



**AMENDMENT TWO
TO THE
FEE FOR SERVICE HOSPITAL AGREEMENT**

The Fee for Service Hospital Agreement between **Natividad Medical Center**, a California corporation (hereinafter "Hospital") and California Physicians' Service, d.b.a. Blue Shield of California (hereinafter "Blue Shield") originally effective May 1, 2002, and all Amendments thereto (hereinafter collectively "the Agreement"), is hereby amended effective July 15, 2007 as follows:

RECITALS

- A. Whereas Hospital and Blue Shield currently have an Agreement under which Hospital agrees to provide Covered Services to Blue Shield Members; and,
- B. Whereas Hospital submitted a notice of termination dated February 9, 2007 and has now agreed to rescind said termination;
- C. Whereas Agreement includes an "Exhibit C" that sets forth various compensation provisions; and,
- D. Whereas Hospital and Blue Shield have reached agreement on new compensation terms and provisions.

Now therefore, in consideration of the recitals, covenants, conditions and promises contained herein, the parties agree that the Agreement is amended as follows:

Amendment 1 Section 2.10(b) is deleted in its entirety and replaced with the following:

- (b) In the event of an individual or cumulative increase in Hospital's Charge Master during any Agreement Year that exceeds ~~RATES REDACTED~~ (The Charge Master "Modification Allowance"), Blue Shield may adjust any percentage compensation amounts set forth in Exhibit C, in effect on the effective date of the increase, plus any subsequent Exhibit(s) C added to the agreement after the increase, in proportion to the percentage by which the Charge Master has increased. Such adjustment shall be calculated as follows:

$$\begin{aligned}
 & [(1 + \text{Modification Allowance}) / (1 + \text{Actual Charge Master Increase})] \\
 & \quad \times (\text{Current \% of Allowed Charges}) \\
 & \quad = \text{Adjusted \% of Allowed Charges}
 \end{aligned}$$

Amendment 2

Section 10.1, Term, is hereby deleted in its entirety and replaced with:

10.1 Term. When executed by both parties, this Agreement shall become effective as of the Effective Date, and shall continue in effect for one (1) year thereafter, unless earlier terminated as set forth below. Unless either party notifies the other at least one hundred twenty (120) days prior to the expiration of said initial one (1) year term, this Agreement shall continue in effect for additional one (1) year terms until terminated as set forth below.

Amendment 3

Exhibit C is deleted in its entirety and replaced by a new Exhibit C, Compensation Amounts/Payment Schedule, which is attached hereto and incorporated herein by reference. Hospital represents that the financial terms outlined in this Exhibit C do not materially disadvantage Blue Shield when compared with the financial terms in place between Hospital and other commercial payors.

All other conditions and terms of this Agreement shall remain the same. When executed by both parties, these Amendments shall be effective July 15, 2007.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their authorized representatives:

| BLUE SHIELD OF CALIFORNIA | NATIVIDAD MEDICAL CENTER |
|--|---|
| Signature: _____ | Signature: <u>[Handwritten Signature]</u> |
| Print Name: <u>Juan C. Davila</u> | Print Name: <u>Harvey Weiss</u> |
| Title: <u>Vice President, Network Management</u> | Title: <u>CEO</u> |
| Date: _____ | Date: <u>6/29/07</u> |
| | Tax ID #: <u>94-6000524</u> |

Exhibit C
Fee for Service Hospital Agreement
COMPENSATION AMOUNTS/PAYMENT SCHEDULE
Natividad Medical Center
Effective Date: July 15, 2007

I. INPATIENT SERVICES

RATES REDACTED

II. OUTPATIENT SERVICES

RATES REDACTED

III. GENERAL NOTES

Disallowed Charges: Prior to calculating the reimbursement amount, Blue Shield reviews Hospital billed charge invoices to determine which charges are “allowed.” The parties hereto agree, as part of the review process, Blue Shield may disallow the following types of charges:

- Patient comfort/convenience items
- Daily or bundled supply charges
- Incremental nursing special or personnel charges
- Ventilator/respiratory charges in the ICU setting
- Daily or Per Diem equipment fees, collection charges
- Draw Fees, venipuncture fees, collection charges
- Stat charges, after hour charges, “emergency use of” charges
- Portable fees/transportation charges
- Monitoring fees/charges
- Services/supplies considered as included in a global procedure charge(s) (e.g., Incidental Procedures, as set forth in the Provider Manual)
- Set-up charges
- Duplicate charges
- “Miscellaneous” charges/supplies not specifically identified or described
- Stand-by charges

- Late charges, audit re-bill charges, corrected billings submitted after the original claim has been processed or paid for which no documentation is submitted to substantiate them or to identify what has been corrected.