

2019 AMENDMENT TO EXPRESS SCRIPTS, INC
EMPLOYER GROUP PHARMACY BENEFIT MANAGEMENT AGREEMENT

This AMENDMENT to the PHARMACY BENEFIT MANAGEMENT AGREEMENT (the "Amendment") is entered into as of January 1, 2019 ("Effective Date"), by and between EXPRESS SCRIPTS, INC, a Delaware corporation ("ESI"), and City of Ann Arbor ("Employer Group")

RECITALS

A ESI and Employer Group are parties to an Employer Group Agreement dated July 1, 2011, (the "Agreement"), pursuant to which ESI agrees to provide prescription drug benefit management services to Employer Group

B Employer Group and ESI desire to amend the Agreement in accordance with the terms and conditions set forth herein

NOW, THEREFORE, in consideration of the premises and other conditions contained herein, the parties hereto hereby agree as follows

TERMS OF AMENDMENT

- 1 Definitions For purposes of this Amendment, any capitalized term not otherwise defined herein shall have the meaning set forth in the Agreement
- 2 Exhibit A-1 of the Agreement is hereby deleted in its entirety and replaced with Exhibit A-1 attached hereto
- 3 Exhibit A-3 of the Agreement is hereby deleted in its entirety and replaced with Exhibit A-3 attached hereto
- 4 Effective Date This Amendment shall be effective as of January 1, 2019
- 5 Effect of Amendment Except as expressly provided herein, the terms and conditions of the Agreement shall remain in full force and effect. In the event of a conflict between this Amendment and the Agreement, the terms of this Amendment shall prevail

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the day and year set forth above

EXPRESS SCRIPTS, INC

City of Ann Arbor

By David L. Brodsky

By _____

Printed Name David L. Brodsky
Vice President, Key Accounts Division

Printed Name _____

Title _____

Title _____

Date 2/14/2019

Date _____

FOR THE CITY OF ANN ARBOR

By _____

Christopher Taylor, Mayor

By _____

Jacqueline Beaudry, City Clerk

Approved as to substance:

By _____

Robyn Wilkerson, HR and Labor Relations Director

Approved as to form and content

By _____

Steven K. Postema, City Attorney

Exhibit A-1
Pharmacy Reimbursement Rates

(initial)

A. Option 1 – Traditional Pricing

I. Participating Pharmacy Reimbursement Rates (Excludes Specialty Products)

ESI National Plus Network ⁽¹⁾	2-Tier/3-Tier Plan Design		
	1-83 days' supply	Retail 90 Maintenance Network ⁽²⁾ 84 or greater days' supply	In-House Pharmacy ⁽³⁾
Ingredient Cost - Brand⁽⁴⁾	The lower of U&C or, AWP -18.50%	The lower of U&C or, AWP -22.75%	Pass Through
Generic Ingredient Cost⁽⁴⁾	The lower of MRA, U&C or AWP – 25.00%	The lower of MRA, U&C or AWP – 40.00%	Pass Through
Ingredient Cost - Compound Drugs	Lesser of U&C or combined AWP plus applicable service fee	Lesser of U&C or combined AWP plus applicable service fee	Pass Through
Dispensing Fee/Rx	\$0.60	\$0.60	Pass Through
Administrative Fee/Rx	\$0.00	\$0.00	\$1.00

⁽¹⁾ Pricing under the ESI National Network is available with an additional 0.5% AWP discount on Brand Drugs. Pricing under the Express Advantage Exclusive Network is available with an additional 1% AWP discount on Brand Drugs, 0.5% AWP discount on Generic Drugs and a \$0.15 discount on the dispensing fee. Pricing under the Express Advantage Select Network is available with an additional 1% AWP discount on Brand Drugs and a \$0.15 discount on the dispensing fee.

⁽²⁾ Certain Participating Pharmacies have agreed to participate in the extended 84 or greater day supply network ("Maintenance Network") for maintenance drugs. Pricing in the 84 or greater Days' Supply column in the table set forth above is applicable only if Employer Group implements the Retail 90 Maintenance Network. With this Retail 90 Maintenance Network, Members who fill extended days' supply prescriptions at a Participating Pharmacy other than a Maintenance Network Participating Pharmacy do not receive benefit coverage under the Plan for such prescription.

⁽³⁾ This pricing is available for hospitals and health care centers with in-house pharmacies and is applicable only to claims processed through such in-house pharmacies.

⁽⁴⁾ Notwithstanding the preceding, ESI will guarantee a minimum average discount for Brand Drugs and Generic Drugs, as set forth in the table in Section III below.

II. Mail Service Pharmacy Pricing (Excludes Specialty Products)

	Standard Home Delivery	Home Delivery: EHD, PHD or SHD ⁽²⁾
	Any Day Supply	Any Day Supply
Brand Ingredient Cost⁽¹⁾	AWP -26.00%	AWP -26.50%
Generic Ingredient Cost⁽¹⁾	AWP -40.00% or, if lower, MRA	AWP -40.00% or, if lower, MRA
Compound Drug Ingredient Cost	Combined AWP plus applicable service fee	Combined AWP plus applicable service fee
Dispensing Fee / Rx	\$0.00	\$0.00
Minimum Rate / Rx	\$0.00	\$0.00
Administrative Fee	\$0.00	\$0.00

⁽¹⁾ Notwithstanding the preceding, ESI will guarantee a minimum average discount for Brand Drugs and Generic Drugs, as set forth in the table in Section III below.

⁽²⁾ Exclusive Home Delivery (EHD), Preferred Home Delivery (PHD) and Select Home Delivery (SHD) receive additional AWP discount.

III. In redient Cost Guarantees: ESI will guarantee a minimum average discount as reflected below to be calculated as follows:

[1-(total discounted AWP ingredient cost (excluding dispensing fees and prior to application of Copayments) of applicable Prescription Drug Claims for the annual period divided by total undiscounted AWP ingredient cost (both amounts will be calculated as of the date of adjudication) for the annual period)]. Member copayments will not be included in any of the calculations.

Notwithstanding anything herein to the contrary: (i) a Prescription Drug Claim that processes at the brand rates set forth in Section I (Participating Pharmacy Reimbursement Rates) and Section II (Mail Pharmacy Reimbursement Rates) above, as indicated on the ingredient cost field of the Prescription Drug Claim’s data record, shall be reconciled as part of the brand guarantee below; and (ii) a Prescription Drug Claim that processes at the generic rates set forth in Section I (Participating Pharmacy Reimbursement Rates) and Section II (Mail Pharmacy Reimbursement Rates) above, as indicated on the ingredient cost field of the Prescription Drug Claim’s data record, shall be reconciled as part of the generic guarantee below. The only Prescription Drug Claims that shall be excluded from the reconciliation of the pricing guarantee are as identified in the “Claims Excluded” column of the table below. All other Prescription Drug Claims shall be included in the reconciliation of the guarantee.

Type of Guarantee	Participating Pharmacy	Mail Service Pharmacy Any days' supply	Claims Included	Claims Excluded
Generic AWP Guarantee	(1-83 days' supply): AWP –83.75% Maintenance Network ⁽¹⁾ (84 or greater days' supply): AWP –85.75%	AWP –87.50%	MRA, AWP, U&C, House Generics	OTC, Compounds, Vaccines, Member Submitted Claims, Claims with ancillary charges, Specialty Products, In-House Pharmacy claims as described in Section I above.
Brand AWP Guarantee	(1-83 days' supply): AWP –18.50% Maintenance Network ⁽¹⁾ (84 or greater days' supply): AWP – 22.75%	Standard Home Delivery: AWP -26.00% Home Delivery: EHD, PHD or SHD: AWP – 26.50%	MRA, AWP, U&C	OTC, Compounds, Vaccines, Member Submitted Claims, Claims with ancillary charges, Specialty Products, In-House Pharmacy claims as described in Section I above.

⁽¹⁾Certain Participating Pharmacies have agreed to participate in the extended 84 or greater day supply network (“Maintenance Network”) for maintenance drugs. Pricing in the 84 or greater Days’ Supply column in the table set forth above is applicable only if Employer Group implements the Retail 90 Maintenance Network. With this Retail 90 Maintenance Network, Members who fill extended days’ supply prescriptions at a Participating Pharmacy other than a Maintenance Network Participating Pharmacy do not receive benefit coverage under the Plan for such prescription.

Guarantee Reconciliation.

Guarantees will be measured and reconciled on an annual basis within 90 days of the end of each contract year (the “Reconciliation Period”). The above guarantees are annual guarantees – if this Agreement is terminated prior to the completion of the then current contract year (hereinafter, a “Partial contract Year”), then the above guarantees will not apply for such Partial Contract Year. To the extent Employer Group changes its benefit design or Formulary during the term of the Agreement, the guarantee will be equitably adjusted if there is a material impact on the generic discount achieved. ESI will pay the full value of the financial shortfall to Employer Group for any shortfall between the actual result and the guaranteed result. Each guarantee (Participating Pharmacy Generic 1-83 days’ supply, Participating Pharmacy Generic 84 or greater days’ supply, Participating Pharmacy Brand 1-83 days’ supply, Participating Pharmacy Brand 84 or greater days’ supply, Mail

Service Pharmacy Generic, Mail Service Pharmacy Brand) stands on its own and surpluses cannot be used to offset deficits.

_____(initial) **B. Option 2 – Pass Through Pricing**

I. Participating Pharmacy Reimbursement Rates (Excludes Specialty Products)

	This pricing is available to all KPPC Clients that select pass through pricing
Pass-Through Pricing	2-Tier/3 Tier Plan Design
Network	Pass Through ESI National Plus Network
Ingredient Cost - Brand and Generic	Pass Through
Ingredient Cost - Compound Drugs	Pass Through
Dispensing Fee/Rx	Pass Through
Brand Administrative Fee/Rx	\$1.50
Generic Administrative Fee/Rx	\$1.50

II. Mail Service Pharmacy Pricing (Does Not Apply to Specialty Products)

	Standard Home Delivery	Home Delivery: EHD, PHD or SHD⁽¹⁾
	Any Day Supply	Any Day Supply
Brand Ingredient Cost	AWP -26.00%	AWP -26.50%
Generic Ingredient Cost	AWP -40.00% or, if lower, MRA	AWP -40.00% or, if lower, MRA
Compound Drug Ingredient Cost	Combined AWP plus applicable service fee	Combined AWP plus applicable service fee
Dispensing Fee / Rx	\$0.00	\$0.00
Minimum Rate / Rx	\$0.00	\$0.00
Administrative Fee	\$0.00	\$0.00

⁽¹⁾ Exclusive Home Delivery (EHD), Preferred Home Delivery (PHD) and Select Home Delivery (SHD) receive additional AWP discount.

_____(initial) **C. Option 3 – Applied Rebate Pricing**

I. Participating Pharmacy Reimbursement Rates Retail (Excludes Specialty Products)

ESI National Plus Network ⁽¹⁾	2-Tier/3-Tier Plan Design ESI National Preferred Formulary	2-Tier Plan Design Basic Formulary	3-Tier Plan Design Basic Formulary
Ingredient Cost – Brand Only^{(2) (4)} 1-83 days' supply	The lower of AWP - 40.50% or U&C	The lower of AWP - 29.65% or U&C	The lower of AWP - 32.15% or U&C
Maintenance Network⁽³⁾ 84 or greater day's supply	The lower of AWP - 44.75% or U&C	The lower of AWP - 36.65% or U&C	The lower of AWP - 37.10% or U&C

Generic Ingredient Cost⁽⁴⁾ 1-83 days' supply	The lower of AWP, MRA, or U&C Retail AWP – 25.00%	The lower of AWP, MRA, or U&C Retail AWP – 25.00%	The lower of AWP, MRA, or U&C Retail AWP – 25.00%
84 or greater days' supply	The lower of AWP, MRA, or U&C Retail AWP – 40.00%	The lower of AWP, MRA, or U&C Retail AWP – 40.00%	The lower of AWP, MRA, or U&C Retail AWP – 40.00%
Ingredient Cost - Compound Drugs	Lesser of U&C or combined AWP plus applicable service fee	Lesser of U&C or combined AWP plus applicable service fee	Lesser of U&C or combined AWP plus applicable service fee
Dispensing Fee/Rx	\$0.60	\$0.60	\$0.60
Administrative Fee/Rx	\$0.00	\$0.00	\$0.00

⁽¹⁾ Pricing under the ESI National Network is available with an additional 0.5% AWP discount on Brand Drugs. Pricing under the Express Advantage Exclusive Network is available with an additional 1.0% AWP discount on Brand Drugs, 0.5% AWP discount on Generic Drugs and a \$0.15 discount on the dispensing fee. Pricing under the Express Advantage Select Network is available with an additional 1.0% AWP discount on Brand Drugs and a \$0.15 discount on the dispensing fee.

⁽²⁾ Subject to the terms of Exhibit A-3, Participating Pharmacy brand ingredient cost above reflects the adjustment of application of Rebates as set forth on such exhibit.

⁽³⁾ Certain Participating Pharmacies have agreed to participate in the extended 84 or greater day supply network ("Maintenance Network") for maintenance drugs. Pricing in the 84 or greater Days' Supply column in the table set forth above is applicable only if Employer Group implements the Retail 90 Maintenance Network. With this Retail 90 Maintenance Network, Members who fill extended days' supply prescriptions at a Participating Pharmacy other than a Maintenance Network Participating Pharmacy do not receive benefit coverage under the Plan for such prescription.

⁽⁴⁾ Notwithstanding the preceding, ESI will guarantee a minimum average discount for Brand Drugs and Generic Drugs as set forth in the table in Section III below.

II. Mail Service Pharmacy Pricing (Excludes Specialty Products)

Applied Rebate	ESI National Preferred Formulary	Basic Formulary	
	2-Tier / 3-Tier Plan Design	2-Tier Plan Design	3-Tier Plan Design
Standard Home Delivery ⁽¹⁾	Any Day Supply	Any Day Supply	Any Day Supply
Brand Ingredient Cost ⁽²⁾	AWP -54.00%	AWP – 39.15%	AWP -45.15%
Generic Ingredient Cost ^{(2) (3)}	AWP -40.00% or, if lower, MRA	AWP -40.00% or, if lower, MRA	AWP -40.00% or, if lower, MRA
Compound Drug Ingredient Cost	Combined AWP plus applicable service fee	Combined AWP plus applicable service fee	Combined AWP plus applicable service fee
Dispensing Fee / Rx	\$0.00	\$0.00	\$0.00
Minimum Rate / Rx	\$0.00	\$0.00	\$0.00
Administrative Fee	\$0.00	\$0.00	\$0.00

⁽¹⁾ If Employer Group implements EHD, SHD, or PHD there will be an additional 0.5% AWP discount on Brand Drugs.

⁽²⁾ Subject to the terms of Exhibit A-3, Participating Pharmacy brand ingredient cost above reflects the adjustment of application of Rebates as set forth on such exhibit.

⁽³⁾ Notwithstanding the preceding, ESI will guarantee a minimum average discount for Brand Drugs and Generic Drugs, as set forth in the table in Section III below.

III. Ingredient Cost Discount Guarantees: ESI will guarantee a minimum average discount as reflected below to be calculated as follows:

[1-(total discounted AWP ingredient cost (excluding dispensing fees and prior to application of Copayments) of applicable Prescription Drug Claims for the annual period divided by total undiscounted AWP ingredient cost (both amounts will be calculated as of the date of adjudication) for the annual period)]. Member copayments will not be included in any of the calculations.

Notwithstanding anything herein to the contrary: (i) a Prescription Drug Claim that processes at the brand rates set forth in Section I (Participating Pharmacy Reimbursement Rates) and Section II (Mail Pharmacy Reimbursement Rates) above, as indicated on the ingredient cost field of the Prescription Drug Claim's data record, shall be reconciled as part of the brand guarantee below; and (ii) a Prescription Drug Claim that

processes at the generic rates set forth in Section I (Participating Pharmacy Reimbursement Rates) and Section II (Mail Pharmacy Reimbursement Rates) above, as indicated on the ingredient cost field of the Prescription Drug Claim's data record, shall be reconciled as part of the generic guarantee below. The only Prescription Drug Claims that shall be excluded from the reconciliation of the pricing guarantee are as identified in the "Claims Excluded" column of the table below. All other Prescription Drug Claims shall be included in the reconciliation of the guarantee.

Type of Guarantee	Participating Pharmacy Retail	Mail Service Pharmacy Any days' supply	Claims Included	Claims Excluded
Generic AWP Guarantee	1-83 days' supply: AWP –83.75% Maintenance Network ⁽¹⁾ 84 or greater days' supply: AWP –85.75%	AWP –87.50%	MRA, AWP, U&C; House Generics	OTC, Compounds, Vaccines, Member Submitted Claims, Claims with ancillary charges, Specialty Products, In-house Pharmacy claims as described in Section I above
Brand AWP Guarantee ESI National Preferred Formulary	1-83 days' supply: AWP –40.50% Maintenance Network ⁽¹⁾ 84 or greater days' supply: AWP –44.75%	Standard Home Delivery: AWP –54.00% Home Delivery: EHD, PHD or SHD: AWP –54.50%	MRA, AWP, U&C	OTC, Compounds, Vaccines, Member Submitted Claims, Claims with ancillary charges, Specialty Products, In-house Pharmacy claims as described in Section I above
Brand AWP Guarantee 2-Tier Plan Design Basic Formulary	1-83 days' supply: AWP – 29.65% Maintenance Network ⁽¹⁾ 84 or greater days' supply: AWP – 36.65%	Standard Home Delivery: AWP – 39.15% Home Delivery: EHD, PHD or SHD: AWP – 39.65%	MRA, AWP, U&C	OTC, Compounds, Vaccines, Member Submitted Claims, Claims with ancillary charges, Specialty Products, In-house Pharmacy claims as described in Section I above
Brand AWP Guarantee 3-Tier Plan Design Basic Formulary	1-83 days' supply: AWP –32.15% Maintenance Network ⁽¹⁾ 84 or greater days' supply: AWP –37.10%	Standard Home Delivery: AWP –45.15% Home Delivery: EHD, PHD or SHD: AWP –45.65%	MRA, AWP, U&C	OTC, Compounds, Vaccines, Member Submitted Claims, Claims with ancillary charges, Specialty Products, In-house Pharmacy claims as described in Section I above

⁽¹⁾ Certain Participating Pharmacies have agreed to participate in the extended 84 or greater day supply network ("Maintenance Network") for maintenance drugs. Pricing in the 84 or greater Days' Supply column in the table set forth above is applicable only if Employer Group implements the Retail 90 Maintenance Network. With this Retail 90 Maintenance Network, Members who fill extended days' supply prescriptions at a Participating Pharmacy other than a Maintenance Network Participating Pharmacy do not receive benefit coverage under the Plan for such prescription.

Guarantees will be measured and reconciled on an annual basis within 90 days of the end of each contract year (the "Reconciliation Period"). The above guarantees are annual guarantees – if this Agreement is terminated prior to the completion of the then current contract year (hereinafter, a "Partial contract Year"), then the above guarantees will not apply for such Partial Contract Year. To the extent Employer Group changes its benefit design or Formulary during the term of the Agreement, the guarantee will be equitably adjusted if there is a

material impact on the generic discount achieved. ESI will pay the full value of the financial shortfall to Employer Group for any shortfall between the actual result and the guaranteed result. Each guarantee (Participating Pharmacy Generic 1-83 days' supply, Participating Pharmacy Generic 84 or greater days' supply, Participating Pharmacy Brand 1-83 days' supply, Participating Pharmacy Brand 84 or greater days' supply, Mail Service Pharmacy Generic, Mail Service Pharmacy Brand) stands on its own and surpluses cannot be used to offset deficits.

D. Specialty Products. Employer Group shall elect Specialty as set forth below.

1. ESI Specialty Pharmacy shall be the provider of Specialty Products for the reimbursement rates shown in the table below. Any Specialty Product dispensed from a pharmacy other than ESI Specialty Pharmacy (for example, limited distribution products not then available through ESI Specialty Pharmacy or overrides) shall be reimbursed at the Specialty Participating Pharmacy rate shown below. Upon ESI Specialty Pharmacy acquisition of limited distribution products, Members shall obtain prescriptions through ESI Specialty Pharmacy.

Specialty	Ingredient Cost	Dispensing Fee
ESI Specialty Pharmacy	Specialty Drug List (reconciled annually)	\$0.00
ESI Specialty Pharmacy Applied Rebate ⁽¹⁾	Specialty Drug List (reconciled annually)	\$0.00
Participating Pharmacy	Specialty Drug List (reconciled annually)	\$0.60

(1) Option 3, Applied Rebates. Subject to the terms of Exhibit A-3, ESI Specialty Pharmacy Brand ingredient cost above reflects the adjustment of application of Rebates as set forth on such exhibit.

Specialty Drug List Point of Sale Guarantee Reconciliation – Traditional/Applied Rebates

Guarantees will be measured and reconciled on an annual basis within 90 days of the end of each contract year (the "Reconciliation Period"). The above guarantees are annual guarantees – if this Agreement is terminated prior to the completion of the then current contract year (hereinafter, a "Partial contract Year"), then the above guarantees will not apply for such Partial Contract Year. ESI will pay the full value of the financial shortfall to Employer Group for any shortfall between the actual result and the guaranteed result. Each guarantee (Participating Pharmacy, ESI Specialty Pharmacy) stands on its own and surpluses cannot be used to offset deficits.

2. Specialty Products priced at U&C or MRA shall be excluded from price guarantees for Participating Pharmacies and Mail Service Pharmacy set forth in this Exhibit. In no event shall the Mail Service Pharmacy or Participating Pharmacy pricing specified in the Agreement apply to Specialty Products.

3. ESI shall notify Keenan, Independent Advisor and Employer Groups no more frequently than monthly of new Specialty Products that are introduced to the market and added to the Specialty Drug List on or after the Effective Date of this Agreement with their applicable Specialty Drug List reimbursement rates ("Notice"). ESI shall provide an electronic file of the Specialty Drug List to Keenan and Independent Advisor on a quarterly basis. Employer Group and ESI agree as follows:

(i) If Employer Group has expressly excluded a specific therapy class or product on a Set-Up Form, Specialty Products in such excluded classes will automatically be deemed excluded from coverage and will reject as "NDC Not Covered" through Participating Pharmacies, Mail Service Pharmacy and ESI Specialty Pharmacy; otherwise, all other Specialty Products shall be implemented as Covered Drugs at the rate specified in the applicable Specialty Drug List or Notice, and Employer Group acknowledges and agrees to same. If Employer Group desires to cover otherwise excluded Specialty Products, Employer Group must notify ESI in writing that it desires to cover the Specialty Product before ESI will adjudicate as a Covered Drug, and if ESI receives such confirmation of coverage from Employer Group such Specialty Product will be loaded thereafter as a Covered Drug at the applicable Specialty Drug List reimbursement rate set forth in the Notice.

(ii) Employer Group must notify ESI in writing if it wants to exclude the Specialty Product from coverage. The exclusion will be implemented within seven (7) business days after the date of ESI's receipt of such the notification. There will not be any retroactive denials for Prescription Drug Claim processed prior to ESI's receipt of the rejection notice and implementation of the exclusion as provided above and Employer

Group shall be responsible for the payment of such Prescription Drug Claims processed prior to the rejection of coverage.

(iii) Notwithstanding the Specialty Product pricing terms set forth above, ESI will guarantee an average aggregate annual ingredient cost discount for Specialty Products dispensed through ESI Specialty Pharmacy and Participating Pharmacy Retail as follows:

Type of Guarantee	ESI Specialty Pharmacy	Participating Pharmacy Retail	Claims Excluded
Average Aggregate Annual Ingredient Cost Discount Guarantee ⁽¹⁾	AWP – 19.25%	AWP –17.25%	None

⁽¹⁾Option 1, Traditional. If the Specialty Drug List is adopted in full and not customized by Employer Group (coverage of all products and no exclusions upon implementation or during the term), ESI shall guarantee an ESI Specialty Pharmacy minimum average discount listed in the table above.

Specialty Average Aggregate Annual Discount Reconciliation – Traditional

Guarantees will be measured and reconciled on an annual basis within 90 days of the end of each contract year (the “Reconciliation Period”). The above guarantees are annual guarantees – if this Agreement is terminated prior to the completion of the then current contract year (hereinafter, a “Partial contract Year”), then the above guarantees will not apply for such Partial Contract Year. ESI will pay the full value of the financial shortfall to Employer Group for any shortfall between the actual result and the guaranteed result. Each guarantee (Participating Pharmacy, ESI Specialty Pharmacy) stands on its own and surpluses cannot be used to offset deficits.

Type of Guarantee	ESI Specialty Pharmacy	Participating Pharmacy Retail	Claims Excluded
ESI National Preferred Formulary Average Aggregate Annual Ingredient Cost Discount Guarantee ⁽¹⁾	AWP –30.25%	AWP – 24.25%	None
Basic Formulary Average Aggregate Annual Ingredient Cost Discount Guarantee ⁽¹⁾	AWP –22.40%	AWP –19.75%	None

⁽¹⁾ Option 3, Applied Rebates. If the Specialty Drug List is adopted in full and not customized by Employer Group (coverage of all products and no exclusions upon implementation or during the term), ESI shall guarantee a ESI Specialty Pharmacy minimum average discount listed in the table above.

Specialty Average Aggregate Annual Discount Reconciliation – Applied Rebates

Guarantees will be measured and reconciled on an annual basis within 90 days of the end of each contract year (the “Reconciliation Period”). The above guarantees are annual guarantees – if this Agreement is terminated prior to the completion of the then current contract year (hereinafter, a “Partial contract Year”), then the above guarantees will not apply for such Partial Contract Year. ESI will pay the full value of the financial shortfall to Employer Group for any shortfall between the actual result and the guaranteed result. Each guarantee (Participating Pharmacy, ESI Specialty Pharmacy) stands on its own and surpluses cannot be used to offset deficits.

Specialty Products will be adjudicated according to the Specialty Products List. The above Specialty Product average aggregate annual guarantee will be reconciled in accordance with the terms of Section (iii) above.

ESI will pay the full value of the financial shortfall to Employer Group for any shortfall between the actual result and the guaranteed result. Each guarantee stands on its own and surpluses cannot be used to offset deficits.

4. Pricing for ASES is as follows:

(i) For Specialty Products needing an additional charge to cover costs of all supplies, equipment (e.g., pumps), nursing and clinical monitoring required to administer the Specialty Products, the following standard per diem and nursing fee rates shall apply. Exceptions to the standard per diem and nursing rates are set forth in (ii), below, which list may be updated from time to time by ESI. Pricing for home infusion supplies and services provided at Participating Pharmacies (for example, limited distribution products not then available through ESI Specialty Pharmacy or overrides) will be pass-through and based on the provider's rates.

Standard Per Diem	\$65/dose
Standard Nursing Fee/ First 2 Hours	\$150
Standard Nursing Hourly	\$75

(ii) Additional Exceptions to AWP Discount Rates and Standard Per Diem & Nursing Fees

Brand Name	AWP Discount	Per Diem
EPOPROSTENOL	1.0%	\$65/day
REMODULIN	5.0%	\$65/day

The TYVASO AWP discount includes Phone Support Nursing, Supplies, Pump, first two training visits, and Coordination of In-Person Nursing. In-home nursing that is requested/needed beyond the first two training visits will be charged at a rate of \$150 for the first two hours and \$75 for every hour after.

E. Vaccine Claims (No vaccine claims will be included in any pricing or rebate guarantee set forth in the Agreement). For clarity, Rebates collected, if any, for a Vaccine Claim will be included in the 100% Rebate pass back in Exhibit A-3.

(a) General Terms applicable to Vaccine Claims

(i) Vaccine Claims shall adjudicate at the lower of U&C or the amounts shown in the table below. In the case of Vaccine Claims, the U&C shall be the retail price charged by a Participating Pharmacy for the particular vaccine, plus administration and dispensing fees, in a cash transaction on the date the vaccine is dispensed as reported to ESI by the Participating Pharmacy.

(ii) The Vaccine Administration Fee for Vaccine Claims for Members enrolled in Employer Group's Medicaid programs, if any, will be capped at the maximum reimbursable amount under the state Medicaid program in which the Member is enrolled.

(iii) All Vaccine Claims will be subject to any Administrative Fees set forth in the Agreement.

(iv) Vaccine Claims will be charged a program fee of \$2.50 per Vaccine Claim. The Vaccine Program Fee will be billed separately to Employer Group as part of the administrative invoice according to the billing frequency set forth in this Agreement.

(b) Vaccine Claim Pricing

	Participating Pharmacy INFLUENZA	Participating Pharmacy ALL OTHER VACCINES	Member Submitted Vaccine Claims (excluding foreign claims)
Vaccine Administration Fee	Pass-Through (capped at \$15 per vaccine claim)	Pass-Through (capped at \$20 per vaccine claim)	Submitted amount
Ingredient Cost	Participating Pharmacy Ingredient Cost as set forth in the Agreement	Participating Pharmacy Ingredient Cost as set forth in the Agreement	Submitted amount

Dispensing Fee	Participating Pharmacy Dispensing Fee as set forth in the Agreement	Participating Pharmacy Dispensing Fee as set forth in the Agreement	Submitted amount
Administrative Fee/Vaccine Claim	Administrative Fee per Prescription Drug Claim as set forth in the Agreement		Administrative Fee per Prescription Drug Claim (plus manual claim administrative fee) as set forth in the Agreement
Vaccine Program Fee	\$2.50 per vaccine claim		

Exhibit A-3

A. Rebates.

_____ (initial) **Option 1 – Traditional Pricing:**

A. Subject to the Rebate conditions 1. – 5. set forth below and elsewhere in this Agreement, ESI will pay to Employer Group an amount equal to the greater of:

- (i) 100% of the Rebates received by ESI; (including rebates earned on House Generics, OTCs, Compounds, and Vaccines, if any)

Or

- (ii) Subject to Employer Group meeting the Plan design conditions identified in the table below, the following guaranteed amounts:

Formulary ⁽¹⁾	ESI National Preferred 2-Tier/3-Tier Plan Designs	
	Participating Pharmacies and In-House Pharmacies (if applicable)	Mail Service Pharmacy & ESI Specialty Pharmacy Any days' supply
ESI National Plus Network ESI National Network Express Advantage Network Per Non-Specialty Product Brand Claim	1 to 83 days' supply: \$125.00 Maintenance Network (84 or greater days' supply ⁽²⁾): \$285.00	\$400.00
Per Specialty Product Brand Claim	\$550.00	\$1,000.00

⁽¹⁾ If Employer Group adopts the ESI High Performance Formulary, subject to the terms and conditions set forth below, ESI will remit to Employer Group an amount equal to 100% of the Rebates received by ESI from pharmaceutical manufacturers, rather than the Rebate guarantee amounts set forth in the table above. In such case, ESI will provide Employer Group with standard ESI Rebate reporting specific to Employer Group's actual claims experience confirming that Employer Group received an amount equal to 100% of the Rebates collected by ESI.

⁽²⁾ Certain Participating Pharmacies have agreed to participate in the extended 84 or greater day supply network ("Maintenance Network") for maintenance drugs. Pricing in the 84 or greater Days' Supply column in the table set forth above is applicable only if Employer Group implements the Retail 90 Maintenance Network. With this Retail 90 Maintenance Network, Members who fill extended days' supply prescriptions at a Participating Pharmacy other than a Maintenance Network Participating Pharmacy do not receive benefit coverage under the Plan for such prescription.

Formulary ⁽¹⁾	Basic 2-Tier Plan Designs		Basic 3-Tier Plan Designs	
	Participating Pharmacies and In-House Pharmacies (if applicable)	Mail Service Pharmacy & ESI Specialty Pharmacy Any days' supply	Participating Pharmacies and In-House Pharmacies (if applicable)	Mail Service Pharmacy & ESI Specialty Pharmacy Any days' supply
ESI National Plus Network ESI National Network Express Advantage Network Per Non-Specialty Product Brand Claim	1 to 83 days' supply: \$46.50 Maintenance Network (84 or greater days' supply ⁽²⁾): \$115.00	\$178.50	1 to 83 days' supply: \$70.00 Maintenance Network (84 or greater days' supply ⁽²⁾): \$172.00	\$267.50
Per Specialty Product Brand Claim	\$275.00	\$275.00	\$275.00	\$275.00

⁽¹⁾ If Employer Group adopts the ESI High Performance Formulary, subject to the terms and conditions set forth below, ESI will remit to Employer Group an amount equal to 100% of the Rebates received by ESI from pharmaceutical manufacturers, rather

than the Rebate guarantee amounts set forth in the table above. In such case, ESI will provide Employer Group with standard ESI Rebate reporting specific to Employer Group's actual claims experience confirming that Employer Group received an amount equal to 100% of the Rebates collected by ESI.

(2) Certain Participating Pharmacies have agreed to participate in the extended 84 or greater day supply network ("Maintenance Network") for maintenance drugs. Pricing in the 84 or greater Days' Supply column in the table set forth above is applicable only if Employer Group implements the Retail 90 Maintenance Network. With this Retail 90 Maintenance Network, Members who fill extended days' supply prescriptions at a Participating Pharmacy other than a Maintenance Network Participating Pharmacy do not receive benefit coverage under the Plan for such prescription.

Subject to the conditions set forth herein, ESI shall pay Employer Group the percentage amount set forth above for Rebates actually collected by ESI during each calendar quarter hereunder within approximately one hundred and fifty (150) days following the end of such calendar quarter. ESI shall also pay Employer Group the percentage amount set forth above for residual Rebates collected by ESI, if any, related to such calendar quarter, which are collected by ESI in subsequent quarters.

On an annual and aggregate basis, ESI shall reconcile the guaranteed amounts set forth in Section A.(ii) above (against the percentage amount paid to Employer Group quarterly) within one hundred and eighty (150) days following the end of each calendar year and shall pay Employer Group for any deficit by check immediately following the reconciliation.

Each Rebate guarantee (Participating Pharmacy and In-House Pharmacy Brand 1-83 days' supply, Participating Pharmacy and In-House Pharmacy Brand 84 or greater days' supply, Participating Pharmacy Specialty Brand, ESI Specialty Pharmacy Brand, Mail Service Pharmacy Brand) stands on its own and surpluses cannot be used to offset deficits.

_____(initial) **Option 2 – Pass Thru Pricing (If Applicable)**

A. Subject to the Rebate conditions 1. – 5. set forth below and elsewhere in this Agreement, ESI will pay to Employer Group an amount equal to the greater of:

(i) 100% of the Rebates received by ESI; (including rebates earned on House Generics, OTCs, Compounds, and Vaccines, if any)

Or

(ii) Subject to Employer Group meeting the Plan design conditions identified in the table below, the following guaranteed amounts:

Formulary ⁽¹⁾	ESI National Preferred 2-Tier/3-Tier Plan Designs	
	Participating Pharmacies and In-House Pharmacies (if applicable)	Mail Service Pharmacy & ESI Specialty Pharmacy Any days' supply
ESI National Plus Network ESI National Network Express Advantage Network Per Non-Specialty Product Brand Claim	1 to 83 days' supply: \$125.00 Maintenance Network (84 or greater days' supply ⁽²⁾): \$285.00	\$400.00
Per Specialty Product Brand Claim	\$550.00	\$1,000.00

(1) If Employer Group adopts the ESI High Performance Formulary, subject to the terms and conditions set forth below, ESI will remit to Employer Group an amount equal to 100% of the Rebates received by ESI from pharmaceutical manufacturers, rather than the Rebate guarantee amounts set forth in the table above. In such case, ESI will provide Employer Group with standard ESI Rebate reporting specific to Employer Group's actual claims experience confirming that Employer Group received an amount equal to 100% of the Rebates collected by ESI.

(2) Certain Participating Pharmacies have agreed to participate in the extended 84 or greater day supply network ("Maintenance Network") for maintenance drugs. Pricing in the 84 or greater Days' Supply column in the table set forth above is applicable only if Employer Group implements the Retail 90 Maintenance Network. With this Retail 90 Maintenance Network, Members who fill extended days' supply prescriptions at a Participating Pharmacy other than a Maintenance Network Participating Pharmacy do not receive benefit coverage under the Plan for such prescription.

not receive benefit coverage under the Plan for such prescription.

Formulary ⁽¹⁾	Basic 2-Tier Plan Designs		Basic 3-Tier Plan Designs	
	Participating Pharmacies and In-House Pharmacies (if applicable)	Mail Service Pharmacy & ESI Specialty Pharmacy Any days' supply	Participating Pharmacies and In-House Pharmacies (if applicable)	Mail Service Pharmacy & ESI Specialty Pharmacy Any days' supply
ESI National Plus Network ESI National Network Express Advantage Network				
Per Non-Specialty Product Brand Claim	1 to 83 days' supply: \$46.50 Maintenance Network (84 or greater days' supply ⁽²⁾): \$115.00	\$178.50	1 to 83 days' supply: \$70.00 Maintenance Network (84 or greater days' supply ⁽²⁾): \$172.00	\$267.50
Per Specialty Product Brand Claim	\$275.00	\$275.00	\$275.00	\$275.00

⁽¹⁾ If Employer Group adopts the ESI High Performance Formulary, subject to the terms and conditions set forth below, ESI will remit to Employer Group an amount equal to 100% of the Rebates received by ESI from pharmaceutical manufacturers, rather than the Rebate guarantee amounts set forth in the table above. In such case, ESI will provide Employer Group with standard ESI Rebate reporting specific to Employer Group's actual claims experience confirming that Employer Group received an amount equal to 100% of the Rebates collected by ESI.

⁽²⁾ Certain Participating Pharmacies have agreed to participate in the extended 84 or greater day supply network ("Maintenance Network") for maintenance drugs. Pricing in the 84 or greater Days' Supply column in the table set forth above is applicable only if Employer Group implements the Retail 90 Maintenance Network. With this Retail 90 Maintenance Network, Members who receive extended days' supply prescriptions at a Participating Pharmacy other than a Maintenance Network Participating Pharmacy do not receive benefit coverage under the Plan for such prescription.

Subject to the conditions set forth herein, ESI shall pay Employer Group the percentage amount set forth above for Rebates actually collected by ESI during each calendar quarter hereunder within approximately one hundred and fifty (150) days following the end of such calendar quarter. ESI shall also pay Employer Group the percentage amount set forth above for residual Rebates collected by ESI, if any, related to such calendar quarter, which are collected by ESI in subsequent quarters.

On an annual and aggregate basis, ESI shall reconcile the guaranteed amounts set forth in Section A.(ii) above (against the percentage amount paid to Employer Group quarterly) within one hundred and fifty (150) days following the end of each calendar year and shall pay Employer Group for any deficit by check immediately following the reconciliation.

Each Rebate guarantee (Participating Pharmacy and In-House Pharmacy Brand 1-83 days' supply, Participating Pharmacy and In-House Pharmacy Brand 84 or greater days' supply, Participating Pharmacy Specialty Brand, ESI Specialty Pharmacy Brand, Mail Service Pharmacy Brand) stands on its own and surpluses cannot be used to offset deficits.

_____(initial)

Option 3 – Applied Rebate Pricing: Subject to the terms and conditions below:

Applied Rebate (Rebates applied to reduce rates on Exhibit A-1, Section C, as shown below)	ESI National Preferred Formulary			
ESI National Plus Network ESI National Network Express Advantage Network	Participating Pharmacies*	ESI Specialty Pharmacy	Participating Pharmacies Specialty	Mail Service Pharmacy
Brand Ingredient Cost Additional Discount	1 to 83 days' supply: AWP - 22.00% Maintenance Network (84 or greater days' supply ⁽²⁾): AWP - 22.00%	AWP -11.00%	AWP - 7.00%	AWP-28.00%

Applied Rebate Rebates Applied to Reduce rates on Exhibit A-1, Section C, as shown below)	Basic Formulary							
	2-Tier Plan Design				3-Tier Plan Design			
ESI National Plus Network ESI National Network Express Advantage Network	Participating Pharmacies	Retail Specialty Pharmacy	ESI Specialty Pharmacy	Mail Service Pharmacy	Participating Pharmacies	Retail Specialty Pharmacy	ESI Specialty Pharmacy	Mail Service Pharmacy
Brand Ingredient Cost Additional Discount	1 to 83 days' supply: AWP -11.15% Maintenance Network (84 or greater days' supply ⁽²⁾): AWP - 13.90%	AWP - 2.50%	AWP -3.15%	AWP-13.15%	1 to 83 days' supply: AWP - 13.65% Maintenance Network (84 or greater days' supply ⁽²⁾): AWP - 14.35%	AWP - 2.50%	AWP - 3.15%	AWP-19.15%

Applicable only to Option 3 – Applied Rebate Pricing: Subject to all the terms and conditions set forth in the Employer Group Agreement, the reimbursement rates for brand drug ingredient costs for Participating Pharmacy, Mail Service Pharmacy and ESI Specialty Pharmacy Prescription Drug Claims set forth in Exhibit A-1, Sections C and D incorporate a reduction by the applicable Rebate credit amount set forth above (“Applied Rebate”). ESI shall retain all actual Rebates collected by it as its fee for developing, implementing and managing the Formulary. Employer Group acknowledges that pharmaceutical manufacturers may discontinue payment of Rebates, that laws governing prescription drug pricing (including Rebates) may change, that the interpretation of existing laws may change, that Rebates are affected by physician prescribing and other factors, and that Rebate revenue may materially decrease because of brand products moving off-patent to generic status. Upon the occurrence of such an event, at ESI’s discretion, the Applied Rebate amount(s) may be reduced or eliminated upon discussion with and prior written notice to Keenan on behalf of the Employer Group, and the respective ingredient cost discounts set forth in Exhibit A-1, Sections C and D shall be

decreased by an amount not to exceed the amount of the respective Applied Rebate amount. Further, ESI reserves the right to discontinue Applied Rebates in the event Employer Group is delinquent on the payment of any fees.

Applied Rebate program includes a year-end true up provision as follows:

ESI will perform an annual reconciliation of Rebates for Employer Group, comparing the financial value of the Applied Rebate option and the Traditional Pricing option. In the Applied Rebate option, ESI includes at the point of sale the implied rebate values as shown in Option 3 above (additional AWP discounts) for Brand Drugs dispensed through Participating Pharmacies (Retail Brand AWP), for Brand Drugs dispensed by the ESI Mail Service (Mail Brand AWP) and for Brand Drugs dispensed by ESI Specialty Pharmacy, the ESI Specialty service.

ESI will perform a year-end reconciliation as shown in Exhibit A-3(a) comparing the total value provided through the additional AWP discounts to the greater of the guaranteed Rebates or 100% rebate value that the client would receive under Traditional Pricing (less a time value of money factor). Any amount owed to the Employer Group resulting from this reconciliation will be paid within 90 days after the end of the plan year. Under no circumstance will Employer Group owe any monies to ESI for this guarantee.

Each Rebate guarantee (Participating Pharmacy and In-House Pharmacy Brand 1-83 days' supply, Participating Pharmacy and In-House Pharmacy Brand 84 or greater days' supply, Participating Pharmacy Specialty Brand, ESI Specialty Pharmacy Brand, Mail Service Pharmacy Brand) stands on its own and surpluses cannot be used to offset deficits.

Conditions of the Rebate Program (Options 1, 2, and 3)

1. Rebates are conditioned upon (a) Employer Group's election of, and conformance to, the identified Formulary and qualifying Copayment and Coinsurance benefit designs; (b) distribution of the Formulary (or a summary thereof) to Members and/or physicians, as applicable; (c) 100% of an Employer Group's Members enrolled in the applicable benefit plan design(s), and (d) Employer Group's compliance with other reasonable, generally applicable requirements for participation by all clients in the Rebate Program, as are communicated by ESI to Keenan and Employer Group from time to time. Any proposed changes to the Rebate Program must be discussed between ESI and Keenan.

2. The following are excluded from all Rebate Guarantees: Member Submitted Claims, OTC products, Vaccines, claims older than 180 days, claims through Sponsor-owned, in-house, or on-site pharmacies, 340B pharmacies, and claims pursuant to a 100% Member Copayment plan are not eligible for the guaranteed Rebate amounts set forth in Section A above.

3. ESI retains all right, title and interest to any and all actual Rebates received from manufacturers, except that ESI shall pay Employer Group amounts equal to the Rebate amounts allocated to Employer Group, as specified above, from ESI's general assets (neither Employer Group, its Members, nor Employer Group's plan retains any beneficial or proprietary interest in ESI's general assets). Employer Group acknowledges and agrees that neither it, its Members, nor its Plan shall have a right to interest on, or the time value of, any Rebate payments received by ESI during the collection period or moneys payable under this Section. **No Rebates shall be paid (or applied as an additional AWP discount if Option 3, Applied Rebates, is chosen) until this Agreement is executed by Employer Group.** ESI shall have the right to apply Employer Group's allocated Rebate amount to unpaid Fees and shall have the right to delay payment of Rebates to allow for final adjustments upon termination of this Agreement.

4. Employer Group acknowledges that it may be eligible for Rebates under this Agreement only so long as Employer Group, any in-house pharmacy, its affiliates, or its agents do not contract directly or indirectly with anyone else for discounts, utilization limits, rebates or other financial incentives on pharmaceutical products or formulary programs for claims processed by ESI pursuant to the Agreement, without the prior written consent of ESI. In the event that Employer Group negotiates or arranges with a pharmaceutical manufacturer for Rebates

or similar discounts for any Covered Drugs hereunder, but without limiting ESI's right to other remedies, ESI may immediately withhold any Rebates earned by, but not yet paid to, Employer Group as necessary to prevent duplicative rebates on Covered Drugs. To the extent Employer Group knowingly negotiates and/or contracts for discounts or rebates on claims for Covered Drugs without prior written approval of ESI, such activity shall be deemed to be a material breach of this Agreement, entitling ESI to suspend payment of Rebates hereunder and to renegotiate the terms and conditions of this Agreement.

5. Subject to the Audit Protocol, ESI acknowledges that on an annual schedule no less than thirty (30) days following the end of the calendar year, that Keenan and the Keenan designated Independent Advisor, subject to the requirements stated below, has full audit rights of ESI Pharmacy Manufacturer Rebate contracts to verify the Employer Group 100% Rebates paid under this Agreement. Keenan and the Keenan designated Independent Advisor will be allowed to conduct the audits on-site at ESI Corporate Offices in St. Louis MO or Franklin Lakes, NJ. For the avoidance of doubt, Keenan will be present and participate on-site (in the same room where the review is being conducted) during an on-site review of the applicable components of manufacturer agreements, as described herein. Any unpaid ESI rebates to Employer Group will be paid within sixty (60) days of mutual agreement of any deficiency findings in such audit.

Pursuant to the Audit Protocol, when performing a Rebate audit, Employer Group or its auditor may perform an on-site review of the applicable components of manufacturer agreements, selected by Employer Group, as reasonably necessary to audit the calculation of the Rebate payments made to Employer Group by ESI. Access to and audit of manufacturer agreements is restricted to a firm that has been mutually agreed upon by ESI and Keenan, which carries insurance for professional malpractice of at least Ten Million Dollars (\$10,000,000).

B. Independent Advisor Fees

Employer Group directs and authorizes ESI to pay Independent Advisor the applicable Independent Advisor Fees based upon the payment schedule below (1) for Non-Medicare Members -- number Prescription Drug Claims filled by Participating Pharmacies, Mail Service Pharmacy and ESI Specialty Pharmacy as shown below for the auditing services the Independent Advisor shall provide to Employer Group and (2) for Medicare Subsidy Members – a flat Per Member Per Month (PMPM) fee. **Neither Keenan nor KPPC is receiving a commission from ESI.** Employer Group represents and warrants that the Independent Advisor Fees below are fair and reasonable, commensurate with other standard advisory or auditing fees in the industry relating to similar accounts and services, and that the variation in Independent Advisor Fees below is reflective of the marketplace. ESI shall pay the Independent Advisor Fees from its general assets, and Employer Group understands and agrees that the Independent Advisor Fees are not “plan assets” as defined under ERISA. Independent Advisor Fees shall be payable monthly, within 45 days from the end of each calendar month. Finally, the Independent Advisor Fees shall be paid only if (i) Employer Group has executed this Agreement, and (ii) Employer Group is current in its payment obligations to ESI. Employer Group shall hold ESI harmless with respect to any dispute between Employer Group and Independent Advisor and/or Keenan regarding the Independent Advisor Fee if ESI has paid such Independent Advisor Fee in accordance with the terms above.

Non-Medicare Members	Aggregate KPPC Members
Independent Advisor Fees per Prescription Drug Claim	\$0.35

Medicare Subsidy Members	Aggregate KPPC Members
Independent Advisor Fees Per Member Per Month	\$0.80

The formula for this calculation is provided as an example:

EXHIBIT A-3(a)

APPLIED REBATE RECONCILIATION ILLUSTRATIVE EXAMPLE

METHOD 1: Additional AWP Discount Applied at Point-of-Sale:			
	<u>Brand AWP Amounts ⁽¹⁾</u>		
A	\$1,000,000	Retail	
B	\$500,000	Mail	
C	\$400,000	Retail Specialty	
D	\$100,000	ESI Specialty Pharmacy	
	<u>Additional Brand AWP Discounts</u>		
E	17.90%	Retail	
F	25.20%	Mail	
G	5.90%	Retail Specialty	
H	10.45%	ESI Specialty Pharmacy	
J = (A x E) + (B x F) + (C x G) + (D x H)		<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;">\$339,050</td> </tr> </table> Total Additional AWP Discount	\$339,050
\$339,050			
METHOD 2: Traditional Rebate Payments:			
K	\$450,000	Total Guaranteed Rebates based on Exhibit A-3	
L	<u>\$500,000</u>	100% of Rebates Earned	
M	\$500,000	Rebates Due to Client (Greater of K or L)	
N	<u>8.81%</u>	Time value of money factor	
O = M x N	\$44,050	Time value of money adjustment	
P = M - O		<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;">\$455,950</td> </tr> </table> Rebate Value after TVM adjustment	\$455,950
\$455,950			
Reconciliation of Method 1 versus Method 2:			
P - J		<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;">\$116,900</td> </tr> </table> Owed to Employer (only if P > J)	\$116,900
\$116,900			

(1) Applied Rebate Reconciliation to exclude Paper Claims, Compounds and U&C claims