

Council Meeting of
August 7, 2012

Honorable Mayor and Members
Of the City Council
City Hall
Torrance, California

Members of the Council

**SUBJECT: Finance - Approve contract amendment for workers'
compensation bill review services
Expenditure: NTE \$360,000**

RECOMMENDATION

Recommendation of the Finance Director that City Council approve an amendment to the letter agreement with Stratacare (C2006-142) to provide workers' compensation medical bill review services effective August 8, 2012 in the amount NTE \$360,000.

FUNDING

Funding is available in the Self-Insurance Fund.

BACKGROUND

The City of Torrance is self-insured for workers' compensation losses up to \$2,000,000 per occurrence. As part of the claims handling process, medical bills are reviewed and, if warranted, reduced based upon an analysis of each bill completed by an independent company.

The City has contracted with StrataCare, the current vendor, since August 1, 2006. Since Calendar Year 2007, the City has enjoyed annual medical cost savings of approximately 43% (\$2,725,000), with annual fees to StrataCare averaging approximately \$400,000. The City negotiated with StrataCare to reduce the amount of fees paid, while maintaining existing medical bill cost savings, and enable the City to receive electronic medical billings as required by the State of California based upon recently adopted regulations.

ANALYSIS

At present, StrataCare provides bill review services based upon 12% of bill review savings, an \$8 per bill charge for designated full-pay bills, and an (access) fee of 25% of savings for additional PPO reductions.

The vendor will revise its fee schedule in which the 12% of savings fee is eliminated, and replaced with a per-bill charge of \$7.50 to \$10.00 per bill, depending on the type of bill submitted, with an additional charge of 24% of any additional savings realized from PPO reductions.

In 2006 most bill review companies based their fee structures on a percentage of savings. However, in recent years some vendors have switched upon customer request to a per bill fee structure, which enables clients to obtain the same bill reductions as previously, but usually at lower cost.

It is estimated that the new fee structure (with the elimination of the 12% of savings fee) will enable the City to obtain a cost reduction of approximately 10%, a savings of \$40,000 per year. Also, StrataCare will provide the City with the ability to accept electronic billing, which has been mandated by the State effective October, 2012.

In addition to negotiating with the current vendor, the City did contact another bill review vendor, which indicated pricing at a cost expected to be higher than offered by Stratacare. In addition, the other vendor's information system is not compatible with the City's system and would require additional costs to make it compatible.

Respectfully Submitted

ERIC E. TSAO
FINANCE DIRECTOR


By Terri Connaughton
Workers' Compensation Manager

CONCUR



Eric E. Tsao
Workers' Compensation Manager


LeRoy J. Jackson
City Manager

ATTACHMENT: A) Original Contract and proposed Contract Amendment



CITY OF
TORRANCE

SUE HERBERS, CMC
CITY CLERK

August 17, 2006

StrataCare, Inc.
16800 Aston, 2nd Floor
Irvine CA 92606

Attn: Greg Fisher

Re: C2006-142 LETTER AGREEMENT FOR COST CONTAINMENT SERVICES

Enclosed is the duplicate original of the above referenced document, executed by the City for your files.

Insurance policies should be up to date while the contract is in effect. Please forward revised certificates of insurance to the City Clerk's Office, 3031 Torrance Boulevard, Torrance CA 90503, prior to the expiration dates.

Please call (310) 618-2870 for any other questions.

Sincerely,

Sue Herbers, CMC
City Clerk

By *Annie M. Ordinario*
Annie M. Ordinario

Enc.

*Certificate requested
from So Area 8-23-06
JF*

StrataCare

City of Torrance Service Letter of Agreement

Letter Agreement for Cost Containment Services

This Agreement sets forth the terms between StrataCare, Inc. ("StrataCare") and City of Torrance ("Client") in which StrataCare will provide cost containment services to Client and its clients.

1. Client hereby retains StrataCare to provide it with bill review and PPO repricing services as provided in this letter.
2. During the term of this Agreement StrataCare will:
 - Scan paper bills and related documents and after re-pricing export the images for import into GenSource Claim Software.
 - Review medical treatment, hospital, surgery center and pharmacy and make appropriate payment recommendations based on compliance with applicable fee schedules or usual and customary databases.
 - Provide access to one or more Preferred Provider Organization (PPO) networks that have negotiated contract rates with hospitals and providers.
 - Provide Client a monthly invoice and supporting reports that detail the number of bills processed by StrataCare and the amount of savings achieved.
 - Provide State Reporting Services including collection, validation, correction and submission of required data as a certified Trading Partner with the State of California.
3. During the term of this Agreement Client will:
 - Provide StrataCare all necessary medical bills including, treatment, hospital, surgery center, and pharmacy including related reports to be repriced.
 - Use its best efforts within the workers' compensation law to direct its injured workers to PPO network providers and hospitals.
 - Authorize StrataCare to release confidential information necessary to meet State Reporting requirements and to provide StrataCare adequate support in verifying the accuracy of the data.
4. During the term of this Agreement, Client agrees to pay to StrataCare the following service fees.

Bill Review

12% of bill review savings on all medical bills, no charge for duplicates
 \$8.00/bill for all non-medical, "full pay" bills

StrataCare

City of Torrance Service Letter of Agreement

Additional Products

FileFly – Claim and provider data updates – Included in percentage of bill review savings above

CareControl – Case management module - Included in percentage of bill review savings above

State Reporting

Included in Percentage of bill review savings above

Hospital Inpatient Fee Schedule Review

The fee is 12% of Fee Schedule savings.

PPO Network Access

In addition to above, for bills subject to the PPO, the network access fee is 20% of the PPO savings. Access fee is 25% of savings for Blue Cross of California and/or First Health.

Prompt Pay Negotiations & Specialty Review

The Prompt Pay fee is 25% of negotiated savings.
The Specialty Review fee is 25% of savings.

StrataCare will invoice Client for the above service fees on a monthly basis. Client agrees to pay the invoice within thirty (30) days of receipt.

5. This Agreement becomes effective on August 1, 2006 and will operate for an initial term of one (1) year. After initial Term, subsequent terms will be extended one (1) year unless cancelled by either party. After the initial term, either party may terminate this Agreement by delivering sixty (60) days prior written notice of such termination to the other party. In the event that this Agreement is terminated, Client shall pay all fees and commitments, incurred by StrataCare up to the said termination date.
6. The amount of the service fee set forth in this Agreement is offered to Client by StrataCare in consideration of the agreement that StrataCare liability for any inaccurate or incomplete services or reports shall be limited to correcting or completing such reports, or applying reasonable efforts to prevent further delays. StrataCare shall have no liability for the reports or services that are inaccurate, incomplete due to inaccurate or incomplete information or data furnished to StrataCare by Client.

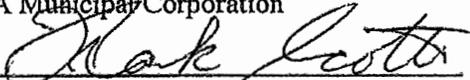
StrataCare

City of Torrance Service Letter of Agreement

7. In any action between the parties arising out of or connected with this Agreement, the prevailing party or parties in such action shall be awarded, in addition to any damages, injunctive or other relief, their costs and expenses, including, but not limited to, court costs and reasonable attorneys' fees.
8. StrataCare will take all reasonable and necessary steps to resolve disputed bill adjudication matters, up to and including court appearances, if necessary, at no additional cost to the client.
9. All amendments and modifications to this Agreement shall be in writing and shall be duly executed by the parties hereto.
10. This Agreement shall be governed by the laws of the State of California
11. This Agreement shall be binding upon and operate to the benefit of the parties hereto and their respective successors and assignees.
12. During the term of this agreement, StrataCare will maintain errors and omissions coverage of at least \$1,000,000 per occurrence. A certificate of insurance will be provided to the City of Torrance upon award of this contract.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their authorized representative as of the date written below:

City of Torrance,
A Municipal Corporation


Frank Scotto, Mayor

ATTEST: 
Sue Herbers
City Clerk

APPROVED AS TO FORM:
JOHN L. FELLOWS III
City Attorney

By: 

StrataCare, Inc.

By: 

Name: Scott Green

Title: CEO

Date: 7/28/00

FIRST AMENDMENT TO LETTER AGREEMENT FOR COST CONTAINMENT SERVICES

This First Amendment (the “First Amendment”) effective _____, 2012 (the “First Amendment Effective Date”) to the Letter Agreement for Cost Containment Services dated August 1, 2006 (the “Agreement”), by and between StrataCare, LLC, F/K/A StrataCare, Inc. (“StrataCare”) and the City of Torrance (“Client”). For convenience, StrataCare and Client individually may each be referred to as a “Party”, and when used collectively, they may be referred to as the “Parties”. Capitalized terms used in this First Amendment shall have the meanings stated in this First Amendment or, if not so stated, the Agreement.

RECITALS

StrataCare performs various bill review and cost containment services (collectively, the “Services”) for Client under the Agreement; and

The Parties desire to amend the Agreement as more fully described below.

AGREEMENT

The Parties agree as follows:

1. Fees. Paragraph 4 of the Agreement covering the various fees payable by Client to StrataCare for the Services is repealed and replaced in its entirety by Exhibit A – Program Fees; License Fees; PPO Savings Fees attached to and incorporated into the Agreement. Furthermore, the Parties desire to clarify that, as is contained in Exhibit A, Note (1), Reconsiderations will be subject to the Base Bill Review Fee; Duplicates will not be subject to the Base Bill Review Fee.

2. eBilling Services. The Services performed for Client will include eBilling services performed by StrataCare through various electronic clearing agent partners (the “eBilling Clearing Agents”), subject to the terms, conditions, processes and workflows as required by StrataCare and the eBilling Clearing Agents.

3. Blind Data/Feedback Licenses. Under the Agreement, Client grants to StrataCare a worldwide, perpetual and irrevocable, fully-paid and royalty-free, sub-licensable (through multiple tiers), and freely-transferable license to use, reproduce, distribute, prepare derivative works of, transmit, display, perform, and exploit in any manner any and all Blind Data and Feedback. “Blind Data” means the aggregated and non-personally identifiable information extracted, compiled, analyzed, and/or synthesized from the information or data (including without limitation, normative data, raw medical bill data and network provider data) Client provides StrataCare in connection with the Services or the license of StrataWare® Software Application. “Feedback” means any and all suggestions and feedback Client provides to StrataCare regarding the functioning, features, and other characteristics of the Services, StrataWare, or other materials provided or made available to Client by StrataCare, including without limitation fees and fee savings calculation methods and formulae.

4. Service Performance Standards. The Services will be subject to the Performance Standards as contained in Exhibit B – Performance Standards attached to and incorporated into the Agreement.

5. PPO Network Access Sub-Client Agreement. Client’s access to and utilization of PPO Networks that StrataCare will make available to Client as an integral component of the Services will be subject to the terms and conditions of Exhibit D – Sub-Client Workers’ Compensation Network Access (“Sub-Client”) Agreement to be signed by the Parties, attached to and incorporated into the Agreement.

6. StrataWare® Limited License Terms and Conditions. Under the Agreement, StrataCare grants to Client a limited, non-exclusive, non-transferrable, revocable license to use StrataWare Software Application subject to terms and conditions as contained in Rider 1 –

Limited License Terms and Conditions - StrataWare® attached to and incorporated into this Agreement.

7. State Reporting Services. The State Reporting Services performed by StrataCare will be performed subject to Rider 2 – Master Services Agreement – State Reporting Rider attached to and incorporated into the Agreement.

8. Except for the amendments provided above, the Agreement shall remain in full force and effect.

City of Torrance, a Municipal Corporation

By: _____
Frank Scotto

Its: Mayor

Date: _____

Attest: _____
Sue Herbers

Its: City Clerk

StrataCare, LLC

By: _____
E. Harry Creasey

Its: President and Chief Operating Officer

Date: _____

APPROVED AS TO FORM:
JOHN L. FELLOW III
City Attorney

By: _____

Date: _____

Exhibit A
Program Fees; License Fees; PPO Savings Fees
Fee Table

Care Solutions Service	Fee
Base Bill Review Service Fee (1)	\$7.50 per Bill
Bill Negotiation Services Fee (2)	25 % of Savings (if selected by Client)
Custom Negotiation Services Fee	Subject to separate agreement
PPO Savings Fee (3)	<p>The PPO Savings for all PPO Networks selected by Client are listed on Schedule 3 to Exhibit D.</p> <p>For direct and Client-owned PPO Network arrangements, StrataCare will impose an administrative fee computed on PPO Savings ranging between two percent (2%) to four percent (4%). Direct and Client-owned PPO Network connectivity may require additional programming and integration fees, subject to agreement by the Parties.</p> <p>Specialty Review Savings Fee is 25% of Savings (if selected by Client).</p> <p>If Client desires to access StrataCare's represented PPO Networks during the Term, the PPO Savings Fee pricing will be determined based on a quote provided by StrataCare.</p> <p><u>ALL PPO Savings Fees and Specialty Review Savings Fees are subject to change based on fee changes by PPO Networks and Specialty Review Partners.</u></p>
StrataWare® Software Application – Modules Only (subject to ASP License Terms and Conditions) Licensed Modules: Smartview™; Reports	Included (No charge)
Training	All training will be provided utilizing WebEx® or similar Internet-based training.
State Reporting Services	\$.50 per Bill (subject to State Reporting Rider Terms and Conditions)
EOB Mailing/Postage	\$.45 per mailed EOB, subject to change based on U.S. Postal Service rates
eBilling	\$.60 per Bill transmitted to or through StrataCare eBilling clearing agents

(1) Bill Review Fee

“**Bill**” means a billing submitted for Medical Benefits rendered by a Participating Provider or a non-participating Provider to a Claimant, regardless of the number of units of service or line items or dates of service included in the billing. The Bill Review Fee will be imposed on all Reconsiderations but not on Duplicate Bills. The term “Reconsiderations” means and includes specifically any Reviewable Bill that (i) the Provider appeals or for which it requests reconsideration of an EOR or of a payment or a denial of

payment, if any, based on an EOR, or StrataCare's classification of a Bill as not yet Reviewable; and (ii) results in an adjustment as a result of the reconsideration of StrataCare's initial or subsequent payment or allowance recommendation. The term "Duplicate Bills" means and includes any Reviewable Bill received by StrataCare that StrataCare has previously reviewed and that does not otherwise fall within the definition of Reconsiderations.

(2) Bill Negotiation Services Fee

"**Bill Negotiation Services**" means negotiations of rates with non-Participating Providers by StrataCare or a Client-approved delegate of StrataCare. Client shall approve in advance what Claims or categories of Claims shall be referred to Bill Negotiations.

"**Negotiated Savings**" means the amount by which the amount payable under the State Fee Schedule, including standard edits, exceeds the amount paid to the Provider as a result of Bill Negotiations.

There shall be no duplication of the Savings upon which the Bill Negotiation Services Fee and the PPO Savings Fee are calculated.

All Bills by non-Participating Providers shall be reviewed and an EOR issued as provided hereunder to Client, just as for Participating Provider billings under the regular Bill Review Program.

(3) PPO Savings Fee

For Bills re-priced by StrataCare under the PPO Savings Program, the PPO Savings Fee payable by Client to StrataCare shall be as contained in Schedule 3 to Exhibit D – PPO SAVINGS FEES.

"**PPO Savings**" means the amount by which the amount payable under the State Fee Schedule, including standard edits, exceeds the amount actually paid to the Participating Provider as the result of StrataCare applying the applicable PPO Network rates and/or negotiating with a Participating Provider.

There shall be no duplication of the Savings upon which the Bill Negotiation Services Fee and the PPO Savings Fee are calculated.

(4) Ad Hoc Reports; Programming Consulting

If Client requests ad hoc reports more than 90 days after the Commencement Date, StrataCare shall advise Client of the fees for such reports for development, generation and preparation of such reports and for any custom programming shall be per StrataCare's quotation. The parties shall agree on the scope, cost, time for delivery and other terms of such projects before they are commenced.

(5) Invoices

StrataCare will provide payment transfer files to Client on pre-designated business day(s) through the automated transmission of a billing file for the following fees. The files hereunder shall be in an agreed upon format as provided by StrataCare.

StrataCare will invoice Client monthly for the Custom Reports it has completed, and submitted to Client. StrataCare will invoice Client monthly for Custom Programming in accordance with the parties' agreement for each such project.

StrataCare will invoice Client monthly for State EDI reports it has submitted in the preceding month.

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EXHIBIT B
PERFORMANCE STANDARDS

I. Turn-Around Time

A. StrataCare's turn-around time ("**TAT**") for processing and reviewing a standard, electronically-submitted Bill will be no greater than five (5) business days. For purposes of the foregoing, the term "electronically-submitted Bill" means a Bill containing all necessary information, including attachments, for StrataCare to review and re-price the Bill. The five business day period will not include any day or days that StrataCare holds a Bill (i) pending Client's next payment transfer, or (ii) for Adjuster Approval.

B. For any Bill requiring scanning, the TAT in paragraph I.A., shall be extended by one (1) business day.

C. For any Bill sent to a PPO Network in a pend and transmit status, the TAT in paragraph I.A. shall be extended by two (2) business days.

D. For any Bill requiring special or high level review as determined by StrataCare, the TAT in paragraph I.A. shall be extended by two (2) business days.

E. The additional business days as contained in paragraphs I.B through I.D. shall be cumulative. For example, a Bill that meets the criteria of paragraphs I.B. and I.C., would be entitled a TAT of eight (8) days.

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EXHIBIT D

SUB-CLIENT WORKERS' COMPENSATION NETWORK ACCESS AGREEMENT

("SUB-CLIENT AGREEMENT")

THIS SUB-CLIENT AGREEMENT is entered into as of [REDACTED], 2012, by and between StrataCare, LLC ("**StrataCare**"), and City of Torrance ("**Sub-Client**");

WHEREAS, StrataCare has entered into various agreements with PPO Networks (each such agreement constituting a "**Master PPO Network Access Agreement**") under which each PPO NETWORK has authorized StrataCare to promote the PPO NETWORK's Network to StrataCare's clients and customers (each client or customer constituting a Sub-Client under each Master PPO Network Access Agreement) for medical bills related to workers' compensation claims and to perform various ancillary services described below to facilitate each PPO NETWORK's services to Sub-Client subject to the terms and conditions more fully contained in this Sub-Client Agreement;

WHEREAS, each PPO NETWORK is a PPO administrator as defined under all applicable statutes, regulations and agreements between and among Providers and PPO NETWORK covering services that such Providers render to Claimants claiming coverage under the Network;

WHEREAS, StrataCare, by and through its rights under each Master PPO Network Access Agreement, has agreed to cooperate with and facilitate Sub-Client's access to each Network, subject to the terms and conditions as contained in this Sub-Client Agreement;

WHEREAS, each PPO NETWORK provides certain workers' compensation managed care services, including access to its Network as may be further defined in the applicable Master PPO Network Access Agreement;

WHEREAS, StrataCare is not a PPO administrator, provider, or payor as defined under all applicable statutes, regulations and all PPO Network agreements with Providers ("**Provider Agreements**");

WHEREAS, neither StrataCare nor Sub-Client is a signatory to any Provider Agreement;

WHEREAS, with respect to StrataCare's coordination of Sub-Client's access to the Networks, StrataCare does not assume any requirement, responsibility, obligation or duty, under any applicable statute, regulation or agreement of or relating to any Network, Provider Agreement or Sub-Client's obligations related thereto;

WHEREAS, StrataCare is not responsible for the administration or payment of workers' compensation benefits under the Workers' Compensation Act, the reduction of bills issued by Providers pursuant to a Network fee schedule, and/or for Provider Payments;

WHEREAS, Sub-Client is duly licensed and authorized to administer and/or make payment of workers' compensation benefits under the Workers' Compensation Act;

NOW, THEREFORE, the parties agree as follows:

A. DEFINITIONS

1. "**Affiliate**" means a business entity that is related to another business entity by shareholdings or other means of ownership, and shall include a subsidiary, parent or sibling entity.
2. "**Claimant**" means an occupationally ill or injured employee entitled to benefits for Medical Services under the Workers' Compensation Act.
3. "**Client Edits**" means any edits made to a bill by StrataCare or Sub-Client prior to receipt of the bill by any PPO NETWORK. Client Edits do not include the determination or actual re-pricing of bills incurred with Contract Providers to the Contract Rates which is performed solely by PPO NETWORK without any involvement of StrataCare or Sub-Client.
4. "**Client Party**" means StrataCare, its Affiliates and their officers, directors, employees, successors and assigns.

5. **“Compensable Service”** means a Medical Service provided to a Claimant which is eligible for payment under the Workers' Compensation Act.
6. **“Confidential Information”** means information held or owned by a party, considered by that party to be a proprietary and confidential, and that is not readily ascertainable by the public by proper means.
7. **“Contract Provider”** means a medical provider, including physician, hospital, and other providers of Medical Services, that has entered into a Provider Agreement with PPO NETWORK to provide Medical Services to Claimants at negotiated rates.
8. **“Contract Rates”** means the rates specified in the Provider Agreement, which may be in the form of per diems, case or procedure rates, discounts off charges, fee schedules, or other reimbursement methods.
9. **“Costs”** means reasonable attorneys' fees, costs or expenses, or fines or penalties levied under state or federal law, associated with a third-party cause of action.
10. **“Liabilities”** means damages (excluding special, consequential and punitive damages); settlements or judgments (including reasonable attorneys' fees) in connection with a third party cause of action.
11. **“Managed Care Services”** means the services provided by PPO NETWORK PROVIDER to Sub-Client, as identified in this Agreement and as further described in the attached Supplements hereto.
12. **“Medical Services”** means inpatient and/or outpatient services provided to a Claimant.
13. **“Network”** means any PPO NETWORK to which Sub-Client has selected to access under this Sub-Client Agreement and as specified in Schedule 3 to Exhibit C as may be amended from time to time by the parties subject to the consent of each PPO Network.
14. **“Out of Network Provider”** means a physician or other professional provider of Medical responsible for care being provided to a Claimant.
15. **“PPO NETWORK Party”** means a PPO NETWORK, its Affiliates and their officers, directors, employees, successors and assigns.
16. **“PPO Savings Fee”** means the fees that Sub-Client is required to pay to Client under the Client-Sub-Client Agreement referred to in the recitals.
17. **“Payor”** means Sub-Client or an insurance company, self-insured company, or other entity financial that is responsible for the administration and/or payment of workers' compensation benefits under the Workers' Compensation Act.
18. **“Protected Health Information”** or **“PHI”** means that information as defined and used in the Health Insurance Portability and Accountability Act of 1996, as amended (**“HIPAA”**), or any similar information about or pertaining to natural persons that is protected by similar law
19. **“Provider”** means a Contract Provider or Out of Network Provider of Medical Services responsible for care being provided to a Claimant.
20. **“Provider Agreement”** means the agreement between PPO NETWORK and a Contract Provider for the delivery of Compensable Services at Contract Rates.
21. **“Provider Fee Schedule”** means the rate specified in the Provider Agreement, which may be in the form of per diems; case or procedure rates; discounts off billed charges; rates that are above, below, or at the state fee schedule; billed charges; or other reimbursement methods.
22. **“Provider Payment”** means a payment made by Sub-Client to a Provider, or owed to a Provider by Sub-Client, for any reason.
23. **“Sub-Client Party”** means Sub-Client, its Affiliates and their officers, directors, employees, successors and assigns.
24. **“Workers' Compensation Act”** means the law that requires payment by the Sub-Client to a provider of medical services.
25. **“WCA”** (Work Compensation Allowable) means:
- (i) For hospital services:
 - (a) in fee schedule states the lesser of billed charges or state fee schedule except as otherwise required by state law then hospital services will be reimbursed at fee schedule;
 - (b) in fee schedule states with unvalued codes, the lesser of billed charges or the reimbursement rate prescribed by law, if any; and

- (c) in non-fee schedule states, the lesser of billed charges or the reimbursement rate prescribed by law.
- (ii) For non-hospital services:
 - (a) in fee schedule states, (A) the lesser of (i) billed charges; or (ii) state fee schedule;
 - (b) in fee schedule states with unvalued codes the lesser of: (i) billed charges; or, (ii)(A) if permitted and available, the nationally accepted medical charge-benchmarking database approved by PPO NETWORK, or (ii)(B) if a nationally accepted medical charge-benchmarking database approved by PPO NETWORK is not permitted and available, the reimbursement prescribed by law, if any, and
 - (c) in non-fee schedule states, (A) the lesser of (i) billed charges; or (ii) the nationally accepted medical charge-benchmarking database approved by PPO NETWORK. If a nationally accepted medical charge-benchmarking database approved by PPO NETWORK is not permitted and available, the reimbursement prescribed by law, if any.

B. STRATACARE REPRESENTED PPO NETWORKS

1. **In General.** The PPO NETWORKS represented by StrataCare have established and maintain their Networks by entering into Provider Agreements with Contract Providers for the delivery of Compensable Services at Contract Rates. Any PPO NETWORK may, at any time and in its sole discretion, add and/or delete any Contract Provider from its Network. On a periodic basis or as required by statutory requirements, each PPO NETWORK will update Contract Provider information provided to StrataCare and Sub-Client. PPO NETWORK shall notify Contract Providers regarding StrataCare and Sub-Clients in the Network and on a periodic basis or as required by statutory requirements. Each PPO NETWORK has represented to StrataCare that:

1.1 PPO NETWORK will provide access to its Network to Sub-Client under the terms of this Agreement. All Contract Providers (i) have signed Provider Agreements with the PPO NETWORK; (ii) have promised in the Provider Agreements that they will provide Compensable Services that are covered under and subject to the Workers Compensation Act; and (iii) that their Services will be at Contract Rates per the Provider Agreements.

1.2 PPO NETWORK has the sole ability to contract with the Contract Providers, and that neither StrataCare nor Sub-Client is a signatory to any Provider Agreement.

1.3 All obligations that either StrataCare and/or Sub-Client must comply with under state or federal law and found in any Provider Agreement are also found in this Sub-Client Agreement.

1.4 To the extent that the terms in any Provider Agreement differ from the terms that are contained in this Sub-Client Agreement, then neither Client nor Sub-Client will be obligated to comply with any terms not contained in this Sub-Client Agreement.

1.5 PPO NETWORK will contractually require Contract Providers to refer Claimants to other Network Providers.

1.6 PPO NETWORK will notify StrataCare and Sub-Client within thirty (30) days of a Contract Provider's termination of his/her/its Provider Agreement.

2. **Network Directional Tools.** Each PPO NETWORK will provide to StrataCare and Sub-Client with the names and addresses of Contract Providers including the following additional information:

2.1 A toll-free number service provided to StrataCare, Sub-Clients and Claimants so that they may obtain current information on Contract Providers and Network participation;

2.2 Quarterly directories or electronic access to tools that enable the download of directories of Contract Providers for each geographic area of a Network selected by Sub-Client.

2.3 A StrataCare-specific and Sub-Client-specific identification number to enable StrataCare and Sub-Client to access a Network's website.

3. **Provider Notice.** Each PPO NETWORK will provide timely notice to Contract Providers regarding Sub-Client's selection of the Network pursuant to this Sub-Client Agreement in writing. Each PPO NETWORK PROVIDER's notice to Contract Providers will identify StrataCare as a bill review software and services provider that provides services to Sub-Client, and will identify Sub-Client as Payor. Each PPO NETWORK shall provide proof of such notice upon request by StrataCare and/or Sub-Client. Provided however, that PPO NETWORK will notify Contract Providers regarding StrataCare and Sub-Clients in the Network and on a quarterly basis or as required by statutory requirements.

4. **Services Line.** Each PPO NETWORK will provide telephonic access to StrataCare, Sub-Client, and Contract Providers to verify Contract Rate information during business hours which are 8AM to 5 PM (PT), Monday through Friday, holidays excepted.

5. **Network Bill Re-Pricing – (For Pend and Transmit Networks only).** Each PPO NETWORK will be exclusively responsible for re-pricing all bills incurred with Contract Providers to the Contract Rates, returning a minimum of 95% of all Sub-Client bills within a period not to exceed 48 hours from its receipt from StrataCare. StrataCare will forward payment recommendations received from each PPO NETWORK to Sub-Clients for payment to each Contract Provider for all Compensable Services within the earlier of (a) the time period permitted by applicable law, if any, or (b) thirty (30) days from the date Sub-Client receives a complete and accurate bill from the Contract Provider. Sub-Client acknowledges that under the Provider Agreement, a Contract Provider may refuse to honor the Contract Rates if Sub-Client does not pay bills within such time frames. StrataCare agrees to send all applicable workers' compensation bills to a PPO NETWORK via an Electronic Data Interface ("EDI"). Neither StrataCare nor Sub-Client has any involvement in or responsibility for the determination or actual re-pricing of bills incurred with Contract Providers to the Contract Rates.

5.1 If a Contract Provider dispute, adjustment, or report to a state governmental authority, is due to a PPO NETWORK error or omission in the application of a Contract Rate, that PPO NETWORK will assume any and all responsibility and/or liability, including attorneys' fees and litigation related costs, for any dispute or challenge brought by a Contract Provider against the PPO NETWORK, StrataCare or Sub-Client.

5.2 **STRATACARE LY DISCLAIMS ANY AND ALL RESPONSIBILITY FOR ANY LIABILITIES ASSOCIATED WITH ERRORS OR OMISSIONS CAUSED BY A PPO NETWORK IN RE-PRICING ANY PROVIDER BILL, APPLYING ANY CONTRACT RATE, OR PERFORMING OR FAILING TO PERFORM ANY OTHER FUNCTION OR RESPONSIBILITY OF THE PPO NETWORK OR SUB-CLIENT UNDER THIS SUB-CLIENT AGREEMENT.**

6. **Network Bill Re-Pricing (For Client Application-Loaded Networks Only).** Each PPO NETWORK will be exclusively responsible for maintaining correct and current Contract Provider and other Network-related data and fields ("PPO NETWORK PROVIDER DATA") that StrataCare will load into and maintain in its software application for use by Sub-Client or StrataCare to re-price Sub-Client's medical bills including the application of Contracted Rates. Sub-Client acknowledges that under the Provider Agreements, Contract Providers may refuse to honor the applicable Contract Rates if Sub-Client does not pay Contract Providers within such time frames.

6.1 **STRATACARE LY DISCLAIMS ANY AND ALL RESPONSIBILITY FOR ANY LIABILITIES ASSOCIATED WITH ERRORS OR OMISSIONS IN ANY PPO NETWORK DATA, ERRORS OR OMISSIONS IN RELATION TO CLIENT'S SOFTWARE APPLICATION REPRICING RECOMMENDATIONS RESULTING FROM A PPO NETWORK ERROR OR OMISSION IN THE NETWORK PROVIDER'S DATA USED TO APPLY ANY CONTRACT RATE, OR ANY PPO NETWORK PROVIDER OR SUB-CLIENT PERFORMING OR FAILING TO PERFORM ANY OTHER FUNCTION OR RESPONSIBILITY UNDER THIS SUB-CLIENT AGREEMENT.**

7. **Provider Demographics.** PPO NETWORKS will electronically provide StrataCare and Sub-Client with Contract Provider demographics in a mutually agreed upon record layout for incorporating into Client's software. PPO NETWORK will provide StrataCare and Sub-Client with an update of all Contract Providers on a monthly basis or such other time or times as necessary to ensure such data is accurate.

8. **Contract Provider Disputes.** PPO NETWORKS will participate in resolving contractual disputes involving a Contract Provider and Sub-Client. StrataCare and Sub-Client agree to fully cooperate with a PPO NETWORK by providing information and assistance as may be reasonably requested by the PPO NETWORK. PPO NETWORK will provide to StrataCare and/or Sub-Client an affidavit to support the contractual relationship and Contracted Rates for any claims where the contract is disputed by Contract Providers.

9. If a Contract Provider dispute, adjustment, or report to a state governmental authority, is due to a StrataCare Edit, StrataCare or Sub-Client will assume any and all responsibility and/or liability, for any dispute or challenge brought by a Contract Provider against PPO NETWORK. Provided, however, that nothing contained herein shall operate to reduce or eliminate a PPO NETWORK'S obligation to maintain and continue to update Contract Provider information.

C. OBLIGATIONS OF STRATACARE

1. StrataCare agrees that it will provide the services necessary coordinate and facilitate Sub-Client's access to the Networks through Client's medical bill review software and service solutions as described in this Sub-Client.

2. StrataCare agrees to provide instruction and training to Sub-Client regarding the use of its software tools to help Sub-Client identify and direct claimants to Contract Providers.

3. **For Pend and Transmit PPO Networks Only.** StrataCare will forward payment recommendations received from each PPO NETWORK to Sub-Client. Sub-Client acknowledges and agrees that under the PPO NETWORK'S Provider Agreements, Contract Providers may refuse to honor their Contract Rates if Sub-Client does not pay Contract Provider bills within thirty (30) days. Contract Providers may refuse to accept payment of any amount other than the Contract Rate.

4. **Contract Provider Adjustments.** Any adjustments to Contract Rates submitted to StrataCare by a PPO NETWORK for inclusion in StrataCare's software application will be processed by StrataCare and submitted to Sub-Client to be paid to the Contract Provider within sixty (60) days of receiving notification from PPO NETWORK that an adjustment is due to a Contract Provider.

5. **Fees.** StrataCare is responsible for remitting all PPO Network access fees to the PPO NETWORKS.

D. SUB-CLIENT OBLIGATIONS

1. **Payment/Fees.** Sub-Client warrants that it is the Payor and is exclusively responsible for payment of all medical services for occupational illnesses and injuries under the applicable WCA and for all Provider Payments.

1.1 If a Provider dispute, adjustment, or report to a state governmental authority, is due to the amount paid to the Contract Provider by Sub-Client at less than the Contract Rate as recommended by the PPO Network or payment by Sub-Client to a Contract Provider later than as required by the PPO Network, Sub-Client will assume any and all responsibility and/or liability, including attorneys' fees and litigation related costs, for any dispute or challenge brought by a Contract Provider against any PPO NETWORK or StrataCare.

1.2 All fees payable by Sub-Client to StrataCare for access by Sub-Client to the Network shall be as contained in the Client-Sub-Client Agreement.

2. **Network Direction.** Sub-Client will encourage Claimants to use services of Contract Providers through use of work place posters, articles on the Network, provision of directories and educational materials subject to PPO NETWORK'S direction, unless prohibited by applicable law. Sub-Client will encourage workers' compensation claimants to use services of Contract Providers through use of financial incentives.

3. **Additional Network Terms and Conditions.** Sub-Client agrees to abide by the additional terms and conditions of the Network as contained in Schedule 2 to Exhibit C – ADDITIONAL PROVISIONS, if any.

4. **Explanation of Review.** Sub-Client will indicate on the explanation of review the patient's name, dates of services and that the Network holds the written agreement with the Contract Provider and that reimbursement is subject to the Provider Agreement.

5. **Eligibility Verification.** Sub-Client shall have the sole responsibility to provide verification of a Claimant's eligibility under the applicable Workers' Compensation Act for services which are made available pursuant to this Agreement.

6. **Information.** Sub-Client agrees to provide to Client or to any PPO NETWORK, upon their reasonable request, information that shall be reasonably requested in order to perform their services.

7. **Processing.** Sub-Client will submit all bills to StrataCare for all medical services incurred by Claimants in the Service Areas for submission to the applicable PPO NETWORK for application of Contract Rates.

7.1 For bills incurred by Claimants from Contract Providers in the Service Areas, Sub-Client agrees that only the Contract Rate may be applied. Sub-Client will not use the Contract Rate in conjunction or combination with another rate or amount available to Sub-Client through a contractual relationship with another network or other entity, and Sub-Client will not utilize.

8. Sub-Client will pay each Contract Provider for all Compensable Services at the Contract Rate within the time period mandated by the applicable Workers' Compensation Act or 30 days from receipt of the complete, non-contested bill, whichever is earlier. Contract Rates are valid only if Compensable Services are paid for within such time frames. A Contract Provider may refuse to honor the Contract Rates if Contract Provider does not receive payment within such time frames. If a PPO NETWORK performs non-Network negotiation services, and the PPO NETWORK has successfully negotiated a discount, Sub-Client will pay the non-Network provider for all Compensable Services at the negotiated discount.

9. **Benchmarking Database.** In the event Sub-Client performs a bill review or re-pricing function on Contract Provider bills, Sub-Client shall update on a quarterly basis and utilize the nationally-accepted charge-benchmarking database in the method and manner as authorized by a PPO NETWORK in writing. Sub-Client acknowledges that: (1) a Contract Provider may refuse to honor the Contract Rates if Sub-Client does not use the required benchmarking database; and (2) some Provider Agreements require payment at a Contract Rate that is above the state fee schedule or utilization of billed charges as the WCA rather than the national benchmarking database. On an annualized basis, Sub-Client to provide PPO NETWORK with a list of databases utilized outside the state fee schedule.

10. **Eligibility.** Sub-Client will maintain or cause to be maintained a procedure during normal business hours for verification by a Contract Provider of a Claimant's eligibility under the Workers' Compensation Act for medical services.

11. **Claimant Inquiries.** Sub-Client agrees that StrataCare is not responsible for responding to Claimants' questions concerning medical claims.

12. **Payment of Network Access Fees.** Sub-Client fees for accessing a Network under this Sub-Client Agreement will be as contained in the Client-Sub-Client Agreement as may from time to time be amended by Client and Sub-Client. In no case will Sub-Client pay fees for Network access to PPO Network Provider.

13. **Run-Out Services.** In the event of termination of this Agreement for any reason, Sub-Client will immediately cease reimbursing Contract Providers at the Contract Rates except for those Claimants admitted to or receiving inpatient services from a Contract Provider prior to the termination effective date. For such Claimants, Sub-Client may reimburse Contract Providers at the Contract Rates for the duration of the inpatient stay.

E. GENERAL OBLIGATIONS

1. **Confidential Information.** The parties agree that they will at all times during this Agreement and for a period of five years following the termination of this agreement, hold in confidence and not disclose to any third party the Confidential Information of another party to this Agreement without the consent of the party that owns the Confidential Information.

2. **Protected Health Information.** Protected Health Information ("PHI") as contained in medical bills submitted to a PPO NETWORK will remain the Confidential Information of Sub-Client. Sub-Client will keep confidential and not disclose information, including, but not limited to, Contract Rate data, re-priced bills from which a Contract Rate might be derived and related data, without the written approval of the applicable PPO NETWORK. Such Confidential Information shall not be used by Sub-Client for any purpose other than determining the amount owed for medical services incurred by a Claimant.

3. Term and Termination.

3.1 **Termination for Convenience.** This Agreement is effective as of the Effective Date and shall remain in effect until terminated by any party, with or without cause and for any reason, by delivering written notice of the desired termination to the other parties at least one hundred eighty (180) days prior to the time of the desired termination.

3.2 **Termination Resulting From Termination of Underlying Agreements.** Notwithstanding the preceding subparagraph, this Agreement will terminate automatically and immediately upon the termination of either (i) the Master PPO Network Access Agreement, or (ii) the Client-Sub-Client Agreement. In the event that this Agreement is terminated, each party shall pay all fees and obligations due to the other parties prior to the end of the term.

3.3 **Termination for Breach.** Either party shall have the right to terminate this Agreement upon sixty (60) days' notice to the other party (the "**Breaching Party**") if the party determines that the Breaching Party is not meeting requirements of this Agreement and/or complying with applicable statutory and/or regulatory requirements ("**Termination Period**"). Such notice shall include a corrective action plan identifying the breach and the cure expected by the party. During the initial 30 day Termination Period, the breaching party shall have a right to cure the issue identified in the corrective action plan. If the Breaching Party fails to cure within such 30 day period, then this Agreement will terminate at the expiration of the Termination Period.

4. **Audits.** Each party under this Sub-Client Agreement may audit the other party's records with respect to any matter under this Sub-Client Agreement provided that they agree as to the scope, manner and timing of the audit.

5. **Authority.** Each party warrants that it has the requisite authority and capacity to enter into this Agreement and conduct its business as now conduct and as proposed under this Agreement. Each party further warrants that it is qualified to do business in each jurisdiction in which it is necessary to perform the obligations created by this Agreement.

6. **No Third Party Beneficiaries.** It is not the intent of this Agreement to create any third party beneficiary rights in third parties, including, but not limited to, Contract Providers, or anyone else and this Agreement shall not be deemed to create any such rights.

7. **Assignment.** This Agreement shall not be assignable without prior written consent of the other parties to this Agreement, which consent will not be reasonably withheld. Prior written consent is not required for mergers or for successors in interest.

8. **Entire Agreement.** This Agreement contains all the terms and conditions agreed upon by the parties hereto regarding the subject matter of this Agreement. Any prior agreements, promises, negotiations, or representations, either written or oral, relating to the subject matter of this agreement not set forth in this Agreement are of no force or effect.

9. **Independent Contractors.** The relationship between the parties is that of independent contractors. Nothing herein is intended or will be construed to establish any agency, employment, partnership, or joint venture relationship between the parties. Each party is solely responsible for the direction, control, and management of its subcontractors, agents, and employees.

10. **Force Majeure.** The obligations of either party under this Agreement will be suspended for the duration of any force majeure applicable to that party. The term “**force majeure**” means any cause not reasonably within the control of the party claiming suspension, including, without limitation, an act of God, industrial disturbance, war, weather-related disaster, earthquake, government action an unavailability or breakdown of equipment. The party claiming suspension under this Section will take reasonable steps to resume performance as soon as possible without incurring unreasonably excessive costs.

11. **Choice of Law.** This Agreement is made in and will be governed by and construed in accordance with the laws of the State of California without regard to principles of conflict or choice of law.

12. **Headings.** All headings are for convenience only and may not be deemed to limit, define or restrict the meaning or contents of the provisions.

13. **Interpretation and Precedence.** The preamble and all recitals contained in this Sub-Client Agreement are integral to its interpretation and are to carry the same weight and importance as any other provision contained in this Sub-Client Agreement. Words importing the singular number include the plural and vice versa and words importing gender include all genders. The term “person” includes, subject to the context in which it appears, an individual, partnership, association, corporation, trustee, executor, administrator or legal representative. The term “including” means “including, without limitation,” or “including, but not limited to.” In the event of a conflict between this Sub-Client Agreement and the Client-Sub-Client Agreement the terms of this Sub-Client Agreement will control. Any modification or amendment to the Client-Sub-Client Agreement will not affect this Sub-Client Agreement whatsoever unless the parties hereto agree and amend or alter this Sub-Client Agreement.

14. **Use of Marks.** No party may in any way infringe upon or harm the rights of the other in its service marks, trademarks, copyrights, and other proprietary marks. No party may, without the prior written approval of the other, use any mark or name of another party. Notwithstanding the foregoing, this provision does not prohibit Client and/or Sub-Client from identifying PPO NETWORK as its vendor of Managed Care Services or prohibit PPO NETWORK from identifying Client and/or Sub-Client as a party to whom PPO NETWORK is providing such services.

15. **Unenforceable Provisions.** In the event any provision of this Sub-Client Agreement conflicts with laws applicable hereto or under which this Sub-Client Agreement is construed, or if any provision of this Sub-Client Agreement is held illegal or unenforceable or partially illegal or unenforceable by a court with jurisdiction over the parties to this Sub-Client Agreement, then this Sub-Client Agreement will be modified to conform with said laws or judicial determination and such provision will be construed and enforced only to such extent as it may be a legal and enforceable provision and all other provisions of this Sub-Client Agreement will be given full effect separately there from and will not be affected thereby. In the event that any such modification causes a material change in the obligations or rights of any party, upon written notice from one party to the other of the adverse effect thereof upon such notifying party, then if the parties are not able to mutually agree as to an amendment hereto, either party may terminate this Sub-Client Agreement upon thirty (30) days’ written notice to the other party.

16. **Notices.** Any notice required pursuant to this Sub-Client Agreement must be in writing and sent by either (i) registered or certified mail, return receipt requested, (ii) fax with proof of transmission, or (iii) a nationally recognized private overnight carrier with proof of delivery, to the addresses of the parties set forth below in this Sub-Client Agreement. The date of notice will be the date on which the recipient receives notice or refuses delivery.

17. **Waiver.** A waiver of a breach or default under this Sub-Client Agreement is not a waiver of any other or subsequent breach or default. A failure or delay in enforcing compliance with any term or condition of this Sub-Client Agreement does not constitute a waiver of such term or condition unless it is expressly waived in writing.

18. **Negotiated Agreement.** Each party acknowledges that this Sub-Client Agreement resulted from negotiations by and between the parties, and therefore any rule of construction requiring ambiguities to be construed against the drafter of an agreement will not apply to any provision of this Sub-Client Agreement.

19. **Dispute Resolution.** The parties agree to meet and confer in good faith through informal discussions between the parties to resolve any disputes arising during the Term. If the parties are unable to resolve a dispute through such discussions, either party may submit a written complaint to the other party describing and proposing a manner of resolving such dispute. The party receiving that complaint shall respond by accepting, rejecting, or modifying the proposal, in writing, within thirty (30) days of the date that it receives the complaint.

20. **Insurance.** Each party will, so long as such coverage is available in the market and at a reasonable cost, at all times during the Term maintain in effect professional liability insurance.

IN WITNESS WHEREOF, the duly authorized representatives of the parties have executed this Sub-Client Agreement as of the Effective Date. The Effective Date of this Sub-Client Agreement is _____, 2012.

City of Torrance, a Municipal Corporation

By: _____
Frank Scotto

Its: Mayor

Date: _____

Attest: _____
Sue Herbers

Its: City Clerk

Date: _____

StrataCare, LLC

By: _____
E. Harry Creasey

Its: President and Chief Operating Officer

Date: _____

APPROVED AS TO FORM:
JOHN L. FELLOW III
City Attorney

By: _____

Date: _____

RIDER 1

LIMITED LICENSE TERMS AND CONDITIONS - STRATAWARE®

1. **Copyright.**

1.1 The StrataWare® Software Application (the “**Software**”) licensed to Licensee is owned by StrataCare and is protected by intellectual property rights.

1.2 **StrataCare’s License Grant To Licensee.** Licensee is receiving only a non-exclusive, non-assignable, non-transferrable, revocable, limited license (the “**License**”) to use this Software as a service strictly in accordance with the terms and conditions of this License during the Term of, and concurrently with, the Workers Compensation Bill Review Services Agreement. Any termination or suspension of the Agreement will immediately terminate Licensee’s license rights hereunder. Licensee will treat the Software like any other copyrighted material (such as books or recordings) and may not reproduce copy or sublicense the Software in any form, except as specifically authorized in this Agreement. Licensee will not reverse-engineer, decompile, modify, or disassemble or otherwise attempt to discern the source code of the components of the Software, and will not copy its accompanying written material. Licensee will make all reasonable efforts to notify and inform its employees or agents having access to the Software of Licensee’s limitations, duties and obligations regarding copying of the Software.

1.3 **Licensed Modules.** Licensee is licensed only to use the following Software modules:
Smartview™
Reports

1.4 **StrataCare Reserves All Rights.** StrataCare retains and reserves all rights, title and interest to and in the Software, its trademarks, patents, and all other intellectual property rights. No rights whatsoever in the above are granted to Licensee under this License except as provided in Sections 1.2. (StrataCare’s License Grant to Licensee) and 1.3 (Licensed Modules).

2. **Blind Data and Feedback.** Licensee grants to StrataCare a worldwide, perpetual and irrevocable, fully-paid and royalty-free, sub-licensable (through multiple tiers), and freely-transferable license to use, reproduce, distribute, prepare derivative works of, transmit, display, perform, and exploit in any manner any and all Blind Data and Feedback. “**Blind Data**” means the aggregated and non-personally identifiable information extracted, compiled, analyzed, and/or synthesized from the information or data (including without limitation, normative data, raw medical bill data and network provider data) Licensee provides StrataCare in connection with the use of the Software or receipt of StrataCare services hereunder. “**Feedback**” means any and all suggestions and feedback Licensee provides to StrataCare regarding the functioning, features, and other characteristics of the Software or any service or other materials provided or made available to Licensee by StrataCare, including without limitation fees and fee savings calculation methods and formulae.

3. **Permitted Purpose.** Licensee will only use the licensed Software modules specified in paragraph 1.3, above in accordance with training manuals and documentation provided by StrataCare. Licensee will not allow access to the Software under any circumstances to anyone other than Licensee’s personnel, clients, agents and independent contractors (“**Authorized Persons**”) who have received authorized StrataCare training. Prior to providing access to the Software to any contractor, Licensee must secure StrataCare’s written consent which shall not be unreasonably withheld; provided, however, that StrataCare reserves the sole right to refuse to grant Licensee the right to provide access to any contractor. Any other use of the Software is unauthorized (an “**Unauthorized Use**”) and a material breach of this Agreement. Unauthorized Use includes, without limitation, (a) the attempt, solicitation or execution of a sale, transfer, disclosure, lease, license of the Software or any copy to any third party, (b) allowing access by anyone other than Authorized Persons to the Software for any reason not in connection with Licensee’s use of the Software in the ordinary course of its business, or (c) the creation, development, research, or any analysis of any derivative work based on or derived from the Software or modification of the Software.

4. **Confidentiality.**

4.1 “**Confidential Information**” means information held by a party that is not readily ascertainable by proper means by the public by proper means. The term includes the Special Information held by Licensee. Notwithstanding anything in this Agreement to the contrary, (a) the Software is deemed StrataCare’s Confidential Information, (b) Blind Data and Feedback are deemed each Party’s Confidential Information and (c) Special Information is deemed Licensee’s Confidential Information.

4.2 “**Special Information**” means information held by Licensee that is “nonpublic personal information” (as that term is defined and used under the Financial Modernization Act of 1999, sometimes referred to as the Gramm-Leach-Bliley Act), “protected health information” (as that term is defined and used under the Health Insurance Portability and Accountability Act of 1996, sometimes referred to as “**HIPAA**”), or any similar information about or pertaining to natural persons that is protected by similar law. For the avoidance of doubt, Special Information does not include Blind Data and Licensee is not prohibited from using its own raw medical data in any way it chooses.

4.3 Each party must protect the confidentiality of the other party's Confidential Information and not disclose the other party's Confidential Information to a third party without first obtaining the consent of the other party.

4.4 Each party must use the other party's Confidential Information only for the purposes of this Agreement and may disclose the other party's Confidential Information only to its affiliates, staff, advisers and any third parties to whom disclosure is necessary for the performance of obligations or the enjoyment of the benefits under this Agreement who have entered into binding obligations of confidentiality and non-use to the receiving party that are no less robust than those set out in this Agreement, and who have a specific need to access it for the purposes of this Agreement. Each party will remain liable for the failure of its affiliates, staff, advisers, and third parties to adhere to the terms of this Section. Notwithstanding the foregoing, StrataCare and Licensee may use Blind Data and Feedback pursuant to Section 2 for legitimate business purposes outside of this Agreement.

4.5 StrataCare will maintain appropriate information security policies and procedures that include administrative, technical and physical safeguards designed to (1) ensure the security and confidentiality of the Special Information; (2) protect against anticipated threats or hazards to the security or integrity of the Special Information; and (3) protect against unauthorized access or use of Special Information.

4.6 A party must, on termination of this Agreement, immediately after a request from the other party return to the other party, destroy or delete as the other party directs, all original documents and copies (including those in electronic form) which contain or relate to Confidential Information of the other party.

4.7 The obligations of confidentiality in this Section do not apply to the extent that the Confidential Information:

- 4.7.1 Is required by a subpoena, court order, or rule of law to be disclosed, provided that the receiving party gives prompt notice to the disclosing party of the requirement of disclosure and provides to the disclosing party, at the disclosing party's expense, such reasonable assistance as the disclosing party requests in seeking nondisclosure, protective orders, confidential treatment, or similar measures;
- 4.7.2 Becomes readily ascertainable by proper means by the public through no breach of this Agreement by the receiving party;
- 4.7.3 Is already known to the receiving party (as evidenced by its written records) at the time at which the receiving party receives the Confidential Information from the disclosing party;
- 4.7.4 Is received by the receiving party from a third party not subject to an obligation of confidentiality of which the receiving party knew or had reason to know; or
- 4.7.5 Is independently developed by the receiving party without use of the other party's Confidential Information or for the recipient party by a third party, without access to the Confidential Information.

4.8 Each party acknowledges that disclosure of the other party's Confidential Information in breach of this agreement could cause considerable detriment to that party and damages might be inadequate compensation for breach of this Section and, subject to the court's discretion, the other party may seek in any court of competent jurisdiction an injunction or similar remedy for breach of the provisions of this Section.

4.9 The obligations under this Section will survive as to each item of Confidential Information as follows:

- 4.9.1 As to the Software, Blind Data and Feedback, indefinitely;
- 4.9.2 As to Special Information of Licensee, indefinitely;
- 4.9.3 Without limiting Section 4.9.1 and 4.9.2, as to Confidential Information that constitutes a trade secret (as that term is defined in the Uniform Trade Secrets Act) of a party, for so long as the item of Confidential Information remains a trade secret; and
- 4.9.4 As to all other Confidential Information, for the Term and for two years thereafter.

4.10 If the StrataCare and Licensee determine that Licensee is required to enter into, and maintain in place, with StrataCare a business associate agreement under HIPAA, Licensee and StrataCare will cooperate and enter into a business associate agreement.

5. Indemnification

5.1 **StrataCare Intellectual Property Indemnity.** StrataCare will indemnify, defend, and hold harmless Licensee and Licensee's members, managers, directors, officers, employees, affiliates, agents, and users from and against any damages, fines, penalties, costs, fees (including, but not limited to, reasonable attorneys' fees) arising out of or relating to any third-party claim, suit, or action alleging that the Software or the possession or use thereof by any indemnitee as contemplated by this License, infringes upon, violates, or misappropriates any intellectual property, contract, or other right of a third party. StrataCare's obligations under this Section will be reduced to the extent that the claim arises out of Licensee's or Licensee's agent's modification of the Software. In order to avail itself of the rights under this Section, Licensee or the other indemnitee must (a) give to StrataCare prompt notice of

each such claim (it being understood that delay will reduce the indemnification obligation only to the extent of actual prejudice thereby caused) and (b) cooperate with StrataCare in defending or settling each such claim, provided that any such cooperation will be at StrataCare's expense and that Licensee need not make any admission or do or fail to do anything that would be prejudicial to Licensee or another indemnitee. If StrataCare receives notice of an allegation that any Software infringes or misappropriates a third party's intellectual property rights, or if Licensee's use of any Software is prohibited by permanent injunction of a court of competent jurisdiction as a result of such an infringement or misappropriation, StrataCare may, at its sole expense, in addition to, and not in lieu of, the above obligations: (a) procure for Licensee the right to continue using such goods, services, and/or software as provided hereunder; (b) modify the Software so that it is no longer infringing; or (c) replace the Software with other software or services, of equal or superior functional capability that do(es) not involve substantial effort on Licensee's part to convert to using. If none of the foregoing is commercially reasonable, StrataCare shall have the right to terminate any and all licenses and sublicenses to such Software granted hereunder and refund to Licensee any amounts paid for the same. If StrataCare terminates the provision of any software or services, as described above, Licensee may thereupon terminate this Agreement without liability except for fees due for services provided up to the effective date of termination on non-infringing Software. Each indemnitee is an third-party beneficiary of StrataCare's indemnification obligations under this Agreement.

5.2 Licensee Use Indemnity. Except with respect to infringement of third-party rights for which StrataCare is obligated to indemnify under Section 5.1, Licensee shall indemnify, defend, and hold harmless StrataCare and StrataCare's equity holders, members, managers, directors, officers, employees, affiliates, and agents from and against any damages, fines, penalties, costs, fees (including, but not limited to, reasonable attorneys' fees), and any other liability in any claim, suit, or action brought against StrataCare by a customer, policyholder, or endorser that arises out of, or relates to, Licensee's use of the Software, other than a suit, action, or proceeding arising out of a malfunction of the Software or failure of the Software to comply with applicable laws and regulations that impact functionality (a **"Use Action"**). StrataCare shall (a) notify Licensee promptly in writing of each such Use Action, (b) tender to Licensee sole control of the defense or settlement of each such Use Action at Licensee's expense, and (c) cooperate and, at Licensee's expense, assist in such defense. StrataCare shall have the right to participate at its own expense in any such Use Action or related settlement negotiations using counsel of its own choice.

5.3 Cross Indemnity. Subject to the provisions in Sections 5.1 and 5.2, each party (an **"Indemnifying Party"**) will indemnify and defend the other party, and its respective officers, directors, members, managers, employees, agents, heirs, successors in interest and affiliated entities (each an **"Indemnified Party"**) from and against any and all liabilities, losses, damages, claims, fines, penalties, and expenses, including reasonable legal fees, that may be incurred or suffered by an Indemnified Party arising out of third party claims related to the Indemnifying Party's (a) obligations under this License; (b) material breach of this License; (c) untrue representations and warranties made in connection with this License, unless that liability, loss, damage, claim or expense is attributable to the Indemnified Party's gross negligence or willful misconduct.

6. Limited Warranty; Disclaimer and Limitation of Liability.

6.1 Limited Warranty. StrataCare represents and warrants to Licensee that the Software and the associated ASP services conform, and will for the Term continue to conform, to the Documentation in all material respects and that StrataCare will make available the licensed modules in the Software in a professional manner according to industry standards, and that the licensed modules will operate and function to StrataCare's documentation. Except for the foregoing, and for other warranties of StrataCare in the agreement: (a) the Software is provided "as is," without additional warranty of any kind, and StrataCare expressly disclaims all other warranties, or implied including, but not limited to, the implied warranties of design, merchantability, fitness for a particular purpose, any warranties arising from a course of dealing, usage, or trade practice, and (b) StrataCare does not warrant that the functions contained in the Software will meet licensee's requirements, or that the operation of the Software will be uninterrupted or error free, or that defects in the Software will be corrected. Except as set forth above, StrataCare does not warrant or make any representations regarding the use or the results of the use of the Software in terms of its correctness, accuracy, reliability, or otherwise.

6.2 based upon either party's breach of Sections 4 or 5, StrataCare's indemnification obligations, or a party's gross negligence or willful misconduct:

6.2.1 neither party be liable for any lost revenue or profits or any incidental, indirect, special, or consequential damages that result from the use or inability to use the Software, even if the party has been advised of the possibility of such damages.

6.3 Limitations Concerning Third Party Material. StrataCare has no responsibility under any condition for performance of any hardware or software programs from third parties, and Licensee will rely solely on the third party's warranty, if any, which StrataCare shall pass through to Licensee or allow Licensee to pursue in StrataCare's name to the extent permitted under any applicable third party warranty.

6.4 Exclusions. StrataCare will not be responsible for any liability to Licensee to the extent any failure to perform in accordance with the foregoing warranties is caused by (a) Licensee's failure to use the Software in accordance with instructions included in the Documentation provided to Licensee by StrataCare, (b) the modification of the Software by any person other than

StrataCare, its employees, agents, affiliates or subcontractors (unless such modification was authorized or approved by any of the foregoing), or (c) problems caused by the Server's connectivity to Licensee's network. If StrataCare is requested by Licensee to service such matters, Licensee shall pay StrataCare an additional fee for such support services.

6.5 **Risks Considered.** StrataCare's pricing reflects the allocation of risks and limitation of liability in this Agreement.

7. **No Hiring.** Both parties agree not to solicit or hire, either directly or indirectly, or cause others to solicit, or hire, any employees of the other party during the Term of the Agreement and for a period of two years following the termination of the Agreement without prior written approval from the other party.

8. **Export Control Requirements.** Licensee agrees that at no time, either during the term of this Agreement or thereafter, will it knowingly export, directly or indirectly, any United States source technical data acquired from StrataCare under the Agreement or any direct products of that technical data to any country for which the U.S. Government or any agency thereof at the time of export requires an export license or other governmental approval, without first obtaining that license or approval when required by applicable United States law.

9. **Complete Agreement; Disputes.** This Agreement constitutes the entire agreement between the parties with respect to the use of the Software and the related Services under the Agreement, and supersedes all prior or contemporaneous understandings or agreements, written or oral, regarding such subject matter. The Agreement supersedes any contrary terms in any related purchase order, and may only be modified in a written document signed by the parties. This Agreement (a) is not intended to benefit any third party; (b) may not be changed or modified except by a written amendment signed by the parties; and (c) does not create an employment, partnership, joint venture, representative, or other legal or business relationship, other than that of independent contractor. This Agreement shall be governed by and construed in accordance with laws of the State of California, without giving effect to that state's choice of law rules. Any action, proceeding, claim or other litigation related to this Agreement or the subject matter hereof shall be brought in federal or state courts located in Orange County, California. In any action between the parties arising out of or connected with this Agreement, the prevailing party or parties in such action shall be awarded, in addition to any damages, injunctive or other relief, their costs and expenses, including, but not limited to, court costs and reasonable attorneys' fees.

10. **Assignment.** Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party, which shall not be unreasonably withheld; provided, however, in the event that either party transfers substantially all of its assets or stock to a third party, the party may assign its obligations and rights under this Agreement to such third party. Subject to the foregoing, this Agreement will be binding upon and will inure to the benefit of the parties and their respective permitted successors and assigns.

11. **Notices.** Any notice required or permitted to be given under this Agreement must be in writing and shall be deemed effective (a) if given by personal delivery, upon such personal delivery or (b) if given by nationally-recognized courier or mail service (in either case that has real time or near-real time tracking), at the time that the notice is delivered to the receiver's premises according to the tracking records of the courier or mail service. The addresses for notice for each Party are those in the signature block of this Agreement. Either Party may change its address for notice by notice to the other Party.

12. **Waivers.** No waiver shall be effective unless in writing and signed by the party making the waiver. No action taken pursuant to this Agreement, including any investigation by any party hereto shall constitute a waiver of any representation, warranty, covenant, or agreement contained herein or in any ancillary document. The waiver by any party hereto of a breach of this Agreement shall not constitute a waiver of any other breach; no failure, forbearance or delay on the part of the non-defaulting party to exercise any rights or remedies shall operate or be construed as a waiver thereof. Any single or partial exercise by the non-defaulting party of any rights or remedies shall not preclude any other or further exercise of that right or remedy or the exercise of any other rights or remedies. Acceptance by StrataCare of any payments by Licensee, or acceptance by Licensee of services from StrataCare, following the occurrence of an event of default shall not be deemed a waiver of such party's rights and remedies arising from such event of default.

13. **Survival.** The parties' rights and obligations under Sections 1, 2, 4, 5, 6, 7, 8, 12, 13, 14, 15 and 17 shall survive termination of this Agreement.

14. **Severability.** A determination that any provision of this Agreement is invalid in whole or in part shall not affect the enforceability of those provisions found not to be invalid.

15. **Force Majeure.** Neither party will be liable to the other should its Agreement performance be prevented, restricted or interfered with by circumstances or events beyond its reasonable control (a "**Force Majeure Event**"), provided that the affected party uses its best efforts to resume performance promptly at the end of the Force Majeure Event. Upon the occurrence of a condition described above, the affected party shall give written notice to the other party describing the affected area of performance, and the parties shall promptly confer, in good faith, to agree upon equitable, reasonable action to minimize the impact, on both parties, of such condition, including, without limitation, implementing disaster recovery services. StrataCare shall use commercially reasonable efforts to minimize the delay caused by Force Majeure and recommence the provision of the goods, services, and software affected by Force Majeure. In the event that the delay caused by Force Majeure with respect to StrataCare

lasts for a period of more than 10 days or for material parts of more than five days out of any 30-day period (either a “StrataCare Impairment”), the parties shall negotiate an equitable modification to this Agreement with respect to the goods, services, and software affected by the Force Majeure. If the parties are unable to agree upon an equitable modification within five days after the occurrence of a StrataCare Impairment, then Licensee may terminate this Agreement or any part thereof upon notice to StrataCare. Any determination as to whether a cause is beyond StrataCare’s reasonable control will be made according to the standards applicable to sophisticated and established providers of mission-critical ASP services to insurance and healthcare enterprises.

16. **No Third Party Beneficiaries.** Except as otherwise may be expressly provided in this Agreement, the Parties expressly intend that nothing in this Agreement shall be considered to give any person or entity other than the Parties any legal or equitable right, claim or remedy under or in respect of this Agreement or any provision of this Agreement. This Agreement and all of its provisions are for the sole and exclusive benefit of the Parties and their respective heirs, legal representatives, successors and permitted assigns.

17. **Headings.** The headings used in this Agreement are intended for convenience only. They are not a part of the written understanding between the parties. They shall not affect the construction and interpretation of this Agreement.

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RIDER 2
MASTER SERVICES AGREEMENT – STATE REPORTING RIDER

This STATE REPORTING MASTER SERVICES AGREEMENT RIDER (hereinafter “**MSA-SR Rider**”) covers the State Reporting Services that StrataCare will perform for Client as further described herein as part of the Agreement.

ARTICLE 1 - DEFINITIONS/STATE REPORTING SERVICE OFFERINGS

1.1 The capitalized terms used in this MSA-SR Rider have their normal or common meaning, the meaning given them in the Agreement, or the meaning as defined in the text hereof, except that the following terms have the following meanings for the purpose of this MSA-SR Rider.

(a) **Bill Validation.** “Bill Validation” means the process of reviewing Bills contained in any Post Payment File upon Customer’s submission thereof into (“push” to) SRM to ascertain whether such Bills pass initial review of Reportable State’s electronic submission and acceptance criteria and, if not, shall undergo Validation Error Correction.

(b) **Exhibit.** “Exhibit” means an attachment to this MSA-SR Rider for a particular state reporting service, including any schedules or attachments thereto, which contains the product description, pricing, and terms and conditions associated with that specific service.

(c) **Post Payment File.** “Post Payment File” means the electronic data file containing any Bill or Bills that has or have undergone review, re-pricing and for which the Provider shall have been paid or for which Bill re-pricing was recommended.

(d) **Post-Submission Errors.** “Post-Submission Errors” means those Bill errors that were the cause of any state to reject a Bill that is submitted electronically by StrataCare to any state hereunder.

(e) **Post-Submission Error Report.** “Post-Submission Error Report” means the StrataCare-generated report issued to Client weekly or at such other time or times as the Parties may mutually agree reflecting Bills that were submitted to a Reportable State but which were rejected, together with a summary of the errors that caused such rejections.

(f) **Provider** “Provider” means any medical provider, hospital, pharmacy or other provider of medical services in connection with any claim or Bill covered under the workers’ compensation laws of any state or other governing jurisdiction.

(g) **Reporting Period.** “Reporting Period” means the reporting cycle in or during which StrataCare is required hereunder carry out its obligations in reviewing, correcting or assisting the Customer in correcting, and submitting Bills electronically to a Reportable State.

(h) **Reportable State or States.** “Reportable State or States” mean any state that imposes on Customer or Customer’s clients an obligation to file periodic electronic reports or returns with such state that, among other things, summarizes bills reviewed, provider payments, CPT codes, and any other similar information and which Customer has contracted hereunder to have StrataCare submit on Customer’s behalf or on behalf of Customer’s clients.

(i) **State Reporting Module.** “State Reporting Module” or “SRM”, as the case may be means StrataCare’s State Reporting Module™ Software utilized by StrataCare and/or Customer to submit Bills electronically to states requiring state reporting of re-priced and paid workers’ compensation medical provider bills.

(j) **State Reporting Service Fees.** “State Reporting Service Fees” means the state reporting fees payable by Customer as described in the Software License Agreement, Exhibit A.

(k) **State Reporting Services.** “State Reporting Services” or “SRS” means the service performed by StrataCare of reporting workers’ compensation bills re-priced and paid by Customer, Customer’s Affiliates or clients utilizing StrataWare software pursuant to the Software License.

(l) **State Reporting Validation.** “State Reporting Validation” means the automated bill review validation in SRM

performed on Bills sent by Customer in Post Payment Files to determine whether such Bills contain Validation Errors.

(m) **Validation Errors.** “Validation Errors” means those Bill errors identified by SRM upon the receipt of Post Payment Files that require correction to meet a state’s minimum electronic reporting and format standards for acceptance.

(n) **Validation & Post-Submission Error Percentage.** “Validation & Post-Submission Error Percentage” means the relationship (expressed as a percentage) that the sum of Validation Errors plus Post-Submission Errors bears to total Bills submitted by Customer into SRM for any Reportable State in any Reporting Period.

ARTICLE 2 – Performance Commitments – Customer

2.1 Customer authorizes StrataCare to release confidential information necessary for StrataCare to perform the State Reporting Services, and will provide to StrataCare adequate support in verifying the accuracy of data as well as supplying missing information.

Customer will provide to StrataCare correct and accurate data in a timely manner adequate for StrataCare to report Reportable Bills to Reportable States in accordance with this MSA-SR Rider, and subject to the Customer doing so, StrataCare will timely send the state mandated EDI’s for state reporting (including necessary corrections) to the state on or before the due date.

2.2 If required by StrataCare, Customer will provide the Post Payment Files and related data either electronically or in another mutually agreed upon format, to StrataCare within one day of the dates the underlying Bills contained in the Post Payment Files have been paid. The Bills contained in a Post Payment File will be complete and accurate in all material respects, subject to the Bill error thresholds as provided in Section 2.5 to permit StrataCare to review and compile the information in the formats as required by each Reportable State.

2.3 In the event Customer does not submit to StrataCare the Post Payment Files within the proscribed time period, above, then StrataCare’s reporting schedule for submitting such Bills as contained in Section 3.2 shall be extended proportionately, i.e., for each additional day past the one-day Post Payment submission filing due date as contained in Section 2.2, above, StrataCare shall be allowed an additional day within which to perform or assist the Customer in performing Validation Error corrections necessary to submit the Bills to the state. Provided further, that the additional day or days afforded StrataCare hereunder will in no way obligate StrataCare to complete and successfully submit Bills affected by the proscribed state reporting deadline.

2.4 Customer is responsible for submitting to StrataCare Bills that pass or will pass State Reporting Validation. Upon submitting Post Payment Files to SRM, Customer and StrataCare shall jointly review the Validation Errors that StrataCare shall identify and furnish to Customer. Customer is responsible for either correcting the Validation Errors in SRM or, in the alternative, submitting to StrataCare those changes or corrections necessary for StrataCare to correct them. In all cases where Customer requests StrataCare to make Validation Error corrections, Customer shall be and hereby is deemed to have reviewed and approved of such error corrections identified and proposed by either Customer or StrataCare. Customer shall be and hereby is solely responsible for ensuring that any such Validation Error corrections are made to its data as contained in the StrataWare database. Customer hereby expressly acknowledges and understands that changes or corrections that either Customer or StrataCare make to Bill data in SRM for a Bill to pass Bill Validation do not automatically flow from SRM to through to its data in StrataWare. In no case is StrataCare responsible for reconciling Customer’s data existing in SRM with data existing in StrataWare. Time is of the essence with respect to correcting Validation Errors. Customer and StrataCare shall jointly cooperate and complete Validation Error corrections with the proscribed time periods contained in Section 3.2. In the case of any Bill requiring Validation Error correction where Customer does not timely make the necessary error corrections, or does not timely supply to StrataCare the correct or missing information required by StrataCare to make the error corrections, then StrataCare’s obligation to submit the Bills to any such state shall be extended proportionately, i.e., the deadline is extended day-for-day. In such instance, StrataCare shall not be obligated to ensure that any such affected Bill is reported on time to, and accepted by, any State within the proscribed reporting deadlines.

2.5 For StrataCare to fulfill its obligations under this MSA-SR Rider, Customer will ensure that, for any Reportable

State, the Validation & Post-Submission Error Percentage shall in no event exceed 10% in any month. StrataCare shall submit to Customer weekly or at such other time or times as the parties shall agree a report showing the Bills received into SRM and the Validation Error or Errors and Post-Submission Error or Errors for each Bill, if any. In the event that the Validation & Post-Submission Error Percentage exceeds 10% of total Bills submitted into SRM for any Reportable State, then StrataCare's deadline for completing or assisting the Customer in the Completion of Validation Error correction and Post-Submission Error correction as set forth in ARTICLE 3 shall be extended by one (1) additional day for reportable Bills to such state; provided further, that the additional day afforded StrataCare shall in no way obligate StrataCare to complete and successfully submit Bills to such state by the proscribed state reporting deadline.

2.6 Customer will pay to StrataCare the State Reporting Service Fees as contained in Exhibit A within the due date as stated on StrataCare's invoice. StrataCare reserves the right to impose a late fee of 1.5% per month or the maximum amount permitted by applicable law, whichever is lower. StrataCare will invoice Client on a monthly basis. **Customer will be responsible for paying State Reporting Service Fees for any Bill processed in any Reportable State which Customer has selected for StrataCare to report Customer's Bills, regardless of whether the Bill is subject to or required to be reported.**

ARTICLE 3 – StrataCare State Reporting Schedule

3.1 The parties acknowledge and agree that the timelines within which StrataCare shall report Bills to any state in which Customer has engaged StrataCare to report are subject to each state's rules and regulations that may change from time to time. As of the date hereof, the following states have proscribed the following due dates for reporting Bills starting from the date a Bill has been paid to a medical provider:

Texas	30 days
Florida	45 days
Oregon	60 days
California	90 days

3.2 Validation Error Correction and Bill Submissions – In General. Subject to Customer complying with the provisions of Article 3 and including specifically any extension periods provided to StrataCare thereunder, StrataCare shall access and review Customer's Bills in SRM and shall determine the total number of Bills available in SRM to be submitted to each state. StrataCare shall submit all Bills that SRM indicates have passed Validation and are ready for submission to the state(s); provided, however, that the Parties may agree to submit Validated Bills of Customer, any of Customer's Affiliates or clients on a special basis that shall be documented in writing. Those Bills that are contained in SRM and that indicate that they contain Validation Errors shall undergo Bill Validation error correction as described in Section 2.4, and subject to the provisions of Article 2.

3.2(a) Validation Corrections and Submissions to States Requiring Reporting. For all Bills reportable to states that impose a deadline from the Bill paid date, StrataCare shall perform Bill Validation and shall, where necessary, correct Validation Errors or assist Customer in Customer's Validation Error corrections and submit the Bills to the states prior to the imposed deadline for submission

3.2(b) Post-Submission Error Correction and Submissions.

Subject to Customer complying with Article 2 and including specifically any extension periods provided to StrataCare thereunder, StrataCare shall, within a reasonable time of receipt or notification from each state, but in no case longer than three (3) days from such receipt or notification, notify Customer of those Bills submitted to each state and which were rejected. StrataCare shall commence correcting Post-Submission errors and shall complete such process and re-submit such Bills to the state within five (5) days of notification to Customer of the state's rejection.

3.3 Monthly Reports. StrataCare will prepare for Customer monthly, standardized summary reports, the form and content of which will be determined by StrataCare. The monthly reports will include generally total Bills reported, error rates, timeliness of submitted and filed Bills, error details, and such other information as the determined by StrataCare.

termination to the breaching Party, which termination shall be effective immediately.

ARTICLE 4 - MISCELLANEOUS

4.1 In the event of any inconsistency, and only to the extent of such inconsistency, between this MSA-SR Rider, the Agreement, and any Service Level Agreement ("SLA"), the precedence shall be given to:

- (1) first, to this MSA-SR Rider;
- (2) then to the SLA, if any; and
- (3) then, to the Agreement

4.2 This MSA-SR Rider does not render either Party the agent or legal representative of the other Party and does not create a partnership or joint venture between Customer and StrataCare; provided however, that Customer hereby appoints StrataCare as its duly authorized representative to report Customer's Bills to each state covered hereunder. Neither Party has any authority to agree for or bind the other Party in any manner whatsoever. This MSA-SR Rider confers no rights of any kind upon any third party.

4.3 No waiver of any of the provisions of this MSA-SR Rider shall be binding unless it is in writing and signed by both Parties. The failure of either Party to insist on the strict enforcement of any provision of this MSA-SR Rider shall not constitute a waiver of any provision and all terms shall remain in full force and effect.

4.4 No subsequent agreement among the Parties concerning the Services hereunder shall be effective or binding unless it is made in writing and executed by authorized representatives of the Parties. Neither electronic mail nor instant messaging (IM) shall be considered a "writing" sufficient to change, modify, extend or otherwise affect the terms of the Agreement.

4.5 This MSA-SR Rider sets forth the entire understanding of the Parties and supersedes any and all prior or contemporaneous agreements, arrangements or understandings relating to the subject matter hereof, written, oral or otherwise. The Appendices and Exhibits referred to herein are integral parts hereof and are hereby made a part of this MSA-SR Rider.

4.6 If any part of any provision of this MSA-SR Rider or any other agreement, document or writing given pursuant to or in connection with this MSA-SR Rider shall be invalid or unenforceable under applicable law, said part shall be ineffective to the extent of such invalidity only, without in any way affecting the remaining parts of said provision or the remaining provisions of this MSA-SR Rider.

4.7 This MSA-SR Rider is made pursuant to, and shall be construed and enforced in accordance, with the laws of the State of California without regard to its choice of law principles. Any action arising out of or related to this MSA-SR Rider shall be brought in the state or Federal courts located in Orange County, California, and Customer consents to the exclusive jurisdiction and venue of such courts.

4.8 The terms and provisions contained in this MSA-SR Rider that by their sense and context are intended to survive the performance thereof by the Parties shall survive the completion of performance and termination of this MSA-SR Rider, including, without limitation, the making of any and all payments hereunder.

4.9 Headings in this MSA-SR Rider are included for reference only and shall not constitute part of this Agreement for any other purpose.

ACKNOWLEDGED AND AGREED:

City of Torrance, a Municipal Corporation

By: _____
Frank Scotto

Its: Mayor

Date: _____

Attest: _____
Sue Herbers

Its: City Clerk

StrataCare, LLC

By: _____
E. Harry Creasey

Its: President and Chief Operating Officer

Date: _____

APPROVED AS TO FORM:
JOHN L. FELLOW III
City Attorney

By: _____

Date: _____

EXHIBIT A
REPORTABLE STATES

REPORTABLE STATES:

Customer selects the following states as Reportable States during the Term:

All Reporting States

X CA

FL

KS

NE

NM

OR

TN

SCHEDULE 3 TO EXHIBIT D**SUB-CLIENT'S PPO NETWORK SELECTION & PPO SAVINGS FEE**

Sub-Client's selection and ordering of PPOs shall be as follows (to be prepared on a state-by-state basis by sub-client, if applicable), subject to amendment by the parties:

Position	PPO Network	PPO Savings Fee
	Anthem/Blue Cross	24% of PPO Savings
	Interplan; Beech	18% of PPO Savings

For Sub-Client-owned PPO Network relationships, StrataCare will impose an administrative fee of between two percent to four percent of such PPO Network Savings as determined by StrataCare.

Effective Date of Sub-Client Selection: _____

City of Torrance, a Municipal Corporation

By: _____
Frank Scotto

Its: Mayor

Date: _____

Attest: _____
Sue Herbers

Its: City Clerk

StrataCare, LLC

By: _____
E. Harry Creasey

Its: President and Chief Operating Officer

Date: _____

APPROVED AS TO FORM:
JOHN L. FELLOW III
City Attorney

By: _____

Date: _____