

**PRIMARY HOSPITAL AND OUTPATIENT LABORATORY SERVICES
AGREEMENT**

SIXTH AMENDMENT

This Agreement is made this 6 day of JUNE, 2011, by and between the Santa Cruz-Monterey-Merced Managed Medical Care Commission, a public entity organized under the laws of California, doing business as the Central California Alliance for Health, hereinafter referred to as "PLAN", and Natividad Medical Center, a County Hospital, hereinafter referred to as "PROVIDER".

RECITALS:

WHEREAS, PLAN and PROVIDER have previously entered into the Primary Hospital and Outpatient Laboratory Services Agreement ("the Agreement") effective July 1, 2007;

WHEREAS, Section 9.5 of such Agreement provides for amending such Agreement;

WHEREAS, PLAN has been created by its County Boards of Supervisors to negotiate exclusive contracts with the California Department of Health Care Services and to arrange for the provision of Medi-Cal health care services to qualifying individuals in Monterey County and PLAN is a public entity, created pursuant to Welfare and Institutions Code 14087.54 and County Code Chapter 7.58, County Code Chapter 2.45 and County Code Chapter 9.43;

WHEREAS, Natividad Medical Center, an acute care medical center owned and operated by the County of Monterey ("County"), provides hospital services to PLAN enrollees pursuant to the Agreement, under which it is referred to as "Contractor"; and

WHEREAS, PLAN and PROVIDER desire to amend the Agreement to provide for supplemental payments to PLAN as a result of intergovernmental transfers from the County of Monterey to the California Department of Health Care Services ("State DHCS") to maintain the availability of Medi-Cal health care services to Medi-Cal beneficiaries.

NOW, THEREFORE, PLAN and PROVIDER hereby agree as follows:

Exhibit 2 of the Agreement is amended by adding Section D at the end to read as follows:

MANAGED CARE SUPPLEMENTAL PAYMENT

1. Supplemental Payments to PLAN

A. Payment

Should PLAN receive any Medi-Cal managed care capitation rate increases from State DHCS where the nonfederal share is funded by the County of Monterey specifically pursuant to the provisions of the Intergovernmental Agreement Regarding Transfer of Public

Funds ("Intergovernmental Agreement") for the period July 1, 2009 through June 30, 2010 (*i.e.*, Special Medi-Cal Managed Care Rate Increases) ("SMCRI"), PLAN shall pay to PROVIDER the amount of the SMCRI received from State DHCS, in accordance with paragraph E below (*i.e.*, Local Medi-Cal Managed Care Supplemental Payments) ("LMSP"). LMSPs paid to PROVIDER shall not replace or supplant any other amounts paid or payable to PROVIDER by PLAN.

B. Health Plan Retention

(1) Managed Care Organizations (MCO) Tax

The PLAN shall be responsible for any managed care organization ("MCO") tax due pursuant to the Revenue and Taxation Code Section 12201 relating to any SMCRI. If the PLAN receives any capitation rate increases based on the MCO tax attributable to the SMCRI, PLAN may retain an amount equal to the amount of such MCO tax that PLAN is required to pay to the State, and shall pay, as part of the LMSP, the remaining amount of the capitation rate increase to PROVIDER.

(2) PLAN will not retain any other portion of the SMCRI received from the State DHCS other than those mentioned above.

C. Conditions for Receiving Supplemental Payments

As a condition for receiving LMSPs, PROVIDER shall, as of the date the particular supplemental payment is due:

(1) remain a participating provider in the PLAN and not issue a notice of termination of this Agreement;

(2) maintain its current emergency room licensure status and not close its emergency room;

(3) maintain its current inpatient surgery suites and not close these facilities.

D. Schedule and Notice of Transfer of County Funds

(1) PROVIDER shall provide PLAN with a copy of the schedule regarding the transfer of funds to State DHCS, referred to in the Intergovernmental Agreement, within fifteen (15) calendar days of establishing such schedule with the State DHCS. Additionally, PROVIDER shall notify PLAN, in writing, no less than seven (7) calendar days prior to any changes to an existing schedule including, but not limited to, changes in the amounts specified therein.

(2) PROVIDER shall provide PLAN with written notice of the amount and date of the transfer within seven (7) calendar days after funds have been transferred to State DHCS for use as the nonfederal share of any SMCRI.

E. Form and Timing of Payments

PLAN agrees to pay LMSPs to PROVIDER in the following form and according to the following schedule:

(1) PLAN agrees to pay to PROVIDER LMSPs using the same mechanism through which compensation and payments are normally paid to PROVIDER (e.g., electronic transfer).

(2) PLAN will pay to PROVIDER the LMSPs no later than thirty (30) calendar days after receipt of the SMCRIs from State DHCS.

F. Consideration

(1) As consideration for the LMSPs, PROVIDER shall use the LMSPs for the following purposes and shall treat the LMSPs in the following manner:

(a) The LMSPs shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by PROVIDER and shall represent compensation for Medi-Cal services to Medi-Cal PLAN members during the State fiscal year to which the LMSP applies.

(b) To the extent that total payments received by PROVIDER in any State fiscal year under this Agreement exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by PROVIDER during that fiscal year, any remaining LMSP amounts shall be retained by PROVIDER to be expended for health care services. Retained LMSP amounts may be used by the PROVIDER in either the State fiscal year received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the LMSPs are not used by PROVIDER in the State fiscal year received, retention of funds by PROVIDER will be established by demonstrating that the retained earnings account of PROVIDER at the end of any State fiscal year in which it received payments based on LMSPs funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of LMSPs received, but not used. These retained PROVIDER funds may be commingled with other County funds for cash management purposes provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either County or federal matching funds, will be recycled back to the County general fund, the State, or any other intermediary organization.

G. PLAN's Oversight Responsibilities

PLAN's oversight responsibilities regarding PROVIDER's use of the LMSPs shall be limited as described in this Paragraph. PLAN shall request, within thirty (30) calendar days after each State fiscal year in which LMSPs were transferred to PROVIDER, a written confirmation that states whether and how PROVIDER complied with the provisions set forth in Paragraph F above. In each instance, PROVIDER shall provide PLAN with written confirmation of compliance within thirty (30) calendar days of PLAN's request.

H. Cooperation Among Parties

Should disputes or disagreements arise regarding the ultimate computation or appropriateness of any aspect of the LMSPs, PROVIDER and PLAN agree to work together in all respects to support and preserve the LMSPs to the full extent possible on behalf of the safety net in Monterey County.

I. Reconciliation

Within one hundred twenty (120) calendar days after the end of each of PLAN's fiscal years in which LMSPs were made to PROVIDER, PLAN shall perform a reconciliation of the LMSPs transmitted to the PROVIDER during the preceding year to ensure that the supporting amount of SMCRIs were received by PLAN from State DHCS. PROVIDER agrees to return to PLAN any overpayment of LMSPs made to PROVIDER within thirty (30) calendar days after receipt from PLAN of a written notice of the overpayment, unless PROVIDER submits a written objection to PLAN. Any such objection shall be resolved in accordance with the dispute resolution processes set forth in Section 8.1 of the Agreement. The reconciliation processes established under this paragraph are distinct from the indemnification provisions set forth below. PLAN agrees to transmit to the PROVIDER any underpayment of LMSPs within thirty (30) calendar days of PLAN's identification of such underpayment.

J. Indemnification

PROVIDER shall indemnify PLAN in the event that State DHCS, the Department of Health and Human Services or any other federal or state agency recoups, offsets, or otherwise withholds any monies from or fails to provide any monies to PLAN, or PLAN is denied any monies to which it otherwise would have been entitled, as a direct result of the SMCRIs arising from the Intergovernmental Agreement. Recovery by PLAN pursuant to this section shall include, but not be limited to, reduction in future LMSPs paid to PROVIDER in an amount equal to the amount of SMCRI payments withheld or recovered from PLAN, or by reduction of any other amounts owed by PLAN to PROVIDER. This provision shall survive the termination of this Amendment.

2. Term

The term of this Amendment shall commence on July 1, 2009 and shall terminate on October 28, 2012.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

SIGNATURES

HEALTH PLAN: Central California Alliance for Health Date: 6-2-11

By: Title: Chair, [Signature]

PROVIDER: [Signature] Date: 6/6/11

By: Title: Chief Executive Officer [Signature]

NATIVIDAD MEDICAL CENTER