

**PHARMACEUTICAL TECHNOLOGIES, INC.®**  
**WORKERS' COMPENSATION**  
**PHARMACY BENEFITS ADMINISTRATION AGREEMENT**

**33234**

This Workers' Compensation Pharmacy Products and Services Benefits Administration Agreement is made and entered into as of the 1<sup>st</sup> day of January 2013, by and between Pharmaceutical Technologies, Inc., a Nebraska corporation ("PTI"), and City of Long Beach, a municipality of California ("City").

**WITNESSETH**

WHEREAS, PTI has developed the workers' compensation pharmacy benefit management system under which National Pharmaceutical Services® (a division of PTI®) provides for the administration and delivery of Workers' Compensation Pharmacy Products and Services through a network of pharmacies (such system is referred to herein as the "NPS System");

WHEREAS, City has a Plan that offers a Workers' Compensation Pharmacy Products and Services program;

WHEREAS, City desires to utilize the NPS System in connection with the delivery of a Workers' Compensation Pharmacy Products and Services program to Claimants of the Designated Plans; and

WHEREAS, PTI desires to contract with City to make the NPS System available in connection with the delivery of a Workers' Compensation Pharmacy Products and Services program to the Designated Plans.

NOW, THEREFORE, in consideration of the foregoing, and in consideration of the covenants and agreements set forth herein, the parties agree as follows:

**ARTICLE I**  
**Definitions**

For purposes of this Agreement, the following terms shall have meanings as follows:

1.01 "Administrative Services" shall mean all of the services described in Section 2.03 of this Agreement.

1.02 "Agreement" shall mean this Workers' Compensation Pharmacy Benefits Administration Agreement.

1.03 "Average Wholesale Price" or "AWP" shall mean the average wholesale price for a given Prescription Legend Drug or other pharmaceutical product, as published by Facts and Comparisons (MediSpan®), or other generally recognized drug pricing services in the retail prescription drug industry and updated on a weekly basis.

1.04 "Business Day" shall mean Monday through Friday, excluding holidays on which PTI is not open for regular business.

1.05 "Claimant" shall mean any eligible participant of a Plan Sponsor who is participating in and entitled to receive Pharmacy Products and Services under the Plan of the Plan Sponsor.

1.06 "Claimant Identification Card" shall mean the identification card provided by PTI or the Plan Sponsor that identifies the Claimant covered under a Designated Plan. The Claimant Identification Card shall display the NPS icon necessary for identification by Network Pharmacies.

1.07 **“Covered Pharmacy Products and Services”** shall mean any Pharmacy Products and Services that a Claimant requests and which are considered as covered or compensable under the terms of the Claimant’s Plan.

1.08 **“Designated Plans”** shall mean the Plans designated on Exhibit “1” attached to this Agreement.

1.09 **“Drug Utilization Review”** or **“DUR”** shall mean the drug utilization review program used by PTI as described in Section 2.07 and Exhibit “4”.

1.10 **“Effective Date”** shall mean the date that the first Designated Plan begins processing through the NPS System under the terms of this Agreement.

1.11 **“Formulary”** shall mean the proprietary document to PTI which: (i) lists various Prescription Legend Drugs; (ii) is provided by PTI to Network Pharmacies, healthcare providers and/or Claimants for the purpose of guiding and prescribing, dispensing, and reimbursement of Prescription Legend Drugs; and (iii) restricts what Prescription Legend Drugs are subject to reimbursement by the Plan to Claimants and/or Network Pharmacies. The Formulary is subject to periodic review by PTI’s Pharmacy and Therapeutics Committee.

1.12 **“Maximum Allowable Cost”** or **“MAC”** shall mean for drugs obtainable from multiple manufacturers, the reimbursement level for Pharmacy Products and Services for Network Pharmacies as established by PTI. The MAC list is subject to periodic review and modification from PTI to reflect changes in market conditions.

1.13 **“NCPDP”** shall mean National Council of Prescription Drug Plans.

1.14 **“Network”** shall mean PTI’s nationwide network of Network Pharmacies.

1.15 **“Network Pharmacy”** shall mean a pharmacy included in the network as described in Section 2.01 of this Agreement.

1.16 **“Network Pharmacy Reimbursement Schedule”** shall mean the negotiated payment rates for Covered Pharmacy Products and Services for Network Pharmacies as schedule for reimbursement of Network Pharmacies as described in Section 2.03d.

1.17 **“Pharmacy Products and Services”** shall mean Prescription Legend Drugs and other products, services and/or supplies normally provided by the Network Pharmacy to the general public in the ordinary course of pharmacy business.

1.18 **“Pharmacy and Therapeutics Committee”** shall mean a committee composed of physicians and pharmacists that evaluate, appraise, and select products for inclusion or exclusion from the Formulary. The Pharmacy and Therapeutics Committee considers published scientific and clinical data, treatment guidelines, efficacy, adverse events, FDA approved indications, plan utilization, and cost in the evaluation process.

1.19 **“Physician”** shall mean a doctor of medicine, osteopathy, dental surgery, dental medicine, or podiatry who is legally licensed to prescribe medications within the scope of that license.

1.20 **“Plan”** shall mean a Plan Sponsor’s workers’ compensation program that provides a Pharmacy Products and Services component, among other covered services to Claimants.

1.21 **“Plan Sponsor”** shall mean an employer, health maintenance organization, self-funded plan, competitive medical plan association, insurance carrier, trust fund, or other organization that provides a Plan to Claimants.

1.22 **“Prescription Legend Drug”** shall mean any medicinal substance the label of which is required to bear the legend - “Caution: Federal Law prohibits dispensing without prescription,” as defined under the Federal Food Drug and Cosmetic Act.

1.23 **“Prior Authorization”** shall mean the process as described in Section 2.08 by which a Pharmacy Product and Service that is not covered and the terms of the Claimant’s Plan is determined to be a Covered Pharmacy Product and Service.

1.24 **“Usual and Customary Charge”** shall mean the proprietary and confidential charge associated with Pharmacy Products and Services which a Network Pharmacy would have charged a Claimant receiving benefits pursuant to this Agreement if such Claimant was not covered by a Plan. This value is submitted to the NPS system by the Network Pharmacy in the NCPDP field defined as Usual and Customary.

## ARTICLE II PTI Responsibilities

2.01 Establish network of pharmacies. PTI shall contract with and maintain a network of pharmacies to provide Covered Pharmacy Products and Services to Claimants and shall maintain, regularly update, and make available to City via web access (or other electronic means) the names and locations of the Network Pharmacies. City agrees that Network Pharmacies may elect to participate or not participate in the Network on a Plan-by-Plan basis.

2.02 Delivery of Covered Pharmacy Products and Services. PTI shall make arrangements for PTI Network Pharmacies to provide Covered Pharmacy Products and Services to Claimants of a Designated Plan upon a Claimant's presentation of a Claimant Identification Card, which has not been deactivated.

2.03 Administrative services. PTI will provide administrative services as follows:

- a. PTI shall enter Plan specifications and Claimant eligibility information received from Plan Sponsor into the NPS System. The information entered into the system will be considered correct unless Plan Sponsor notifies PTI of any required corrections.
- b. PTI shall verify a Claimant's eligibility to receive Covered Pharmacy Products and Services upon a Claimant's request for Pharmacy Products and Services presented to a Network Pharmacy.
- c. PTI shall verify whether a Pharmacy Product or Service is a Covered Pharmacy Product and Service upon a Claimant's request for Pharmacy Products and Services from a Network Pharmacy.
- d. PTI shall require Network Pharmacies to provide Covered Pharmacy Products and Services to Claimants in accordance with the Network Pharmacy Reimbursement Schedule attached as Exhibit “2,” as amended from time to time.
- e. PTI shall coordinate the delivery to City of claims reimbursement requests by Network Pharmacies for Covered Pharmacy Products and Services in accordance with the Plan Payment Schedules.
- f. PTI shall arrange for mail order pharmacy services if mail order prescriptions are part of the Plan. PTI’s affiliated pharmacy, Integrated HMO Pharmacy™, or one of PTI’s regional mail order pharmacies will provide mail order pharmacy services as designated by Plan Sponsor.

- g. PTI shall provide the Plan Sponsor with Claimant Identification Cards so that Plan Sponsor may provide claimants with appropriate identification to be used at NPS network stores.
- h. PTI shall require Network Pharmacies to maintain appropriate documentation to support claims for Covered Pharmacy Products and Services.
- i. PTI shall maintain all data and processing information pertaining to claims for Covered Pharmacy Products and Services for a period of no less than six (6) years from the date on which the claim for Covered Pharmacy Products and Services is submitted to PTI by a Network Pharmacy.
- j. PTI shall maintain a toll-free help desk for Claimants and Network Pharmacies to answer inquiries concerning Covered Pharmacy Products and Services.
- k. PTI shall provide a minimum of seven (7) full Business Days of initial on-site support and training at City's location, followed by ongoing monthly on-site support and training services, at City's request, to assist City in the implementation and usage of PTI website and respond to inquiries related to Covered Pharmacy Products and Services.

2.04 Subrogation claims. PTI will assist City in processing any lawful subrogation claims that City may have against a Claimant.

2.05 Formulary. PTI shall maintain and implement a Formulary as part of the NPS System.

2.06 Formulary Savings/Rebate program. PTI may implement a Formulary savings/rebate program for Designated Plans that utilize the PTI Formulary. City and/or Designated Plans shall be eligible for the Formulary savings and/or rebates as described in Exhibit "3", upon meeting the following requirements of the program. The Plan Sponsor's eligibility to receive Formulary savings/rebates is based upon: (i) the provisions of the Plan Sponsor's drug benefit design and the implementation of PTI's Formulary; (ii) conformance to the PTI Formulary; and (iii) the provisions of PTI contracts with pharmaceutical manufacturers. The Plan Sponsor understands that its eligibility to receive payments for Formulary savings/rebates may change over time. The Plan Sponsor also understands that changes in its drug benefit program, changes in PTI contracts with pharmaceutical manufacturers, or the selection of certain services, such as Prior Authorization, or open Formulary management may disqualify the Plan Sponsor from eligibility or limit the Plan Sponsor's eligibility to receive Formulary savings/rebates.

2.07 Drug Utilization Review. PTI shall provide the Drug Utilization Review services described in Exhibit "4" as part of the NPS System. PTI may deny payment for claims to the extent the information received is not sufficient to allow for PTI DUR Services. PTI will transmit DUR messages to Member Pharmacies. PTI's DUR process is not intended to substitute for the professional judgment of the prescriber, the dispensing Network Pharmacy, or any other healthcare professional providing services to a Claimant. Furthermore, the DUR process depends, in part, on clinical drug data and information on dispensing practices provided to PTI by third party vendors, and is limited to certain drugs and certain analytical criteria that are established by PTI from time to time. Accordingly, PTI assumes no liability to Plan Sponsor or any other person in connection with the DUR process, including, without limitation, the failure of the DUR process to identify a prescription that results in injury to a Claimant.

2.08 Prior Authorization. The Plan Sponsor is responsible for the approval and/or denial of requests received by Claimants to cover excluded Pharmacy Products and Services. The Plan is responsible for providing approvals to PTI. PTI will provide the necessary forms or Web tools to the Plan Sponsor's designated review team.

2.09 Payment Reconciliation Data. PTI shall provide City with detailed accounting information on a monthly basis, in a format and medium specified by City, for the purpose of reconciling all payments received using the City's Commercial Credit Card Program (P-Card). Monthly reconciliation data shall be received by City within

ten (10) working days after the end of the billing cycle. Reconciliation data must include the workers' compensation claim number, date of service, name and quantity of drug dispensed, billed amount, amount paid, and any other information requested by City.

### **ARTICLE III City Responsibilities**

3.01 Plan design information. Prior to the Effective Date, City shall provide PTI, in a format approved by PTI, information regarding each Designated Plan's workers' compensation program drug benefit design. City shall be required to approve a PTI Group Spec Form to certify that the Plan has been accurately set up according to the Plan Sponsor's workers' compensation program drug benefit design. If City decides to change the workers' compensation benefit design for any Designated Plan after initial set-up, changes must be requested in writing to PTI. Such changes may include deductibles and covered drugs. PTI will review the requested changes and provide City with an updated PTI Group Spec Form for signature or inform City that the requested changes cannot be implemented. PTI will notify City at the time of request if any additional fees would be associated with the requested changes. The requested changes will not take effect until City has signed off on the design change and acknowledged the additional fees, if applicable. City shall be solely responsible for any liability in connection with the Plan Sponsor's workers' compensation program drug benefit design. City shall be solely responsible for any liability in connection with the Plan Sponsor's workers' compensation program drug benefit design.

3.02 Claimant eligibility information. City shall deliver to PTI, prior to the Effective Date, a list of eligible Claimants under each Designated Plan, which list shall include information sufficient for PTI to issue Claimant Identification Cards to the eligible Claimants and process claims under this Agreement. Such Claimant listing shall be in an electronic or written format as from time to time designated by PTI; such format shall satisfy 45 CFR Part 162.1502: ASCX 12N 834. City shall notify PTI of any additional Claimants that are eligible to participate in a Designated Plan and of the termination of any Claimant's eligibility to participate in a Designated Plan. Notwithstanding the termination of a Claimant's eligibility to receive benefits under a Designated Plan, City acknowledges that it remains responsible for all claims submitted by Network Pharmacies for Covered Pharmacy Products and Services prior to the updating of PTI's database, but not more than two (2) Business Days following PTI's actual receipt of a proper notice of the termination of a Claimant's eligibility to participate in a Designated Plan.

3.03 Plan Formularies. City shall use the PTI Formulary for each Designated Plan, which is referred to herein as the Applicable Plan Formulary. The Applicable Plan Formulary may be modified or updated from time to time by PTI, or by City with ninety (90) days prior written notice to PTI. In the event that City elects to modify the PTI Formulary for a Designated Plan: (i) PTI may elect not to provide clinical and financial support services for Physicians and Claimants with respect to the modified Formulary, and (ii) City shall be responsible for providing PTI and the Plan Claimants with contact information for clinical support services if PTI elects not to provide such services. City agrees that its right to use the Formulary is limited to the use of the Formulary in connection with each Designated Plan. City further agrees that, except in connection with such limited use, it shall not copy, distribute, sell or otherwise provide the Formulary to any third party without PTI's prior written approval. Upon termination of this Agreement, City shall cease all use of the Formulary and shall destroy or return to PTI all copies in its or a third party's possession. Upon PTI's request, City shall provide proof to PTI that it has complied with the terms and conditions of this Section.

3.04 Formulary Savings/Rebate program. City agrees and acknowledges that neither City nor the Designated Plans may contract directly or indirectly with any person or entity for Formulary savings/rebates for claims processed by PTI under this Agreement, and that in addition to any other limitations specified in this Agreement or exhibits hereto, City and/or Designated Plan's right to Formulary savings/rebates is contingent upon compliance with this restriction. In the event City negotiates or arranges Formulary savings/rebate programs without the expressed written consent of PTI, PTI may immediately terminate City's participation in Formulary savings/rebates as described in Exhibit "3," and may exercise its rights following a material default under Section 5.02 of this Agreement. City further acknowledges that pharmaceutical manufacturers may discontinue payment of Formulary savings/rebate Programs at will; that laws governing prescription drug pricing (including Formulary

savings/rebates) may change; and that Formulary Savings/Rebates are affected by Physician prescribing and other factors.

3.05 Miscellaneous Plan services. City shall be responsible for providing any and all other Plan services required by the Designated Plan and Plan Sponsor which are not specifically delegated to PTI by this Agreement.

#### **ARTICLE IV PTI Compensation and Payment Terms**

4.01 Payments to PTI. City shall pay PTI administration fees based upon the Schedule of Fees attached hereto as Exhibit "3".

4.02 Timing of Pharmacy Billing Invoice Payments. PTI shall bill on a weekly basis and City shall accept the authorized claims for Covered Pharmacy Products and Services submitted by PTI and shall issue payment for such authorized claims to PTI in accordance with the City's Commercial Credit Card Program (P-Card) within seven (7) working days of receipt of a pharmacy claim invoice from PTI. Any processing fees or charges of any kind attributable to the use of the P-Card shall be paid by City, such that the payment of administration fees and pharmacy reimbursements shall result in net receipt to PTI of the amount invoiced by PTI. PTI's fees payable under Section 4.01 will be included in the pharmacy billing invoices as a separate line item or billed independently. If City disputes any item on an invoice, City shall pay the amount invoiced in full and shall notify PTI in writing of the disputed amount within thirty (30) working days of the date of invoice. Disputes are subject to California Workers' Compensation laws (including, but not limited to, Cal. Lab. Code § 3200 *et seq.* and 8 Cal. Code Reg. § 10300 *et seq.*). Any amount not disputed or contested within thirty (30) working days or not paid within sixty (60) working days, shall be increased fifteen percent (15%), and shall carry interest at the same rate as judgments in civil actions retroactive to the date of receipt of the bill. Any amount or claim which has been previously contested which is resolved in favor of the City shall be refunded within ten (10) Business Days of such resolution.

4.03 Form of payment. All payments to PTI by City shall be made by check or electronic funds transfer to such bank account or accounts as may from time to time be designated by PTI.

4.04 Collections of Fees. In the event that a Plan or City should fail to provide timely reimbursement or payment of claims or administrative fees under this Agreement, City acknowledges the right of PTI and the Network or mail order Pharmacies to suspend Plans or City for the failure to pay claims if such failure continues for seven (7) Business Days following prior written notice.

4.05 Network Fees. City acknowledges there may be arrangements with Network Pharmacies or with other providers or suppliers of Pharmacy Products and Services, including drug manufacturers or suppliers, under which PTI or its affiliates may receive payment from those providers or suppliers in return for services. City further acknowledges that PTI may be entitled to or may retain a portion of the amounts that are paid by such providers or suppliers as a fee for PTI's services in establishing, maintaining and operating the Network and for PTI's services provided under this Agreement. In no event shall PTI have any obligation to disclose such fees or fee schedules to City.

4.06 Network Access Fees. City acknowledges that PTI has instituted, or may institute, a network access fee or similar fee in addition to other payment obligations of City under this Agreement. Such network access fee shall be used to provide PTI capability, in its discretion, to pay disputed, contingent, unliquidated or other claims of Network Pharmacies or to make other payments as deemed necessary by PTI in its sole discretion. Such fee shall be accumulated by PTI and may be aggregated with other funds of PTI. To the extent that any funds related to collected network access fees are not paid by PTI to Network Pharmacies during the terms of this Agreement, PTI shall be entitled to retain any such funds upon termination of this Agreement. In no event shall network access fees exceed the net savings provided under this Agreement.

**ARTICLE V**  
**Term of Agreement**

5.01 Term and renewal. The term of this Agreement shall commence on the Effective Date first above written, and shall continue for an initial term of one (1) year, unless sooner terminated as provided in this Agreement. Thereafter, this Agreement will automatically renew each year for successive one (1) year terms, unless notice of termination is delivered by PTI or City at least sixty (60) days before the end of the then current term.

5.02 Termination for default. In the event of any failure of PTI or City to perform any of the material terms, conditions or covenants of this Agreement for more than thirty (30) days after written notice delivered to the party in default, then in such event, the non-defaulting party, in addition to other rights or remedies it may have, shall have the right to immediately terminate the term of this Agreement, provided, however, that the termination of the term of this Agreement shall not relieve the parties of their duties and obligations which have accrued up to the date of termination.

5.03 Termination upon insolvency. Either party may terminate the term of this Agreement upon the filing by or against the other party of a petition in bankruptcy under the Federal Bankruptcy Act if such filing is not dismissed within thirty (30) days, or if the other party affirmatively seeks relief under any other law or act regarding insolvency, reorganization, or arrangement or extension for the relief of debtors, including an assignment of assets for the benefit of creditors, or if there is an appointment of a receiver or trustee for transfer or sale of a material portion of the other party's assets.

5.04 Termination resulting from change in laws. In the event PTI's performance of its duties under this Agreement is made materially more burdensome or expensive, or its duties required under this Agreement are materially changed due to amendments, modifications or changes in federal, state or local laws, regulations or rules during the term of this Agreement, in such event, PTI shall deliver notice to City of such circumstances. If PTI and City cannot agree on adjustments to the fees to be paid to PTI within thirty (30) days following PTI's delivery of notice to City, then PTI may terminate this Agreement upon thirty (30) days notice to City.

5.05 Effect of termination. In the event of termination of this Agreement, such termination shall not relieve either party from the performance of its duties and obligations that accrued prior to the effective date of termination, including, without limitation, the responsibility of City for the reimbursement of claims and the payment of fees to PTI.

**ARTICLE VI**  
**Indemnification**

6.01 Indemnification. Subject to the limitations of Section 7.07, City and PTI each agree to indemnify and hold harmless the other party and their respective officers, directors, employees, and agents, from and against any and all claims, liabilities, damages, or expenses, including reasonable attorney fees, to the extent permitted by law, arising from any of its or its employees or agents negligent or intentional wrongful acts or omissions to act.

**ARTICLE VII**  
**Miscellaneous**

7.01 No joint venture. This Agreement shall not be deemed to create a partnership, association, joint venture or other similar arrangement between PTI and City; the intent of this Agreement being that both PTI and City shall be and shall remain independent contractors for purposes of the performance of their respective obligations under this Agreement.

7.02 Notices. Any notice, designation, consent or approval required or permitted hereunder shall be made in writing and delivered personally or mailed by reputable overnight carrier or by certified mail, return receipt requested, addressed to the parties as hereinafter specified. Any notice forwarded by overnight courier shall be

deemed to have been received, delivered or given to the other party the next Business Day following deposit with such overnight courier, or if forwarded by certified mail in accordance with the terms of this Section, shall be deemed to have been received, delivered, or given to the other party three (3) Business Days following the date of mailing. Addresses, for purposes of this Agreement, unless otherwise designated in a subsequent written notice, are as follows:

PTI: Pharmaceutical Technologies, Inc.  
Attn.: Chief Financial Officer  
Post Office Box 407  
Boys Town, NE 68010

COMPANY: City of Long Beach  
Attn: Office of the Long Beach City Attorney  
333 W. Ocean Blvd., 8<sup>th</sup> Floor  
Long Beach, CA 90802

7.03 Proprietary Rights. City acknowledges that PTI is the owner of the exclusive rights to the names “Pharmaceutical Technologies, Inc.,” “National Pharmaceutical Services” and/or any other name or names used or developed by PTI in conjunction with the NPS System, together with any distinctive trademark and/or any service mark that may hereafter be adopted, and to any trade secrets and other information of any kind with respect to the NPS System including, but not limited to, operating procedures, manuals, forms, Plan data sheets, computer software (herein the “NPS System names, marks, and information”). City agrees that the NPS System names, marks and information, are proprietary to PTI and shall not be used by City or its owners or employees, or otherwise disclosed in any way to third parties, without the prior written consent of PTI first having been obtained. Any new product developments, forms or improvements of the NPS System during the term of this Agreement shall be the property of PTI and shall be deemed part of the NPS System, names, marks and information. Upon termination of this Agreement, City will immediately return to PTI: all copies of manuals, forms, Plan data sheets, Plan Payment Schedules, Plan Formularies and other documentation which is the property of PTI. This provision shall survive the termination of the term of this Agreement.

7.04 Force Majeure. The duties and obligation of each party to this Agreement are limited in the event of circumstances beyond their control, such as a major disaster, epidemic, war, complete or partial destruction of facilities, disability of a significant number of personnel, significant labor dispute and acts of God. In such an event, the parties hereto agree to use their best efforts under the circumstances to fulfill their duties and obligations under this Agreement by whatever reasonable means are available.

7.05 Confidentiality. Except as otherwise specifically provided in this Agreement, parties to this Agreement each covenant that they shall keep the information and data generated during the course of this Agreement, and the terms and conditions of this Agreement, strictly confidential and shall not distribute copies of this Agreement or disclose the terms and conditions of this Agreement to any person or entity. As an exception to the foregoing, and to the extent not prohibited by applicable federal and state laws, rules or regulations, including without limitation the regulations regarding the privacy of individually identifiable health information adopted under the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), PTI shall be entitled to use or disclose (1) all aggregate data and other de-identified protected health information generated during the term of this Agreement for purposes of Drug Utilization Review, Formulary development, or to otherwise develop and enhance its services hereunder, and as may be necessary or appropriate to secure rebates or reimbursements from drug manufacturers, and (2) all PHI received from City for the purposes described in, and pursuant to the terms of, any authorization or consent, if necessary, that City may obtain from a Claimant under section 7.06 of this Agreement. As a further limited exception to the foregoing, either party may distribute copies of this Agreement or disclose the terms and conditions of this Agreement under the conditions as follows:

- a. This Agreement and the terms and conditions of this Agreement may be disclosed to the parties' legal and tax advisors;



- b. This Agreement and the terms and conditions of this Agreement may be disclosed as may be necessary or appropriate to enforce the terms of this Agreement or as may be directed by binding court order or subpoena; and
- c. This Agreement and the terms and conditions of this Agreement may be disclosed as may be required to prevent the parties from violating any applicable laws including but not limited to the California Public Records Act, but only to the minimum extent necessary under such law, and only following consultation between both parties to redact or oppose disclosure to the extent permitted by law.

The confidentiality and nondisclosure obligations of the parties shall survive the termination of this Agreement.

7.06 HIPAA Compliance. PTI and City acknowledge that PHI will be disclosed to PTI pursuant to this Agreement. It is contemplated that PTI will be able to use and disclose a Claimant's PHI in order to: (1) obtain premiums, determine or fulfill a Plan Sponsor's responsibility for coverage and provision of workers' compensation benefits under a Plan, or adjudicate claims; (2) provide reimbursement for the provision of Workers' Compensation Pharmacy Products and Services to the Claimant; (3) conduct utilization review activities; (4) conduct quality assessment and improvement activities, including outcomes management; (5) review and evaluate a Plan Sponsor's qualifications and performance; (6) contact health care providers with information about treatment alternatives; (7) engage in cost-management analyses, including Formulary development and administration; (8) provide PHI to Claimants on behalf of Plan Sponsor; (9) provide PHI to Claimant physicians and pharmacists for payment, treatment and healthcare operations purposes; (10) perform data aggregation services on behalf of Plan Sponsor as permitted by 45 CFR § 164.504(e)(2)(i)(B); (11) perform administrative, management, or legal activities as set forth in this Agreement; (12) comply with any legal obligations, federal and state laws, and/or health and human service requirements; (13) conduct or perform research and satisfy research objectives and goals; and (14) remove identifiers from PHI and use or disclose such de-identified information as permitted by law and this Agreement.

- a. Definitions. Capitalized terms not otherwise defined shall have the meaning ascribed to them in this Agreement or in the Privacy Rule:
  - i. "Business Associate" shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR § 160.103.
  - ii. "Covered Entity" shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR § 160.103.
  - iii. "Data Aggregation" shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR § 164.501.
  - iv. "Designated Record Set" shall have the meaning given to such term under the Privacy Rule, including, but not limited to 45 CFR § 164.501.
  - v. "Health Care Operations" shall have the meaning given to such term under the Privacy Rule, including, but not limited to 45 CFR § 164.501.
  - vi. "Privacy Rule" shall mean the HIPAA Regulation that is codified at 45 CFR Parts 160 and 164.
  - vii. "Protected Health Information" or "PHI" means any information, whether oral or recorded in any form or medium: (1) that relates to the past, present or future physical or mental 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; and (2) that identifies the individual or with respect to which there is reasonable basis to believe the information can be used to identify the

individual, and shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR § 164.501.

- b. As a business associate of City, and if and to the extent applicable under HIPAA, PTI and City agree as follows:
- i. PTI shall not use or disclose PHI received from City other than as permitted or required by this Agreement or law; PTI will disclose only the minimum necessary in accordance with the Privacy Rule.
  - ii. PTI agrees to use reasonable safeguards to prevent use or disclosure of PHI other than as provided for by this Agreement.
  - iii. PTI agrees to mitigate, to the extent practicable, any harmful effect that is known to PTI of a use or disclosure of PHI by PTI in violation of the requirements of this Agreement.
  - iv. If PTI delegates any of its functions, activities, or services under this Agreement to an agent, including a subcontractor, and such delegation involves a disclosure of PHI received from, or created or received by PTI on behalf of, City, then PTI shall take appropriate measures to ensure that the agent agrees to the same restrictions and conditions to which PTI is subject under this Agreement with respect to such information.
  - v. PTI shall make PHI that it maintains available (for a reasonable cost-based fee) to the Claimants to whom it relates, subject to the restrictions and requirements of 45 CFR § 164.524. PTI shall also make such information available to such Claimants for purposes of amendment, and shall incorporate any amendments, subject to the restrictions and requirements of 45 CFR § 164.526. PTI shall also furnish, to a Claimant who makes a request, an accounting of PTI's uses and disclosures of that Claimant's PHI from and after the effective date of this Agreement, during the six-year period prior to the date on which the Claimant requests the accounting, subject to the restrictions and requirements of 45 CFR § 164.528. Each Claimant shall be entitled to one report of PTI's accounting per year commencing on the effective date of this Agreement and the anniversary of such date thereafter at no cost; any additional requests for a report of accountings during such year shall be subject to a reasonable cost-based fee.
  - vi. PTI agrees to make its internal practices, books, and records that relate to the use and disclosure of PHI received from, or created or received by PTI on behalf of, City available to the Department of Health and Human Services within ten (10) business days after written notice for purposes of determining City's compliance with the Privacy Rule.
  - vii. Because PTI must maintain PHI received from City for audit purposes, it is infeasible for PTI to either destroy such information or return it to City upon the termination of this Agreement. Therefore, PTI shall extend the terms of this Agreement to such information and limit further uses and disclosures to those related to the conducting of audits of such information until such information has been destroyed.
  - viii. PTI agrees to notify City if PTI has knowledge that PHI has been used or disclosed by PTI in a manner that violates applicable law within ten (10) business days of becoming aware of such use or disclosure.

- ix. PTI shall provide access (for a reasonable cost-based fee), upon written request of City, to PHI in a Designated Record Set, to City or, as directed by City, to a Claimant in order to meet the requirements under 45 CFR § 164.524. PTI and City agree that the information contemplated to be provided to City under this section shall only be such information contained in the explanation of benefits report provided by PTI.
  - x. To the extent required by Network Pharmacy, PTI shall make any amendment(s) to PHI in a Designated Record Set that City directs or agrees to pursuant to 45 CFR § 164.526, at the request of City or an Individual, and in the time and manner designated by City. If a Claimant requests an amendment of PHI directly from PTI, PTI will notify City in writing within ten (10) business days of receiving such request.
  - xi. City shall: (1) provide PTI with the notice of privacy practices that City provides to its customers in accordance with 45 CFR § 164.520, as well as any changes to such notice; (2) provide PTI with any changes in, or revocation of, permission by an Individual or the Individual's Personal Representative, to use or disclose PHI, if such changes affect PTI's permitted or required uses and disclosures; (3) notify PTI of any restriction to the use or disclosure of PHI that City has agreed to as well as requests for confidential communication by alternative means and at alternative locations all in accordance with 45 CFR § 164.522; (4) not request PTI to use or disclose PHI in any manner that exceeds that which is minimally necessary or that would not be permissible under the Privacy Regulations if done by City; (5) provide PTI with any amendments to PHI that City has agreed to pursuant to 45 CFR § 164.526; and (6) not to de-identify any PHI created by or received from or on behalf of PTI, unless such de-identification is expressly authorized by PTI in writing prior to such de-identification..
- c. PTI and City agree to protect the integrity and confidentiality of any PHI electronically exchanged between them and other appropriate business associates, if any.
  - d. PTI and City agree that in the event of any changes, modifications or amendments to HIPAA or the Privacy Rules, they will cooperate in executing any amendments to this Agreement that are necessary for the parties to maintain compliance with HIPAA and the Privacy Rules. If the parties fail to agree on reasonable amendments to the provision in this Section 7.06, either party may terminate this Agreement upon sixty (60) days written notice to the other.

**7.07 LIMITATION OF WARRANTIES AND DAMAGES. EXCEPT FOR WARRANTIES AS SPECIFICALLY PROVIDED IN THIS AGREEMENT, PTI MAKES NO WARRANTY, EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AS TO THE SERVICES AND PRODUCTS TO BE PROVIDED BY PTI TO CITY PURSUANT TO THIS AGREEMENT. IN NO EVENT SHALL EITHER PTI OR CITY BE LIABLE TO THE OTHER PARTY UNDER THIS AGREEMENT, BY REASON OF ANY HIPAA VIOLATION, TORT, BREACH OF CONTRACT OR WARRANTY, INDEMNIFICATION OR OTHER LEGAL LIABILITY THEORY, FOR PROSPECTIVE, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, PUNITIVE, INDIRECT OR SPECIAL DAMAGES, ECONOMIC LOSS, LOSS OF PROFITS OR SIMILAR DAMAGES SUFFERED BY THE NONDEFAULTING PARTY ARISING OUT OF A BREACH OR DEFAULT IN THE PERFORMANCE OF THE PARTIES' RESPECTIVE OBLIGATIONS UNDER THIS AGREEMENT.**

7.08 Assignment. This Agreement is personal to the parties and may not be assigned by either party except by written agreement signed by the parties. Any attempt to assign, transfer, pledge, or hypothecate, or make any other disposition of this Agreement, or any of the rights, obligations, or benefits contrary to the foregoing shall be null and void and without effect. Subject to the restrictions against unauthorized assignment or transfer set forth herein, the provisions of this Agreement shall inure to the benefit of and be binding upon each of the parties and their respective successors and assigns. Notwithstanding the foregoing, PTI shall have the right to assign this Agreement to any parent or subsidiary corporation of PTI, or to any entity which, by way of merger, acquisition, or other similar transaction, succeeds to the rights of PTI.

7.09 Amendment. This Agreement contains the entire agreement between the parties, and may only be amended or modified by written instrument signed by the parties. The partial invalidity of any provision of this Agreement shall not invalidate or affect the validity of the remaining provisions of this Agreement. If any provision of this Agreement is deemed invalid or unenforceable, this Agreement shall remain in full force and effect as if such invalid or unenforceable provision were omitted.

7.10 Waiver. No failure by either party to require the performance by the other party of any of the terms of this Agreement shall in any way affect such party's rights to enforce such terms, nor shall any waiver on any one occasion be deemed a waiver of any other term hereof, or subsequent breach thereof. No right under this Agreement may be waived and no modification or amendment to this Agreement may be made except by written agreement executed by the parties.

7.11 Applicable law. This Agreement shall be construed, interpreted, and governed by the laws of the State of California.

7.12 No third party beneficiary. Nothing expressed or implied in this Agreement is intended to confer, upon any person other than City, PTI, and their respective successors and assigns, any rights, remedies, obligations or liabilities whatsoever.

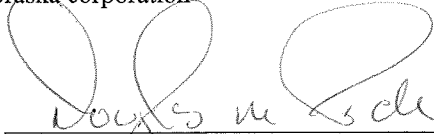
7.13 AWP Price Adjustment. PTI and City acknowledge the use of AWP as a primary pricing source in determining pricing for Covered Pharmacy Products and Services. As a result of legal and regulatory actions, the sources of AWP information, such as MediSpan and First DataBank, Inc., may significantly revise the manner in which AWP information is computed and reported. In the event that there is a material revision in the manner in which AWP is computed and reported (material meaning upward or downward AWP pricing computation and reporting in excess of two percent (2%)), PTI may provide written notice to City of PTI's intent to revise or amend the pricing for Covered Pharmacy Products and Services under this Agreement (the "Price Amendment Notice"). The Price Amendment Notice shall set forth all provisions of the Agreement to be amended or modified, including the pricing of Covered Pharmacy Products and Services set forth on Exhibit "2" of this Agreement. If AWP methodology is replaced, the Price Amendment Notice shall also identify and define any published pricing information to be used in the calculation of the pricing of Covered Pharmacy Products and Services. Within fourteen (14) days of City's receipt of the Price Amendment Notice, City may provide written notice to PTI that City rejects and opposes the amendment to the Agreement identified in the Price Amendment Notice (the "Rejection Notice"). If no timely Rejection Notice is received by PTI, the provisions of the Price Amendment Notice shall become an amendment to the Agreement and shall be binding upon the parties hereto. In the event that a Rejection Notice is timely provided to PTI, PTI may, by written notice to City, terminate the Agreement upon not less than sixty (60) days written notice.

7.14 Exhibits. The following exhibits are made a part of and incorporated in this Agreement as if fully set forth herein:

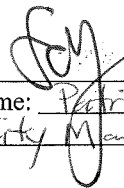
Exhibit "1"	Designated Plans
Exhibit "2"	Network Pharmacy Reimbursement Schedule
Exhibit "3"	Schedule of Fees
Exhibit "4"	Drug Utilization Review

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the date and year first above written.


**PHARMACEUTICAL TECHNOLOGIES, INC.**, a  
Nebraska corporation

By:   
Printed Name: Douglas M. Pick  
Title: President & CEO

**CITY OF LONG BEACH**, a California municipality

By:  **Assistant City Manager**  
Printed Name: Patrick H. West EXECUTED PURSUANT  
Title: City Manager TO SECTION 301 OF  
THE CITY CHARTER.

00522585-2

APPROVED AS TO FORM  
December 27, 2012  
ROBERT E. SHANNON, City Attorney  
By   
DEPUTY CITY ATTORNEY

**EXHIBIT "1"**  
**DESIGNATED PLANS**

Plan Name: City of Long Beach

Plan Sponsor: City of Long Beach

Plan Administrator: City of Long Beach

**EXHIBIT "2"**  
**NETWORK PHARMACY REIMBURSEMENT SCHEDULE**

The pricing formula to the Network Pharmacy is as follows:

- A. Community Pharmacy Based Stores are priced follows:
  - 1. Brand equals AWP – 9.53% + \$3.50 filling fee.
  - 2. Brand with Generic equals AWP – 11.53% + \$2.50 filling fee.
  - 3. Generic equals MAC + \$5.00 filling fee.
  
- B. National Pharmacy Stores are priced as follows:
  - 1. Brand equals AWP – 9.53% + \$3.50 filling fee.
  - 2. Brand with Generic equals AWP – 11.53% + \$2.50 filling fee.
  - 3. Generic equals MAC + \$5.00 filling fee.
  
- C. Mail Order fills are priced as follows\*:
  - 1. Brand equals AWP – 12.82%+ \$3.00 filling fee per month.
  - 2. Brand with Generic equals AWP – 12.82%+ \$3.00 filling fee per month.
  - 2. Generic equals MAC + \$3.00 filling fee per month.

U & C included – Client shall receive Provider U & C should it surpass the NPS allowable as designed above.

\*Mail Order Pharmacy network rates are listed as above with the exception of the following products:

Avonex, Betaseron, Enbrel, Copaxone, Rebif, Procrit, Peg-Intron, Roferon-A, Intron-A, Aranesp, Fragmin, Lovenox, Innohep, Epopen, Neupogen which shall be billed on a cost plus basis.

**EXHIBIT "3"**  
**SCHEDULE OF FEES**

**A. BASE ADMINISTRATION FEES**

\$7.50 per paid claim processed electronically and \$10.00 per paper claim submitted.

**B. CUSTOM FORMULARY MANAGEMENT**

For Plans that elect not to utilize the PTI Formulary, applicable programming time for the development of a customized Formulary shall apply at a rate of \$125 per hour. It is then the Plan's responsibility to provide timely updates to PTI for Formulary updates. Applicable billing time may also apply to Formulary updates whether received electronically or via paper. Plans that do not utilize the PTI Formulary are not eligible for the PTI Formulary Savings Program.

**C. ADDITIONAL/REPLACEMENT MEMBER IDENTIFICATION CARDS (SETS OF TWO)**

\$1.00 per standard hard plastic card set (PTI Standard Card Stock)

**D. PRIOR AUTHORIZATIONS**

Client directed Prior Authorizations are included in base administration fees.

**E. FORMULARY SAVINGS/REBATES PROGRAM**

City or the Designated Plan, as directed by City, shall be entitled to fifty percent (50%) of the net Formulary savings and rebate funds received for Designated Plans utilizing the PTI Formulary, with the balance payable to PTI and/or network pharmacies. City acknowledges that the ability of PTI to secure Formulary savings or rebates from pharmaceutical manufacturers may be modified or eliminated from time to time for reasons, including, but not limited to, the following: (i) failure to utilize the PTI Formulary; (ii) changes in applicable laws; (iii) modification of PTI agreements with pharmaceutical manufacturers; (iv) discontinuance of programs by drug manufacturers; and (v) the election of City or a Designated Plan not to utilize programs offered by PTI.

PTI shall be entitled to retain 100%.

**F. REPORTING**

**Standard Reporting**

A standard package of reports that PTI produces and makes available includes the reports described below, which are cumulatively known as the "Snapshot." The Snapshot will be made available to City in an electronic format. The Snapshot report includes the following:

Report Name	Frequency Produced	Brief Description
1. Program Savings and Utilization Summary	Semi-Annually	This report outlines the total plan savings and net effective discount for the plan as well as average utilization numbers and costs.
2. Census Tract and Age Band Utilization Reporting	Semi-Annually	Outlines group census information for employee coverage and delineates to family and single coverage employees with projected monthly and yearly funding levels. Additionally age band and sex utilization with average PMPMs is presented.
3. Maintenance therapy and Mail-Order Utilization Summary Statistics	Semi-Annually	Summarized Maintenance versus non-maintenance therapy utilization in the plan's population as well as present summary statistics for mail-order services.
4. Brand and Generic Utilization	Semi-Annually	Delineates prescription utilization (volume and dollars) based on brand with generic available, brand, and generic utilization. Also presents average plan, cost, and total cost for each classification.
5. Preferred Drug List Utilization	Semi-Annually	Delineates prescription utilization (volume and dollars) based on tier status. Also presents average plan, cost, and total cost for each classification.
6. Top Ten Therapeutic Drug Classes	Semi-Annually	Presents total dollars and PMPM contributions of the Top ten therapeutic classifications of medications utilized within the plan.
7. Top Twenty Prescription Drugs Dispensed	Semi-Annually	Displays the top twenty prescriptions dispensed by volume as well as average costs and percentages of utilization.
8. Pharmacy Provider	Semi-Annually	Depicts the top twenty pharmacy providers and compares number of



Utilization Summary		prescriptions filled, number of Claimants utilizing, as well as generic utilization, generic substitution, and formulary compliance rates.
9. Physician Utilization Summary	Semi-Annually	Portrays the top twenty prescribing physicians for the plan and compares number of prescriptions filled, number of Claimants utilizing, as well as generic utilization, generic substitution, and formulary compliance rates.
10. Cumulative Prescription Utilization Statistics	Annually	Breaks out monthly dollars and script count on a cumulative basis since plan initiation.
11. Cumulative Prescription Statistics By Month	Annually	Characterizes monthly summary of prescriptions, patient copays, plan cost, and total plan costs on a cumulative basis since plan inception.

**Other Reporting**

Customized Programming Per Hour	\$ 100
Run-Time Fee per non-standard report run	\$ 25

**G. APPEALS/GRIEVANCES**

PTI has an internal review process to give Claimants the added option of requesting an objective and timely external review of certain coverage denials. Any Claimant dissatisfied with the result of the Plan's internal appeal hearing process regarding a utilization management determination may file an appeal with PTI. If a Plan elects coverage for an external/third party review organization, once the PTI internal coverage decision review process is exhausted, Claimants may then appeal the decision to an external review organization if the coverage denial involves more than \$500 per claim and is based on lack of medical necessity or on the experimental or investigational nature of the proposed medication. A Claimant may not appeal non-medical denials of coverage. Non-medical denials include, but are not limited to, those made because there were no Physician orders or certification of medical necessity for the medication. In these situations, services are denied for reasons other than medical necessity. City may elect to add external review options for their Plans for a one-time set-up fee of \$500 per Plan. The external review organization retained by PTI may refer the case to be reviewed by a neutral, independent Physician with appropriate expertise in the area in question. After all necessary information is submitted, external reviews generally are decided within 30 days of the request. Expedited reviews are available when a Claimant's Physician certifies that a delay in service would jeopardize the Claimant's health. Once the review is complete, the City will be presented the review for final review of determination. City is responsible for costs associated with the hourly charges for the independent/external review.

- City elects for each Designated Plan to offer external review as an option for cases as described above.
- City waives for each Designated Plan the right to offer external review as an option for Claimants. Grievance and Appeals will be directed to the Plan's Sponsor's contact for further instruction.

**H. HIGH UTILIZATION PATTERN ALERT PROGRAM**

The High Utilization Pattern Alert Program provides a reporting alert module that can identify therapeutic or utilization concerns through claims analysis. City shall receive notification of the alert that triggered the concern as well as the patient drug profile to assist in case identification. PTI's High Utilization Pattern Alert Program is intended to:

1. Screen prescription drug records for obvious therapy and potential abuse problems.
2. Identify Claimants who may be potentially misusing a prescription medication or class of medications.
3. Identify patterns of usage that may warrant further medical case review.

A ten point red flag alert system is utilized to identify claimants that may represent the potential for concern. Claimants will be reviewed based upon the following ten point high utilization pattern alert identification criteria.

- a. Claimants who received medications from three (3) or more prescribers in a one month timeframe.
- b. Claimants who filled five (5) or more controlled substance in a one month timeframe.
- c. Claimants who received medications from three (3) or more pharmacies in a one month timeframe.
- d. Claimants who filled prescriptions for two (2) or more opioid prescriptions for the same ingredient that overlapped by at least seven days.

- e. Claimants who filled controlled substance prescriptions when 25% or more of a prescription should have been available. (refill too soon attempts)
- f. Claimants who received high doses of controlled substances (high dosage alerts).
- g. Claimants who filled three or more NSAID/COX-2 prescriptions of any ingredient in a one month timeframe.
- h. Claimants who filled two or more muscle relaxants within any sixty-day period.
- i. Claimants who filled prescriptions for controlled substances that had drug-drug interactions of at least moderate severity.
- j. Claimants who filled prescriptions for controlled substances that were therapeutically duplicated by other controlled substances for a timeframe of two months or more.

City may then choose to utilize the High Utilization Pattern Alert Program as a referral for a more detailed clinical review of the claimant's case on a claimant specific case review. Alerts are generated on a weekly basis to the carrier.

If City elects for PTI to provide the High Utilization Pattern Alert Program for the Plans, there will be an additional charge of \$1.75 per claim.

**I. CLINICAL PHARMACY PATIENT MEDICATION REVIEW PROGRAM**

City may refer specific cases to PTI for PTI's Clinical Pharmacy Patient Medication Review Program. The Clinical Pharmacy Patient Medication Review Program is a comprehensive case review will include a report on our clinical pharmacists' professional assessment of the claimant's entire medication history. This comprehensive review provides a formal, written report which focuses on drug therapy problems, possible interventions, and resolutions for providing the most appropriate and cost-effective drug therapy to the injured worker. Reports provided for cases referred to PTI's Clinical Pharmacy Patient Medication Review Program will include recommendations supported by practice guidelines, therapy assessments, copies of suggested mailings to physicians and/or Claimants, and a summary of savings analysis based upon the clinical therapy recommendations. City shall be invoiced for each Clinical Pharmacy Patient Medication Review Program referral at a cost of \$ \_\_\_\_\_ per Claimant.

**J. OTHER**

Network access fees may apply for maintaining the Network, maintaining the Maximum Allowable Cost (MAC) program, and database management/storage. In the event the City requests that PTI provide non-standard or customized services, including special research projects, reports, system changes to accommodate changes in a Plan or other tasks to be specifically performed for and on behalf of the City, PTI may require the City to pay PTI additional charges as mutually agreed upon by the parties in writing before such services are provided.

## EXHIBIT "4"

### DRUG UTILIZATION REVIEW

#### A. DESCRIPTION OF SERVICES

PTI shall provide the following concurrent Drug Utilization Review services. The following provides a list of the standard on-line edits performed concurrently with the PTI's claims processing system at the point of sale. All utilization edits are performed with the integrated network of retail and/or mail service pharmacy providers.

- **Refill too Soon** – This checks for improper refilling of a prescription. The alert occurs when a pharmacy tries to refill a prescription before a predetermined (by the Plan) percentage of the days supply has been used. This check identifies early refills for Claimants who are utilizing multiple Network Pharmacies. The alert identifies refills too soon regardless of whether the brand or generic of a medication is submitted as a claim.
- **Exact Duplicate Claim** – The system prohibits reimbursement for the exact drug name, RX Number, strength and/or date of service.
- **Duplicate Drug or Duplicate Class Therapy** – This duplicate edit checks for two or more medications from the same therapeutic category. If a previous prescription in the same class was dispensed in a given time period, an alert would be triggered to the pharmacy. This edit checks for Claimants that are receiving the same drug in different strengths or formulations and also checks for products with duplicate ingredients.
- **Drug Gender Edit** – The pharmacist is notified when a prescription claim is inappropriate or contraindicated for the Claimant's gender.
- **Geriatric and Pediatric Minimum/Maximum Dosing** – Informational edits alert the pharmacist when a prescribed dose is over or under the recommended dosage for individuals over age 65 or under age 12. This is based upon internal calculations of quantity, strength, days supply, and age. The edit then checks for doses that are too high or low based upon pediatric, adult, or geriatric levels.
- **Drug/Drug Interaction** – An alert occurs when a prescription is filled that may interact with a previously filled drug in a specific time period. Levels of severity are assigned to interactions and only those interactions that are identified as being severe are reported back to the Network Pharmacy.
- **Drug-to-Disease or Implied Disease Contraindication** – Checks are performed based on Claimant submitted disease states and allergy patterns, or a disease state can also be inferred from medications that the patient is taking (i.e. insulin would infer Diabetes as a disease state). This is an important DUR edit, especially if the Plan does not have medical ICD-9 or diagnosis codes available. If the diagnosis is available, PTI can incorporate the ICD-9 code into the on-line DUR program.
- **Over/Under Utilization of Therapy** – This is a duration of therapy check that is based on the days supply entered for the prescription. Checks are performed to indicate over and under utilizations of therapy based on days supply and refill patterns.
- **Drug Allergy** – Checks are performed based on Claimant submitted disease states and allergy patterns. This can be especially useful if a Claimant visits multiple pharmacies and does not always report their allergies to the Network Pharmacy.
- **Dollar Limits Per Claim** – This edit would require a telephone call to the help desk to override if desired by the Plan. A Plan can specifically determine dollar limits of claims that could be dispensed without prior authorization by the Plan.
- **Dollar Limits per compound claim** – This edit would automatically audit compounded claims that exceed a certain dollar value as set by the Plan. This value is scaleable and designed to help gain greater control on compounded claims that are difficult to audit due to the compounded nature of the claim.
- **Quantity Limits Per Claim** – This edit would require a telephone call to the help desk. Plans can specifically determine quantity limits for particular claims, or they can use the Global PTI Dispensing Limitations List. An override to a quantity limit would require Prior Authorization.
- **Days Supply Limits Per Claim** – This edit would be determined by Plan design and is usually not override able unless the Plan chooses to accept a vacation supply as an override denial code that is accepted.

**B. LIMITATIONS OF DRUG UTILIZATION REVIEW SERVICES**

The information generated in connection with the PTI DUR services is intended as an information guide to, and not a substitute for, the knowledge, expertise, skill, and judgment of Physicians, pharmacists, and other healthcare professionals. PTI on behalf of the Plan Sponsor, shall message Network Pharmacies when DUR is noted, however the PTI DUR system should not be relied upon as a substitute for their professional judgment. The Plan Sponsor acknowledges and agrees that the PTI DUR system will provide informational messaging and warning to Network Pharmacies, but the PTI DUR system can not prevent Network Pharmacy provider from dispensing Covered Products and Services to Claimants that may be inconsistent with the information they receive through the PTI DUR system. The Plan Sponsor acknowledges that Network Pharmacies are individually responsible for acting or not acting upon information generated and transmitted through the PTI DUR system, and for performing services in each jurisdiction consistent with the scope of their licenses.

**PTI SHALL ENDEAVOR TO UPDATE THE PTI DUR DATABASE ON A REASONABLE BASIS TO REFLECT CHANGES IN STANDARDS OF PRESCRIBING PRACTICES; HOWEVER, COMPANY ACKNOWLEDGES THAT NO SYSTEM WILL CONTAIN ALL CURRENTLY AVAILABLE INFORMATION ON ACCEPTED MEDICAL PRACTICES OR PRESCRIBING PRACTICES, AND PTI DISCLAIMS ANY AND ALL WARRANTIES TO THE CONTRARY, EXPRESS OR IMPLIED. COMPANY FURTHER ACKNOWLEDGES AND AGREES THAT PTI SHALL NOT BE LIABLE FOR ANY INJURIES, COSTS, LIABILITIES, DAMAGES, EXPENSES, CLAIMS, SUITS, OR PROCEEDINGS OF ANY TYPE ARISING IN CONNECTION WITH (I) MEDICAL OR SCIENTIFIC JUDGMENTS MADE IN CREATING THE PTI DUR DATABASE OR ANY OTHER DATABASES AND REPORTS UPON WHICH THE PTI DUR SERVICES ARE BASED OR (II) ANY FAILURE TO INCLUDE INFORMATION IN THE PTI DUR DATABASE.**