including review of medical records and communication of decision in writing to all parties).

E. For Physician Advisor Level 2 the fee is \$250.00 per hour (including review of medical records, discussion with treating physician and communication of decision in writing to all parties).

EXHIBIT E PERFORMANCE GUARANTEES

For services rendered pursuant to this Agreement, TRISTAR guarantees the following performance levels:

I. BILL REVIEW

- A. All routine medical bills will be processed within three (3) business days after receipt
- B. All complex medical bills will be processed within five (5) business days after receipt
- C. All medical bills will be processed at an accuracy rate of 99.5%, which includes correctly adjudicated and re-priced bills and all mandatory data elements
- D. Telephone inquiries from providers will be returned within one (1) business day
- E. Written inquiries from providers will be responded to within five (5) business days.

II. CASE MANAGEMENT

- A. On all new telephonic or field case management assignments, a three-point contact (that is, contact to the adjuster, to the provider and to the claimant) will be performed within one (1) business day after receipt of the assignment.
- B. All decisions for utilization review will be performed within the statutory time limits.
- C. Written utilization review determinations (for example, authorizations, modifications, and denials) will be performed within one (1) business days after such determinations
- D. Follow-up contact with the provider will be performed within two (2) business days after all scheduled appointments.

In order to ensure that TRISTAR achieves the desired performance levels, Client will perform semi-annual audits to monitor outcomes with respect to each of the above-mentioned performance criteria. Utilizing a representative random sampling of no less than ten percent (10%) of the total bills and/or cases reviewed in the prior six (6) month period, Client will review each performance criteria for the six-month period being audited for completion and accuracy. Scoring will be tracked for each criteria to determine whether or not the performance level was achieved and to what percentage of the time within the selected sample. Client will then compute a composite average score for all criteria.

TRISTAR guarantees a composite score of ninety percent (90%). If the score is eighty-four percent (84%) or less, then TRISTAR shall reimburse to Client five percent (5%) of TRISTAR's service fees for six (6) months following the computation of the composite score. If the Agreement is expiring or is terminated and there are not six months remaining, then TRISTAR shall refund five percent (5%) of TRISTAR's service fees to Client within thirty (30) days after such expiration or termination. This provision shall survive expiration or termination of the Agreement.

Notwithstanding these provisions regarding the composite score, TRISTAR shall submit a written

action plan to Client within fifteen (15) days after a computation showing a composite score below eighty-four percent (84%). If at any time the volume of bills or case management referrals received by TRISTAR exceeds normal monthly averages by thirty percent (30%) or more, then Client agrees that such abnormal volumes will be considered within any audit with respect to the time frames for processing.