

## 340B CONTRACT PHARMACY SERVICES AGREEMENT

This 340B Contract Pharmacy Services Agreement ("**Agreement**") is made and entered into this 25<sup>th</sup> day of March, 2014 ("**Effective Date**") by and between the County of Monterey, on behalf of the Monterey County Department of Health ("**Covered Entity**") and Walgreen Co. ("**Walgreens**").

### 1. RECITALS

- 1.1. Covered Entity qualifies for and participates in a federal drug discount program established under Section 340B of the Public Health Service Act that requires participating pharmaceutical manufacturers to extend discounted pricing to certain health care providers classified as covered entities;
- 1.2. Covered Entity is authorized: (i) to purchase prescription and non-prescription medications at reduced cost through Section 340B of the Public Health Service Act for outpatients of Covered Entity Locations; and (ii) to contract with a licensed pharmacy to manage and dispense its 340B Drugs;
- 1.3. Covered Entity desires to contract with Walgreens to manage and dispense Covered Entity's 340B Drugs pursuant to Covered Entity's 340B Drug Program; and
- 1.4. Walgreens agrees to manage and dispense Covered Entity's 340B Drugs pursuant to the terms and conditions of this Agreement.
- 1.5. In consideration of the promises, covenants and agreements hereinafter set forth, Covered Entity and Walgreens hereby agree to the following terms and conditions:

### 2. DEFINITIONS

- 2.1. "**340B Drugs**" means prescription outpatient pharmaceutical products prescribed by an authorized medical provider affiliated with Covered Entity, including Legend Drugs. All 340B Drugs shall be subject to the limiting definition of "covered outpatient drug" set forth in Section 1927(k) of the Social Security Act, 42 USC 1396r-8(k)(2) & (3), which is incorporated as the applicable definition for Section 340B of the Public Health Service Act (the "**Act**").
- 2.2. "**340B Drug Program**" means the Covered Entity's program to purchase and either dispense or arrange for the dispensing of 340B Drugs to Eligible Patients in accordance with Section 340B of the Act.
- 2.3. "**ASN**" means the Supplier's advance shipment notice.
- 2.4. "**Average Wholesale Price**" or "**AWP**" means the Average Wholesale Price for each drug product in the database as defined by MediSpan or another nationally recognized source used by Walgreens.
- 2.5. "**Central Inventory Replenishment Site**" or "**CIRS**" means the specific central inventory replenishment sites referenced in Exhibit B. CIRS are not providing any 340B Pharmacy Services but are included in the Agreement as ship-to locations supporting the Retail Pharmacies that provide 340B Pharmacy Services.

2.6. **“Contracted Rate”** means the contracted and/or agreed upon reimbursement rate between Walgreens and the applicable Private Insurer and includes any Eligible Patient co-pay and other amounts that may be due from an Eligible Patient or arise out of the coordination of benefits, as applicable. The Contracted Rate is proprietary and confidential information; therefore, Walgreens will not disclose the Contracted Rate to Covered Entity.

2.7. **“Covered Entity Location(s)”** means those individual Covered Entity Locations listed on the HRSA web-site pursuant to an executed enrollment or registration form which are authorized as Covered Entities to contract with a licensed pharmacy to manage and dispense 340B Drugs.

2.8. **“DHHS”** means the United States Department of Health and Human Services.

2.9. **“Eligible Patient(s)”** means those Covered Entity outpatients who Covered Entity determines are eligible to purchase and/or receive 340B Drugs from Covered Entity Locations, subject to the limiting definition of “Patient” set forth in 61 Federal Register 55156 (1996), as the same may be modified or amended. All Covered Entity patients who are Medicaid beneficiaries and for whom claims for pharmaceuticals are reimbursable by a state fee-for-service Medicaid program are expressly excluded from this definition.

2.10. **“HRSA”** means the Health Resources and Services Administration.

2.11. **“Inventory Replenishment Rate”** means the amount due Walgreens for each 340B Drug dispensed by Walgreens but for which Walgreens does not receive replenishment from the Supplier. The Inventory Replenishment Rate will be determined in accordance with Section 3 of Exhibit A.

2.12. **“Legend Drug(s)”** means those drugs which, by federal law can be dispensed only pursuant to a prescription and which are required to bear the legend “Caution – Federal law prohibits dispensing without prescription.”

2.13. **“Manufacturer”** means any pharmaceutical manufacturer of 340B Drugs purchased by Covered Entity and delivered to Walgreens via Supplier pursuant to the terms of this Agreement.

2.14. **“NDC-11”** means a medication’s unique 11-digit number containing: (i) the labeler code assigned by the Food and Drug Administration; (ii) the product code; and (iii) the package size of the pharmaceutical product.

2.15. **“Non-Eligible 340B Drugs”** means drugs (based upon the NDC-11) that are not a 340B Drug, on the 340B Price File, and/or eligible for the 340B Drug Program.

2.16. **“OPA”** means the Office of Pharmacy Affairs.

2.17. **“POAck”** means the Supplier’s purchase order acknowledgement.

2.18. **“Prescriber List”** means the list of prescribers eligible to write prescriptions for 340B Drugs under the terms of this Agreement and the 340B Drug Program.

2.19. **“Price File”** means the list of 340B Drugs and associated pricing available from the Supplier.

2.20. **“Private Insurer”** means the Managed Medicaid, Medicare, and/or a private third-party insurer responsible: (i) for an Eligible Patient’s prescription coverage; and (ii) to reimburse Walgreens the Contracted Rate for pharmacy services.

2.21. **“Report”** means the report made available by Walgreens to Covered Entity via Walgreens’ online reporting and tracking system that describes activity pertaining to Walgreens’ provision of 340B Pharmacy Services and Inventory Maintenance Services hereunder and includes, at a minimum: (i) Covered Entity’s account number; (ii) a listing of each 340B-priced pharmaceutical ordered by Walgreens; (iii) a description of information contained on each POAck received for each 340B-priced pharmaceutical product ordered by Walgreens; (iv) a description of information contained on each ASN; and (v) a listing of all 340B Drugs actually received by Walgreens. Availability of the Report is conditioned upon Supplier providing EDI data (Electronic Data Interface) to Walgreens during the applicable Report period.

2.22. **“Retail Pharmacy”** means the specific retail pharmacy location(s) referenced in Exhibit B. Walgreens shall provide Covered Entity with written notice of any change in the specific retail pharmacy locations through which Walgreens manages and dispenses medications pursuant to Covered Entity’s 340B Drug Program. The notice shall be accompanied by an updated Exhibit B reflecting such change(s), and shall identify the effective date of the change(s), which shall not be less than thirty (30) days following the issuance of the notice. Unless Covered Entity provides Walgreens with written notice of objection to the change(s) prior to the effective date specified in the notice, the term “Retail Pharmacy” shall be deemed to refer to the pharmacy locations listed on the updated Exhibit B as of that effective date and Covered Entity shall cooperate with Walgreens in posting the revised list of Retail Pharmacies with HRSA. For purposes of clarity, the parties acknowledge and agree that the Retail Pharmacy locations listed in Exhibit B are contract pharmacies for purposes of HRSA’s contract pharmacy guidelines (75 Federal Register 10272 (2010)), and as such they may be utilized to manage and dispense medications pursuant to Covered Entity’s 340B Drug Program.

2.23. **“Section 340B”** means Section 340B of the Act.

2.24. **“Slow Moving Drug”** means a 340B Drug that has been dispensed by Walgreens but because the quantity of 340B Drug dispensed is less than a full package size, Walgreens is unable to order replacement pharmaceutical products from the Supplier within the earlier of: (i) ninety (90) days from the date the 340B Drug was last dispensed by any Retail Pharmacy location; or (ii) one hundred eighty (180) days from the date that the 340B Drug was initially dispensed by any Retail Pharmacy location.

2.25. **“Supplier”** means the pharmaceutical manufacturer, supplier, or drug wholesaler that has entered into a written agreement with Covered Entity to provide 340B Drugs to Walgreens via a ship-to, bill-to arrangement, and also to provide reports, ASNs, POAck and any other information set forth herein.

2.26. **“Tax”** means any sales tax, imposition, assessment, excise tax or other government levied amount based on Walgreens’ retail sales of prescriptions to Covered Entity’s patients either on gross revenues or by transaction, whether such tax is designated a sales tax, gross receipts tax, retail occupation tax, value added tax, health care provider tax, transaction privilege tax, assessment, pharmacy user fee, or charge otherwise titled or styled. It includes any tax in existence or hereafter created whether or not the bearer of the tax is the retailer or consumer.

2.27. **“Usual and Customary Charge”** means the amount charged to a cash customer by the Retail Pharmacy at the time of dispensing for the Non-Eligible 340B Drug prescription exclusive of sales tax or other discounts claimed.

### 3. COVERED ENTITY RESPONSIBILITIES

3.1. **Eligibility Verification.** Covered Entity prescribers on the Prescriber List will provide all Eligible Patients with a valid prescription as required by law which will contain, but not necessarily be limited to, the applicable Covered Entity Location name, address and identification number, the eligible prescriber’s name, the Eligible Patient’s full name, and if applicable, the barcode provided by Walgreens. The prescription must be written or sent to Walgreens by an individual on the Prescriber List who prescribed the pharmaceutical product as a result of seeing the Eligible Patient at a Covered Entity Location. Covered Entity will also provide each Eligible Patient whose prescriptions are not reimbursable by a Private Insurer with a voucher or similar document that sets forth the amount that Walgreens shall collect from the Eligible Patient at the time of dispensing (the prescription and voucher, if applicable, shall be considered the **“Authorization”**). The Authorization will establish eligibility and serve as evidence of Covered Entity’s authorization for Eligible Patients to receive 340B Drugs.

3.2. **Supplier.** Covered Entity acknowledges and agrees that establishing a successful replenishment process with the Supplier is essential to this Agreement and Walgreens’ provision of 340B Pharmacy Services and Inventory Maintenance Services. Covered Entity will use best efforts to establish and maintain a Supplier arrangement agreeable to Walgreens. Concurrent with the Effective Date or as soon as reasonably practicable thereafter, Covered Entity shall provide Walgreens with written notice of the identity of the Supplier. Covered Entity shall not utilize any Supplier to which Walgreens reasonably objects. In the event that at any time during the term of this Agreement Walgreens is unable to successfully place an order with Supplier for replacement 340B Drugs or reasonably believes such orders shall not be replenished by Supplier, Walgreens shall not be obligated to perform its obligations under this Agreement, including its obligations to provide 340B Pharmacy Services or Inventory Maintenance Services (except with respect to any 340B Drugs already dispensed by Walgreens), until such time as Walgreens is able to place a successful order for replenishment.

3.3. **Orders and Payment to Supplier.** Covered Entity shall purchase 340B Drugs through a written contract with Supplier and will ensure that Supplier: (i) bills Covered Entity for such 340B Drugs; and (ii) ships such 340B Drugs to the applicable CIRS or Retail Pharmacy. The parties further agree that:

- 3.3.1. For each 340B Drug dispensed that reaches depletion at a full package size, Walgreens will order from Supplier (on behalf of Covered Entity) replacement 340B Drugs with the same NDC-11 as the 340B Drug dispensed. Covered Entity, through Supplier, will ensure that such replacement 340B Drugs are delivered by Supplier to the applicable Retail Pharmacy or CIRS.
- 3.3.2. Covered Entity shall promptly review the Report and notify Walgreens of any discrepancies between the information contained on the Report and the amount billed to Covered Entity by the Supplier. Upon request from Walgreens, Covered Entity will promptly provide Walgreens with copies of Supplier invoices pertaining to 340B Drugs received by Walgreens.
- 3.3.3. Covered Entity will establish account numbers with Supplier for each Retail Pharmacy and CIRS (or, upon prior written consent from Walgreens, fewer account numbers) and

otherwise ensure that each such location may order and receive deliveries of replenishment 340B Drugs from Supplier.

- 3.3.4. Covered Entity will make timely payments to Supplier in accordance with the terms of Covered Entity's written agreement with Supplier.
- 3.3.5. Covered Entity will hold title to replacement 340B Drugs from the time Supplier fills an order from Walgreens made on behalf of Covered Entity until the time that Walgreens takes delivery of such drugs at the applicable CIRS or Retail Pharmacy, at which time title shall pass to Walgreens.

3.4. Prescriber List and Price File. Covered Entity will provide Walgreens with the Prescriber List on a monthly basis. Walgreens will endeavor to obtain the Price File from Supplier on a monthly basis. Covered Entity acknowledges and agrees that: (i) if for any reason Walgreens is unable to obtain the Price File from Supplier, Covered Entity will provide the Price File to Walgreens upon request from Walgreens; and (ii) Walgreens may rely on all information set forth on any Price File that Walgreens receives from Supplier or any Prescriber List that Walgreens receives from the Covered Entity. Covered Entity will provide Walgreens with an updated Prescriber List and/or Price File ten (10) days in advance of any modifications thereto. In the event that Covered Entity fails to comply with the requirements of this Section 3.4, Walgreens will not retroactively adjust claims except to avoid diversion.

3.5. Changes with Supplier or Program Design. Covered Entity will notify Walgreens at least one hundred twenty (120) calendar days prior to any change in the Supplier used to provide 340B Drugs hereunder and at least sixty (60) calendar days prior to any changes to the amount that Walgreens shall collect at the time of dispensing from each Eligible Patient whose prescription is not reimbursable by a Private Insurer. In the event Covered Entity fails to notify Walgreens of a change in Supplier as required herein: (i) Covered Entity will reimburse Walgreens in accordance with the Usual and Customary Charge for any services or pharmaceuticals provided by Walgreens after the effective date of such change; and (ii) Walgreens will not reverse any claim or make adjustments to its Invoices due to changes in the Supplier except to avoid diversion.

3.6. Patient Choice. Covered Entity will inform Eligible Patients that they are free to choose a pharmacy provider of their choice and, at its discretion, advise Eligible Patients that they may be eligible for a discount on certain prescription drugs at Covered Entity's authorized 340B pharmacy locations.

3.7. Compliance with Laws. Covered Entity agrees to comply with applicable federal and state laws and regulations. Such compliance shall include establishing appropriate control procedures to ensure that only Eligible Patients receive 340B Drugs from Covered Entity's authorized 340B pharmacy locations.

3.8. Product Warranty. Upon request from Walgreens and to the extent it is reasonably able to do so, Covered Entity shall pass through to Walgreens all applicable benefits under any and all manufacturer warranties and indemnification obligations with respect to any merchandise which Walgreens receives to replenish its inventory of 340B Drugs dispensed to Eligible Patients. Covered Entity will use commercially reasonable efforts to ensure that the Supplier obtains from all merchandise manufacturers an assumption of responsibility and the defense and indemnification of Covered Entity and Walgreens in connection with 340B Drugs, the packaging thereof, and any related materials for third party claims made against Covered Entity and Walgreens. In addition, Covered Entity will use commercially reasonable efforts to include a provision in its contract with Supplier wherein Supplier agrees to comply with the applicable rules and regulations as promulgated by the U.S. Food and Drug

Administration, and any other applicable federal, state and local laws and regulations in effect as of the Effective Date of this Agreement or as enacted or adopted during the term hereof, with respect to title and transfers thereof to the merchandise.

3.9. Approvals. Covered Entity represents and warrants that it has received all necessary approvals of its 340B Drug Program and this Agreement from the applicable State Board of Pharmacy and as otherwise required by applicable laws and regulations. Subject to review and approval by County of Monterey's ("County") Counsel, County Risk Manager, and County Auditor-Controller and, where necessary, approval by the Monterey County Board of Supervisors, Covered Entity agrees to execute any documents Walgreens deems reasonably necessary to effectuate the terms of this Agreement, including the provision of 340B Pharmacy Services and Inventory Maintenance Services, consistent with applicable law.

#### 4. WALGREENS' SERVICES AND RESPONSIBILITIES

4.1. 340B Pharmacy Services. Upon receipt of Authorization, Walgreens shall render to Eligible Patients all professional advice and comprehensive pharmacy services customarily provided by it to its patients or as otherwise required by law ("**340B Pharmacy Services**"). Walgreens agrees to render 340B Pharmacy Services as herein provided in accordance with the rules and regulations of the applicable State Board of Pharmacy and all applicable federal laws and regulations. It is expressly understood that relations between an Eligible Patient and Walgreens shall be subject to the rules, limitations, and privileges incident to the pharmacy-patient relationship. Walgreens shall be solely responsible, without interference from Covered Entity or its agents to said Eligible Patient for pharmaceutical advice and service, including the right to refuse to serve any individual where such service would violate pharmacy ethics or any pharmacy laws or regulations.

4.2. Inventory Maintenance Services. Walgreens shall provide the 340B Drug inventory maintenance services set forth herein with respect to Covered Entity ("**Inventory Maintenance Services**"). Each 340B Drug shall be dispensed from a Retail Pharmacy's customarily maintained non-340B-priced inventory at the 340B price and shall be replenished with 340B-priced inventory with the same NDC-11 as the drug dispensed. The Inventory Maintenance Services provided by Walgreens hereunder will include the following:

- 4.2.1. In accordance with Section 3.3 of this Agreement, including sub-parts, for each 340B Drug that reaches depletion at a full package size, Walgreens will order 340B Drugs from the Supplier on behalf of the applicable Covered Entity Location in order to replenish the 340B Drugs dispensed to Eligible Patients by Walgreens.
- 4.2.2. Walgreens shall promptly notify the Covered Entity in the event Walgreens cannot or does not receive 340B Drugs at the NDC-11 level replenishment from the Supplier for a period greater than sixty (60) calendar days from the original date of an order fulfillment attempt by the Supplier ("**Overdue Drug**"). Covered Entity will reimburse Walgreens the Inventory Replenishment Rate for any Overdue Drug dispensed prior to the date of Walgreens' notice. Following notice by Walgreens, Walgreens may block the dispensing of Overdue Drugs and/or require Covered Entity to remove Overdue Drugs from the Price File or discontinue prescribing Overdue Drugs for their 340B Drug Program. In the event a Covered Entity prescriber writes a prescription for an Overdue Drug after the date of Walgreens' notice, Covered Entity acknowledges and agrees such prescription

shall be considered a Non-Eligible 340B Drug and Walgreens may collect the Usual and Customary Charge from the patient.

- 4.2.3. Following notice by Walgreens, Walgreens may block the dispensing of any 340B Drugs on the Price File that Walgreens determines it is unable to manage and dispense due to logistical and/or operational constraints (“**Blocked Drug**”). In addition, Walgreens may require Covered Entity to remove Blocked Drugs from the Price File or discontinue prescribing such drugs for their 340B Drug Program. Covered Entity acknowledges that any 340B Drugs dispensed prior to becoming a Blocked Drug shall be subject to the Slow Moving Drug replenishment process. In the event a Covered Entity prescriber writes a prescription for a Blocked Drug after the date of Walgreens’ notice, Covered Entity acknowledges and agrees such prescription shall be considered a Non-Eligible 340B Drug and Walgreens may collect the Usual and Customary Charge from the patient.
- 4.2.4. Covered Entity will reimburse Walgreens the Inventory Replenishment Rate for Slow Moving Drugs.

4.3. Tracking System. Walgreens will maintain an electronic tracking system that is capable of tracking 340B Drugs received from the Supplier, preventing the diversion of 340B Drugs to individuals who are not Eligible Patients and verifying that such diversion has not occurred. The tracking system shall be able to provide comparisons of Eligible Patient prescriptions and dispensing records and a comparison of 340B Drug purchasing and dispensing records. Upon reasonable request by Covered Entity and no more than once annually, Walgreens will permit Covered Entity or its duly authorized representative, in accordance with Section 6.4, to have reasonable access to the tracking system in order to review the efficacy of such tracking system. Covered Entity acknowledges and agrees that any such review shall be limited to Walgreens’ Records (as defined in Section 6.3). Walgreens will reasonably cooperate with Covered Entity to address any potential irregularities detected and will make adjustments to the tracking system that are reasonably necessary to prevent diversion of 340B Drugs to individuals who are not Eligible Patients.

4.4. Withholding of Walgreens Services. Notwithstanding any provision to the contrary, Covered Entity acknowledges and agrees that Walgreens may withhold dispensing of a 340B Drug to an Eligible Patient for good cause, including but not necessarily limited to, the Eligible Patient’s failure to pay for services rendered (e.g., patient payment responsibility amounts); requests by Eligible Patient for quantities of drugs in excess of prescribed quantities or refill limitations; or where, in the professional judgment of the dispensing pharmacist, the prescription should not be filled.

4.5. Reconciliation. Walgreens will conduct a monthly reconciliation of 340B Drugs dispensed against those 340B Drugs received by Walgreens (“**Reconciliation**”). Reconciliation shall only apply with respect to pharmaceuticals that have reached full package size and for which Walgreens has or should have received replenishment from the Supplier. Reconciliation shall include the following:

- 4.5.1. *Excess Replenishment:* In the event Walgreens determines that the quantity of 340B Drugs provided to Walgreens exceeds the quantity of 340B Drugs dispensed to Eligible Patients hereunder, Walgreens will either: (i) adjust the virtual inventory so that such excess is applied against future 340B Drug prescriptions dispensed hereunder; or (ii) reimburse Covered Entity for such drugs in accordance with the 340B Drug price as set forth on the Price File and if Walgreens determines that the 340B Drug price as set forth on the Price File is less than the amount the Supplier would charge Walgreens for the

same NDC-11 at non-340B Drug Program rates, Walgreens will also reimburse the Supplier the difference between such amounts.

- 4.5.2. *Deficient Replenishment*: In the event Walgreens determines that the quantity of 340B Drugs provided to Walgreens is less than the quantity of 340B Drugs dispensed to Eligible Patients hereunder, Walgreens will notify Covered Entity and Covered Entity will instruct the Supplier to provide 340B Drugs to Walgreens. If, for whatever reason, the Supplier is unable to provide 340B Drugs with the same NDC-11 as the 340B Drug ordered hereunder, Covered Entity will reimburse Walgreens for said drugs at the Inventory Replenishment Rate.
- 4.5.3. *340B Drugs Dispensed to non-Eligible Patient Without a Private Insurer*: In the event Walgreens determines 340B Drugs have been dispensed to non-Eligible Patients without a Private Insurer, Walgreens will either: (i) adjust the virtual inventory so that such excess is applied against future 340B Drug prescriptions dispensed hereunder; or (ii) reimburse Supplier the difference between the 340B Drug price as set forth on the Price File and the amount the Supplier would charge Walgreens for the same NDC-11 at non-340B Drug Program rates. Such pharmaceutical shall be considered a Non-Eligible 340B Drug and Covered Entity shall reimburse Walgreens the difference between the Usual and Customary Charge and any amounts Walgreens has already received with respect to such Non-Eligible 340B Drug.
- 4.5.4. *340B Drugs Dispensed to non-Eligible Patient with a Private Insurer*: In the event Walgreens determines 340B Drugs have been dispensed to non-Eligible Patients with a Private Insurer, Walgreens will either: (i) adjust the virtual inventory so that such excess is applied against future 340B Drug prescriptions dispensed hereunder; or (ii) reimburse Supplier the difference between the 340B Drug price as set forth on the Price File and the amount the Supplier would charge Walgreens for the same NDC-11 at non-340B Drug Program rates. Covered Entity shall receive no amounts arising out of the Contracted Rate and to the extent Covered Entity previously received any such amounts or credits for such drug, Covered Entity shall immediately remit such amounts or forfeit such credits to Walgreens.

4.6. Insurance. Walgreens will self-insure or maintain at its sole expense, insurance for general and professional liability in amounts consistent with the amounts set forth in the documents attached hereto as Exhibit C, and such other insurance as may be necessary to insure Walgreens, its employees, and agents against any claim or claims for damages arising directly or indirectly in connection with Walgreens' negligent performance of any services under this Agreement, and the use of any property or facilities provided by Walgreens. Walgreens' insurance information is available at [www.walgreens.com/insurance](http://www.walgreens.com/insurance). During the course of this Agreement and upon the reasonable request of Covered Entity, Walgreens shall provide Covered Entity with updated written verification of insurance coverage. The verification of coverage shall be sent to the County of Monterey Contracts/Purchasing Department, 168 W. Alisal Street, 3<sup>rd</sup> Floor, Salinas, CA 93901-2439 (telephone 831-7990).

## 5. REIMBURSEMENT AND BILLING

5.1. Invoice for Services. Walgreens will invoice Covered Entity on a monthly basis for all amounts arising under this Agreement during the previous calendar month ("**Invoice**"). The Invoice will detail: (i) the number of prescriptions dispensed hereunder; (ii) any amounts due Walgreens including any and all fees, costs, charges, or reimbursement amounts, including but not necessarily limited to any amount arising out of the Tax, changes in the Supplier, Overdue Drugs, Slow Moving Drugs, 340B Pharmacy



Services, Inventory Management Services and a Reconciliation (“**Walgreens Balance**”); and (iii) any amounts due Covered Entity arising out of a Reconciliation or Sections 1 and 2 of Exhibit A, if applicable (“**Covered Entity Balance**”). The Invoice will be made available to Covered Entity via the online reporting tool. If the Covered Entity Balance is less than the Walgreens Balance, Walgreens will also send a hard copy of the Invoice to Covered Entity at the address set forth in Section 8.11 of this Agreement.

5.2. Monthly Payments.

5.2.1 If the Walgreens Balance is less than the Covered Entity Balance, Walgreens shall pay Covered Entity the difference between such amounts within thirty (30) calendar days from the Invoice date. Walgreens’ payment to Covered Entity shall be made via electronic funds transfer or to the location set forth in Section 8.11 of this Agreement.

5.2.2 If the Covered Entity Balance is less than the Walgreens Balance, Covered Entity shall (i) certify the applicable Invoice in the amount equal to the difference between the Covered Entity Balance and the Walgreens Balance, and submit such Invoice within fifteen (15) days of the Invoice date to the County of Monterey Auditor-Controller for payment; and (ii) pay Walgreens the difference between the Covered Entity Balance and the Walgreens Balance within forty five (45) calendar days from receipt of the certified Invoice by the County Auditor-Controller. Covered Entity’s payment to Walgreens shall be made to the following location: Walgreen Co., P.O. Box 90480, Chicago, IL 60696-0480.

5.3. Payment. Covered Entity is solely responsible for all payments required herein and shall at no time withhold payment due Walgreens, nor pay an amount less than that billed by Walgreens on an Invoice, provided that in the event that Covered Entity in good faith disputes an amount billed by Walgreens on an Invoice, Covered Entity will pay Walgreens all undisputed amounts due in accordance with the terms of this Agreement and the parties will attempt to resolve the disputed amount pursuant to the terms of Section 8.5 of this Agreement.

5.4. Payment for Private Insurer Coverage. For those Eligible Patients whose prescriptions are reimbursable by a Private Insurer, Walgreens is responsible to process and bill such Private Insurer at the existing Contracted Rates.

5.5. Over/Underpayments. In the event Covered Entity believes that it has made an overpayment, Covered Entity shall immediately notify Walgreens and provide a complete explanation thereof with specific details and documentation to support any claim of overpayment. Upon review and acceptance by Walgreens of such overpayment, Walgreens will pay Covered Entity an amount equal to the overpaid amount within thirty (30) calendar days of Walgreens’ written acceptance of such overpayment. If Walgreens believes that Covered Entity made any underpayments to Walgreens, Walgreens shall immediately notify Covered Entity and provide a complete explanation thereof with specific details and documentation to support any claim of underpayment. Upon review and acceptance by Covered Entity of such underpayment, Covered Entity will pay Walgreens an amount equal to the underpaid amount within thirty (30) calendar days of Covered Entity’s written acceptance of such underpayment. Except for verified amounts arising out of any audit or Reconciliation permitted by this Agreement, or as otherwise required by law, all claims of overpayment or underpayment must be made within one hundred eighty (180) calendar days after payment is due.

## 6. AUDITS AND RECORDS

6.1. Audit by DHHS or Manufacturer. Both parties understand that, under Section 340B(a)(5)(C) of the Act, records that directly pertain to compliance with the Act are subject to audit by Manufacturer and the DHHS. The parties further understand that DHHS has published guidelines for such audits. Each party agrees to cooperate with such audits and to comply with applicable provisions of the audit guidelines and amendments thereto that may be published from time to time. Walgreens and Covered Entity understand and agree that a copy of this Agreement will be provided, upon request, to Manufacturer; provided that Manufacturer has signed a purchasing agreement with DHHS. The parties further agree that in the event either party hereto receives such a request, (i) it shall immediately inform the other party; and (ii) any response to such a request shall be subject to Section 8.3 (Confidentiality) of this Agreement.

6.2. Covered Entity Records. Covered Entity shall maintain customary records relating to its responsibilities under this Agreement, including but not limited to eligibility records for patients and payment information regarding the services provided by Walgreens hereunder, for the periods required by law and shall make such records available to Walgreens.

6.3. Walgreens Records. Walgreens shall maintain customary business and pharmacy records relating to its responsibilities under this Agreement, including without limitation prescription dispensing records regarding Eligible Patients, payments received from Eligible Patients and Covered Entity, and 340B Drug ordering, receiving, and dispensing information ("**Walgreens Records**") in an accessible and auditable form, separate from the records of Walgreens' other operations, and in full compliance with all applicable state and federal laws, rules and regulations. Walgreens Records shall be maintained by Walgreens for such period as is required by applicable law. Notwithstanding the foregoing, unless otherwise provided for elsewhere in this Agreement or required by federal and state laws and regulations, Walgreens Records shall not include Walgreens' usual and customary pricing data, any other financial and administrative records not related to Walgreens responsibilities under this Agreement, or any proprietary or confidential information related to Private Insurers.

6.4. Covered Entity Audits. During normal working hours and upon fifteen (15) business days advance written notice to the address set forth in Section 8.11, below, Walgreens shall permit Covered Entity access to review Walgreens Records in order to confirm that no diversion of 340B Drugs to non-Eligible Patients and no duplicate discounts have occurred ("**Audit**") and also the right to make photocopies of Walgreens Records. Walgreens acknowledges that Covered Entity may contract with an independent outside auditor with experience auditing pharmacies to conduct the Audit. Covered Entity shall provide Walgreens with advance notice of the identity of any such independent outside auditor and shall not utilize any such auditor to which Walgreens has reasonable objection. Covered Entity shall conduct no more than one Audit per calendar year. The parties acknowledge and agree that in no event shall Audit findings or conclusions be based upon either statistical sampling or extrapolation. Nothing in this paragraph shall be construed to prevent or limit: (i) an audit originated by Manufacturer, DHHS, HRSA, or as otherwise required by law; or (ii) review of the Report by Covered Entity.

6.5. Compliance Violations. In the event that Covered Entity determines that 340B Drug diversion or duplicate discounts have occurred or that it is otherwise unable to comply with its responsibility to ensure compliance with the 340B Drug Program, then it must take immediate remedial action to assure compliance and notify OPA regarding such compliance problems and actions taken to remedy those problems.

## 7. TERM AND TERMINATION

7.1. Term. The term of this Agreement shall commence on the Effective Date and shall continue in effect for a five (5)-year period thereafter, unless terminated earlier as provided herein.

7.2. Implementation of this Agreement. Covered Entity and Walgreens acknowledge and agree that Walgreens' obligation to provide services hereunder, including but not limited to 340B Pharmacy Services and Inventory Maintenance Services, will commence upon the mutual written agreement of the parties following the Effective Date ("**Implementation Date**"). The parties further agree that 340B claims will not be processed retroactively, i.e., 340B claims will not be processed for the period between the Effective Date and the Implementation Date.

7.3. Termination. Either party may immediately terminate this Agreement at any time upon written notice to the other party in the event any of the following occurs:

- 7.3.1. The omission or the commission by the other party of any act or conduct for which its authority to provide services may be revoked or suspended by any governmental or administrative body (whether or not such suspension or revocation actually occurs);
- 7.3.2. The other party becomes insolvent or bankrupt;
- 7.3.3. It is determined by the terminating party that the other party lacks any federal, state, or local license, permit, or approval, including, without limitation, certificate of need approval required for the services and operations contemplated by this Agreement or that such services and operations or the arrangements set forth in this Agreement may be inconsistent with, or subject a party to, potential negative consequences under any provision of federal or state law regulating the services contemplated by this Agreement or the arrangements between the parties as set forth herein; or
- 7.3.4. There is a material breach of the Agreement by the other party, which includes, but is not limited to, non-payment by Covered Entity of any required fees and/or reimbursement amounts within the time frames set forth in this Agreement.

7.4. Termination without Cause. Notwithstanding any provision to the contrary, either party may terminate this Agreement at any time and without cause upon thirty (30) calendar days' prior written notice to the other party.

7.5. Effect of Termination. Upon termination of this Agreement, Walgreens will provide Covered Entity with an invoice detailing those drugs dispensed under the 340B Drug Program which have not been replenished. Covered Entity will (i) reimburse Walgreens for those pharmaceutical products at the Inventory Replenishment Rates; (ii) certify and submit such invoice for payment to the County of Monterey Auditor-Controller within fifteen (15) days of the invoice date; and (iii) reimburse Walgreens within forty five (45) days of receipt of the certified Invoice by the County Auditor-Controller. Each party will reimburse the other party any amounts due upon termination of this Agreement. Termination will have no effect upon the rights or obligations of the parties arising out of any transactions occurring prior to the effective date of such termination.

## 8. GENERAL PROVISIONS

8.1. Advertising. Neither party may advertise or use any trademarks, service marks, or symbols of the other party without first receiving the written consent of the party owning the mark and/or symbol with the following exceptions: (i) Covered Entity may use the name and the addresses of Walgreens in Covered Entity's informational brochures or other publications Covered Entity provides to its patients or potential patients; and (ii) Walgreens may use Covered Entity's name to inform patients and the general public that Walgreens is a pharmacy contracted for the dispensing of 340B Drugs to Eligible Patients. Any other reference to Walgreens in any Covered Entity materials must be pre-approved, in writing, by Walgreens.

8.2. Assignment. Walgreens may assign this Agreement to any direct or indirect parent, subsidiary or affiliated company or to a successor company, subject to notification to Covered Entity within thirty (30) days of such action. Any permitted assignee will assume all obligations of Walgreens under this Agreement. No assignment will relieve Walgreens of responsibility for the performance of any obligations which have already occurred. This Agreement will inure to the benefit of and be binding upon Walgreens, its respective successors and permitted assignees. Covered Entity may not assign this Agreement without the prior written consent of Walgreens.

8.3. Confidentiality. To the extent not prohibited by applicable laws and regulations, including but not limited to, the California Public Records Act ("CPRA"), the parties agree to protect the confidentiality of each other's records and business information disclosed to it and not to use such information other than as necessary and appropriate in connection with performance of this Agreement. Except as otherwise required by the CPRA, each party acknowledges that disclosure of confidential information of the other would cause the other party irreparable harm and may, without limiting the remedies available for such breach, be enjoined at the instance of the harmed party. Upon termination of the Agreement, each party agrees to cease use of the other's information and to return it, or destroy it, as appropriate. The parties further agree that the negotiations of the terms of this Agreement are confidential. The parties acknowledge that this entire Agreement may be subject to disclosure under the CPRA. In the event Covered Entity receives a CPRA or third party request involving a record or business information that Walgreens has marked as trade secret, confidential and/or proprietary, it shall promptly inform Walgreens and agrees that Walgreens may, in its sole discretion and at its expense, resist disclosure of such information. Nothing in this paragraph shall be construed to prevent either party from providing a copy of this Agreement to Manufacturer or DHHS upon their request.

8.4. Delegation. Walgreens may delegate or subcontract the performance of any obligation agreed to be performed by Walgreens hereunder to a related entity, contractor, or subcontractor, provided that as a condition precedent to such delegation or subcontract, all services or other activities performed by such, contractor or subcontractor shall be consistent with and comply with Walgreens' obligations under this Agreement.

8.5. Dispute Resolution. The parties shall attempt to resolve any dispute or claim arising out of the interpretation of or performance under this Agreement through informal discussions. When a dispute arises, either party may submit a written complaint to the other party describing and proposing the manner of resolving that dispute. The party receiving that complaint shall respond by accepting, rejecting, or modifying that proposal, in writing, within thirty (30) calendar days upon receipt of such complaint. If the claim or dispute cannot be resolved through informal discussions, the claimant may

bring a legal action in a court of competent jurisdiction to adjudicate its claim or to enforce or interpret any part of this Agreement.

8.6. Enforceability. If any term or provision of this Agreement is held to be invalid, illegal, or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances, other than those to which it is held invalid or unenforceable, will not be affected or impaired thereby.

8.7. Entire Agreement. This Agreement represents the entire understanding of the parties. Each party hereto warrants and represents that there are no other agreements or understandings between the parties, either oral or written, relating to the subject matter of this Agreement. Any amendments and/or modifications to this Agreement shall be in writing and will become effective and binding upon execution by authorized representatives of the parties hereto.

8.8. Force Majeure. The performance by either party hereunder will be excused to the extent of circumstances beyond such party's reasonable control, such as flood, tornado, earthquake, or other natural disaster, epidemic, war, material destruction of facilities, fire, acts of God, etc. In such event, the parties will use their best efforts to resume performance as soon as reasonably possible under the circumstances giving rise to the party's failure to perform.

8.9. Indemnification. Each party shall indemnify, defend, and hold harmless the other party from and against all third party claims, damages, causes of action, costs or expense, including court costs and reasonable attorneys' fees, which may arise as a result of the indemnifying party's negligent performance of or failure to perform, any term or condition of this Agreement. The obligation to indemnify shall survive termination of this Agreement regardless of the reason for termination.

8.10. Independent Contractor. None of the provisions of this Agreement are intended to create, nor shall they be deemed or construed to create, any relationship between the parties hereto other than that of independent entities contracting solely for the purposes of effecting the provisions of this Agreement. Neither of the parties shall be construed to be the partner, co-venturer, or employee or representative of the other party.

8.11. Notice. Any notice required or given under this Agreement shall be provided in writing sent by U. S. certified mail, return receipt requested, postage prepaid, or by overnight delivery service providing proof of receipt, to the addresses of the parties as set forth below:

COUNTY OF MONTEREY, ON BEHALF OF THE  
MONTEREY COUNTY DEPARTMENT OF  
HEALTH  
1615 BUNKER HILL WAY, SUITE 100  
SALINAS, CA 93906  
ATTN: JULIE EDGCOMB

WALGREEN CO.  
104 WILMOT ROAD, MS-1446  
DEERFIELD, IL 60015  
ATTN: 340B LEGAL (KATHLEEN DEE DEVEAU)

AND SEND VIA EMAIL TO:  
HealthLawLegalNotices@Walgreens.com

Each party may designate by notice any future or different addresses to which notices will be sent. Notices will be deemed delivered upon receipt or upon refusal to accept delivery.

8.12. Patient Privacy and HIPAA Compliance. The parties recognize that each may be a healthcare provider and a covered entity within the meaning of the federal Health Insurance Portability and Accountability Act (“HIPAA”). The parties agree to protect and respect the patient’s right to privacy and confidentiality concerning their medical and pharmaceutical records, and to protect all individually identifiable health information as protected health information from misuse or disclosure, in compliance with all applicable state and federal law. Without limiting the generality of the foregoing, the parties agree to use patient-specific information: (i) only for permitted treatment, billing and related record-keeping purposes; or (ii) as otherwise permitted by law. In the event that any patient information created, maintained or transmitted in connection with this Agreement is to be transmitted electronically, the parties agree that they shall comply in all respects with the requirements of HIPAA governing electronic transmission of individually identifiable patient information. Failure by either party to abide by these requirements shall be a basis for immediate termination of this Agreement.

8.13. Regulatory Compliance. Covered Entity and Walgreens mutually acknowledge that their intent in entering into this Agreement is solely to facilitate Covered Entity’s 340B Drug Program, without Covered Entity having to establish and operate its own pharmacy. The services provided hereunder are only those necessary in order to fulfill this intent, and all financial arrangements established herein are mutually determined to represent either cost or fair market value for the items and services received. The parties expressly do not intend to take any action that would violate state or federal anti-kickback prohibitions, such as those appearing in Section 1128B of the Social Security Act, 42 USC Section 1320a-7b. Instead, it is the intention of the parties that this Agreement, and all actions taken in connection herewith, shall to the greatest extent possible be construed to be consistent with the regulatory requirements of the safe harbor for personal services and management contracts appearing in 42 CFR Section 1001.952(d) or health centers appearing in 42 CFR Section 1001.952(w). Both parties agree that they will neither knowingly resell nor transfer a 340B Drug to an individual who is not an Eligible Patient nor will they dispense 340B Drugs to any person whose prescription is reimbursable by a State Medicaid Agency.

8.14. Signature Authority. Each party to this Agreement warrants that it has full power and authority to enter into this Agreement and that the person signing this Agreement on behalf of either party warrants that he or she has been duly authorized and empowered to enter into this Agreement.

8.15. Waiver. The waiver by either party of a breach or violation of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach thereof.

8.16. Governing Law. Unless otherwise specifically provided herein or mandated by applicable federal laws and regulations, this Agreement shall be governed by and construed in accordance with the laws of the State of California, excluding its conflict of law provisions.

**[Signature Page Follows Immediately]**

**Exhibit A  
Fee Schedule**

1. Self-Pay Patients. For those Eligible Patients whose prescriptions are not reimbursable by a Private Insurer, Walgreens shall collect from the Eligible Patient the following amounts:

- 1.1 \$0.50 administrative fee for the Inventory Maintenance Services ("**Self-Pay Administrative Fee**");
- 1.2 \$13.00 dispensing fee for the 340B Pharmacy Services ("**Self-Pay Dispensing Fee**"); and
- 1.3 The price for the 340B Drug as set forth in the Price File ("**Drug Price**").

Walgreens shall be entitled to retain an amount equal to the Self-Pay Administrative Fee and the Self-Pay Dispensing Fee. Upon determination by Walgreens that Covered Entity is otherwise current in its payment obligations to Walgreens, Walgreens shall, in accordance with Article 5, remit to Covered Entity the Drug Price. Notwithstanding the foregoing, if at the time of dispensing Walgreens determines the Usual and Customary Charge is equal to or less than the total of the Self-Pay Administrative Fee, Self-Pay Dispensing Fee and Drug Price, such drug shall be considered a Non-Eligible 340B Drug and Walgreens shall charge the Usual and Customary Charge.

2. Private Insurer Patients. For those Eligible Patients whose prescriptions are reimbursable by a Private Insurer, Walgreens will process and bill the Eligible Patient's Private Insurer for the Contracted Rate provided to the Retail Pharmacy at the time of dispensing. Subject to the provisions that follow, Walgreens shall be entitled to retain up to 13% of the Contracted Rate for the Inventory Maintenance Services and such billing services ("**Private Insurer Administrative Fee**") and a \$13.00 dispensing fee for the 340B Pharmacy Services ("**Private Insurer Dispensing Fee**"). Upon determination by Walgreens that it has received the Contracted Rate for the Eligible Patient's prescription and provided that: (i) Covered Entity is current in its payment obligations to Walgreens; and (ii) the Contracted Rate exceeds the sum of Private Insurer Dispensing Fee, the Private Insurer Administrative Fee and the Drug Price; Walgreens will retain an amount equal to the sum of the Private Insurer Dispensing Fee and the Private Insurer Administrative Fee (such sum the "**Private Insurer Fee**") and, in accordance with Article 5, remit to Covered Entity the difference between the Private Insurer Fee and the Contracted Rate. If the difference between the Contracted Rate and the Private Insurer Fee is less than or equal to the Drug Price, Walgreens agrees to accept and retain the Contracted Rate as payment in full and there will be no further adjustment between the parties.

3. Inventory Replenishment Rate. The Inventory Replenishment Rate shall be the following:

- 3.1 *Brand Name Drugs*: the Average Wholesale Price of the dispensed pharmaceutical product minus 16.65%.
- 3.2 *Generic Drugs*: the Average Wholesale Price of the dispensed pharmaceutical product minus 70%.

4. Annual Price Adjustment. On the one year anniversary date of the Effective Date and annually thereafter, the parties agree the Self-Pay Administrative Fee, Self-Pay Dispensing Fee, Private Insurer Administrative Fee, and Private Insurer Dispensing Fee shall each be increased in an amount equal to the then current Consumer Price Index for All Urban Consumers as reported by the U.S. Department of Labor, Bureau of Statistics for the region where Covered Entity is located, All Items.

**Exhibit B**  
**Retail Pharmacy Locations and**  
**Central Inventory Replenishment Sites**

**1. Retail Pharmacy Locations**

<b>LOCATION</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>
3446	575 N SANBORN RD	SALINAS	CA	93905
2867	1055 FREMONT BLVD	SEASIDE	CA	93955
2606	1532 N MAIN ST	SALINAS	CA	93906
4997	226 RESERVATION RD	MARINA	CA	93933
7081	416 ALVARADO ST	MONTEREY	CA	93940

**2. Central Inventory Replenishment Sites**

<b>LOCATION</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>
3397	8350 S RIVER PARKWAY	TEMPE	AZ	85284
2445	8337 S PARK CIRCLE	ORLANDO	FL	32819



Exhibit C  
Insurance



DATE: July 1, 2012 and continuous until cancelled

FROM: Walgreens, its Affiliates, and Subsidiaries

TO: To Whom It May Concern

RE: **LIABILITY SELF-INSURANCE**

This letter is being provided in lieu of a certificate of insurance.

Walgreens and its subsidiaries maintains a comprehensive program of commercial insurance above significant self-insured retentions. Many of our signed contracts, leases, and/or other agreements allow us the option to meet our liability insurance requirements by self-insuring rather than purchasing insurance in the commercial insurance market. This allows us to invest our premium dollars, enhancing shareholder value, while maintaining the ability to respond to our financial obligations on our own rather than through an insurance company.

Our obligations to the business partners with whom we have contracted remain unchanged as if insurance is in place. Walgreens' Vendors, Clients, Customers, Owners, Landlords, Landlords Agent(s), Landlords Lender(s), Ground Lessor(s), and any other party who requires it, per the terms of a signed contract, lease, and/or agreement, are treated as Additional Insureds and when applicable, Loss Payee, as their interests may apply. A Waiver of Subrogation also applies, where applicable.

**Walgreens will not issue individualized evidence of insurance.** The information posted on our website meets our obligations to provide insurance information under the terms of our contracts.

PLEASE NOTE THAT THE TERMS OF OUR SIGNED CONTRACTS DETERMINE OUR FINANCIAL OBLIGATIONS TO COUNTERPARTIES WHETHER INSURANCE IS IN FORCE OR NOT.

Please forward this letter to any party that may require the information as part of a signed contract, lease, and/or agreement with Walgreens.

Sincerely,

**Walgreens**  
**Insurance & Risk Management Department**

MEMORANDUM OF LIABILITY INSURANCE				Current as of: July 01, 2013	
<b>PRODUCER</b>  HARSF USA INC 540 W. MADISON CHICAGO, ILLINOIS 60663 UNITED STATES OF AMERICA		THIS MEMORANDUM IS ISSUED AS A MATTER OF INFORMATION ONLY TO AUTHORIZED VIEWERS FOR THEIR INTERNAL USE ONLY AND CONFERS NO RIGHTS UPON ANY VIEWER OF THIS MEMORANDUM OTHER THAN THOSE PROVIDED FOR IN THE POLICY. THIS MEMORANDUM DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE DESCRIBED BELOW. THIS MEMORANDUM MAY ONLY BE COPIED, PRINTED AND DISTRIBUTED WITHIN AN AUTHORIZED VIEWER AND MAY ONLY BE USED AND VIEWED BY AN AUTHORIZED VIEWER FOR ITS INTERNAL USE. ANY OTHER USE, DUPLICATION OR DISTRIBUTION OF THIS MEMORANDUM WITHOUT PRIOR WRITTEN CONSENT IS PROHIBITED.			
<b>INSURED</b>  WALGREENS CO. AND SUBSIDIARIES 300 WENHOL RD., MS #3108 DEERFIELD, ILLINOIS 60015-5223 UNITED STATES OF AMERICA		<b>COMPANIES AFFORDING COVERAGE</b>		<b>NAIC #</b>	
		COMPANY A	ZURICH AMERICAN INSURANCE COMPANY	36635	
		COMPANY B	NATIONAL UNION FIRE INS. CO. OF PITTSB PA	30449	
		COMPANY C	AMERICAN ZURICH INSURANCE COMPANY	40142	
		COMPANY D	SELF INSURANCE		
<b>COVERAGES</b> THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS MEMORANDUM MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.					
COMPANY LETTER	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE	POLICY EXPIRATION DATE	LIMITS (OTHER THAN USED UNLESS OTHERWISE INDICATED)
A	<input checked="" type="checkbox"/> GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Blanket Additional Insured <input checked="" type="checkbox"/> Per Policy <input checked="" type="checkbox"/> Blanket Contractual Liability <input checked="" type="checkbox"/> Liquor Liability	GLO 9310081 10 GLO 9310184 10 (Puerto Rico)	7/1/2013 7/1/2013	7/1/2014 7/1/2014	GENERAL AGGREGATE \$ 5,000,000 PERSONAL & ADV INJURY \$ 4,000,000 EACH OCCURRENCE \$ 4,000,000 FIRE DAMAGE (Any One Fire) \$ 500,000 MED EXP (Any One Person) \$ 0
A	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS	BAP 9310086 10 BAP 9310089 10 (Puerto Rico)	7/1/2013 7/1/2013	7/1/2014 7/1/2014	COMBINED SINGLE LIMIT \$ 5,000,000 BODILY INJURY (Per Person) \$ BODILY INJURY (Per Accident) \$ PROPERTY DAMAGE \$
B	<input checked="" type="checkbox"/> EXCESS LIABILITY <input checked="" type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM	20662174	7/1/2013	7/1/2014	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000
C	<input checked="" type="checkbox"/> WORKERS COMPENSATION/ EMPLOYERS LIABILITY PARTIAL/RESERVE OFFICERS ARE: <input checked="" type="checkbox"/> INC. <input type="checkbox"/> EXCL.	WC 9310092-10 (AZ) WC 9310094-10 (VT) EWS 9310493-10 (IL & LA) EWS 9310497-10 (AZ) EWS 9310498-10 (PA & TN)	7/1/2013	7/1/2014	WORKERS COMPENSATION LIMITS STATUTORY \$K EACH ACCIDENT \$ 2,000,000 \$K DISEASE - EMPL'Y LIMIT \$ 2,000,000 \$K DISEASE - EACH EMPLOYEE \$ 2,000,000 EACH OCCURRENCE \$ 2,000,000 AGGREGATE \$ 2,000,000
D	PRODUCTS LIABILITY	Self-insured	7/1/2013	7/1/2014	EACH OCCURRENCE \$ 2,000,000 AGGREGATE \$ 2,000,000
<b>ADDITIONAL INFORMATION</b>  OWNERS/LESSORS/LANDLORDS AND THEIR RESPECTIVE AGENTS, LEASEES, MORTGAGEES, GROUND LESSORS, VENDORS, CUSTOMERS, CREDITORS, AND OTHER PARTIES ARE AUTOMATICALLY ADDED AS ADDITIONAL INSURED AND/OR LOSS PAYEE AS REQUIRED BY A SIGNED LEASE, CONTRACT OR OTHER WRITTEN AGREEMENT.  WAIVER OF SUBROGATION IS AUTOMATICALLY AGREED IF REQUIRED BY A SIGNED LEASE, CONTRACT, OR OTHER WRITTEN AGREEMENT.					
This Memorandum of Insurance is not valid to set insurance policies, limits and dates of coverage. Any modifications hereto are not authorized.					

MEMORANDUM OF PROFESSIONAL LIABILITY INSURANCE					Current as of July 01, 2013	
PRODUCER		MARSH USA INC 640 W. MADISON CHICAGO, ILLINOIS 60661 UNITED STATES OF AMERICA				
INSURED		WALGREEN CO. AND SUBSIDIARIES 300 WILMOT RD., MS 43108 DEERFIELD, ILLINOIS 60015-5220 UNITED STATES OF AMERICA				
COMPANIES AFFORDING COVERAGE						
COMPANY A		GARWIN SELECT INSURANCE COMPANY			NAIC #	
COMPANY B		STEADFAST INSURANCE COMPANY			26397	
COMPANY C						
COMPANY D						
COVERAGES						
THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS MEMORANDUM MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.						
OFFICER	TYPE OF RESPONSIBILITY	POLICY NUMBER	POLICY EFFECTIVE DATE	POLICY EXPIRATION DATE	LIMITS	
					LIMITS IN USD UNLESS OTHERWISE INDICATED	
A	HEALTH CARE PROFESSIONAL LIABILITY	0908-4591	7/1/2013	7/1/2014	EACH MEDICAL INCIDENT	\$ 10,000,000
	<input checked="" type="checkbox"/> UMBRELLA FORM				AGGREGATE	\$ 10,000,000
						\$
						\$
B	HEALTH CARE PROFESSIONAL LIABILITY - EXCESS	HFC5761408-00	7/1/2013	7/1/2014	EACH MEDICAL INCIDENT	\$ 5,000,000
	<input type="checkbox"/> UMBRELLA FORM				AGGREGATE	\$ 5,000,000
	<input checked="" type="checkbox"/> OTHER THAN UMBRELLA FORM					\$
						\$
						\$
						\$
						\$
ADDITIONAL INFORMATION						
Walgreen Co. and its subsidiaries are insured under a comprehensive program of insurance in excess of various self-insured retentions. Coverage is provided for claims, including defense costs, for which Walgreen Co. is legally liable.						
The Memorandum of Insurance serves solely to list insurance policies, limits and dates of coverage. Any modifications hereto are not authorized.						



## Privacy Office

### Walgreens HIPAA Privacy Compliance Statement

Walgreens is required to comply with the HIPAA privacy and security rules, including those privacy provisions promulgated pursuant to the American Recovery and Reinvestment Act of 2009 (“ARRA”) and the HITECH Act, Public Law 111-5. Our HIPAA privacy program is an enterprise-wide program that covers Walgreen Co. and all of its subsidiaries.

As a Covered Entity, Walgreens maintains a direct treatment relationship with its patients. Our providing health care services are a function or activity we are performing on behalf of the patient. These treatment activities can include the provision, coordination, or management of health care and related services by one or more health care providers, including the coordination or management of health care by a health care provider with a third party; consultation between health care providers relating to a patient; or the referral of a patient for health care from one health care provider to another.

We continue to monitor the privacy environment and review our program on an on-going basis, to incorporate the provisions of HITECH and other regulations, as applicable. Examples of categories covered by our program are: assessment of current practices and procedures, gap analysis, task force formation to address gaps, development of business associate contracting process, systems modifications, policy and procedure development/modification, and workforce education and training.

Walgreens has written policies and procedures in place regarding the handling of protected health information (“PHI”), including, but not limited to: (1) accounting of disclosures; (2) complaints; (3) court orders, subpoenas, search warrants and discovery requests; (4) disposal of PHI and electronic PHI (“ePHI”); (5) disciplinary action; (6) electronic mail; (7) incidental disclosures; (8) mobile device security; (9) password management guidelines; (10) patient rights and forms; (11) physical security; (12) protecting information and communication; and (13) training.

Walgreens also has, in place where required, business associate agreements with its agents, subcontractors, or other third parties that perform a service on behalf of Walgreens, which would require PHI or ePHI in the performance of that service.

Walgreens Privacy Office exists to manage the organizations HIPAA privacy compliance efforts. The Privacy Office provides recommendations and continues to monitor developments and changes regarding HIPAA and HITECH through membership in professional organizations, conference attendance, subscriptions to various HIPAA privacy and security publications and newsletters, state law monitoring, and various other relevant sources, such as the Department of Health and Human Services, Office for Civil Rights website.

Lastly, Walgreens and its subsidiaries have developed an ongoing HIPAA Privacy Training Program in accordance with the HIPAA privacy rules, which addresses various aspects of the HIPAA privacy and security rules, confidentiality, basic regulatory information, and the use and disclosure of protected health information. This training program is completed by members of the Walgreens workforce.

Prepared by: Walgreens Privacy Office

Contact: 200 Wilmot Road, MS 9000, Deerfield, Illinois 60015 | Phone (847) 236-6518

Email: [privacy.office@walgreens.com](mailto:privacy.office@walgreens.com)

IN WITNESS WHEREOF, Covered Entity and Walgreens have executed and delivered this Agreement by their representatives duly authorized.

COUNTY OF MONTEREY, ON BEHALF OF THE MONTEREY COUNTY DEPARTMENT OF HEALTH

WALGREEN CO.

By: [Signature]

By: [Signature]

Name: Elsa Jimenez

Name: Scott Schuler

Title: Assistant Director of Health

Title: DUP

Date: 02/26/2014

Date: 2-11-14

Approved as to Legal Form:

By: [Signature]  
Stacy L. Saetta, Deputy County Counsel  
Date: 2/26/14

Approval:  
[Signature] 2.10.14  
Pharmacy Services  
[Signature] 2.10.14  
Legal

Approved as to Liability Provisions:

By: \_\_\_\_\_  
Steve Mauck, Risk Management

Date: \_\_\_\_\_

By: [Signature]  
Mike Derr, Contracts/Purchasing Officer

Date: 3/26/14  
[Signature]

Reviewed as to fiscal provisions  
[Signature]  
Auditor-Controller  
County of Monterey  
2.26.14



# Monterey County

166 West Alisal Street,  
1st Floor  
Salinas, CA 93901  
831.755.5066

## Board Report

Legistar File Number: A 14-024

March 18, 2014

**Introduced:** 3/4/2014

**Version:** 1

**Current Status:** Agenda Ready

**Matter Type:** BoS Agreement

- a. Approve and authorize the Contracts/Purchasing Officer to execute the 340B Contract Pharmacy Services Agreement ("Agreement") with Walgreen Co. ("Walgreens"), allowing Walgreens to manage and dispense the County Health Department's 340B Drugs to eligible Monterey County Health Department (Clinic Services) patients, at eligible retail pharmacy locations, for a five-year (5) period, from March 25, 2014 to March 25, 2019, unless terminated sooner by either party.
- b. Authorize the Contracts/Purchasing Officer to sign up to three (3) future amendments to this Agreement where the amendments do not exceed 10% of the annual amount and do not significantly change the scope of work.
- c. Accept non-standard risk provisions, as recommended by the Director of Health.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Contracts/Purchasing Officer to execute the 340B Contract Pharmacy Services Agreement ("Agreement") with Walgreen Co. ("Walgreens"), allowing Walgreens to manage and dispense the County Health Department's 340B Drugs to eligible Monterey County Health Department (Clinic Services) patients, at eligible retail pharmacy locations, for a five-year (5) period, from March 25, 2014 to March 25, 2019, unless terminated sooner by either party.
- b. Authorize the Contracts/Purchasing Officer to sign up to three (3) future amendments to this Agreement where the amendments do not exceed 10% of the annual amount and do not significantly change the scope of work.
- c. Accept non-standard risk provisions, as recommended by the Director of Health.

### SUMMARY/DISCUSSION:

According to Section 340B of the Federal Public Health Services Act, the Department of Health's, Clinic Services Bureau ("Clinic Services"), who operates seven (7) Federally Qualified Health Center (FQHC)-Look Alike Clinics, is able to purchase outpatient drugs for eligible patients at discounted rates from drug manufacturers who enter into drug purchasing agreements with the United States Health Resource and Services Administration (HRSA). Currently, Clinic Services has one 'interdepartmental' pharmacy agreement, with Natividad Medical Center Pharmacy, to dispense these discounted drugs exclusively to Clinic Services' Medically Indigent Adults (MIA).

A 340B Contract Pharmacy Agreement with Walgreens would allow Clinic Services to expand the discount drug program to more than MIA patients, by allowing eligible clinic patients an opportunity to receive discounted prescription drugs. As prescription drugs are expensive, Clinic Services would like to extend this opportunity to obtain prescriptions at discounted rates

to our eligible patients.

This Agreement is relevant and supports the Monterey County Strategic Initiatives under the policy area Health and Human Services, by allowing more access to affordable prescription and non-prescription medications to Clinic Services patients, through partnering with a large chain pharmacy, specifically, five (5) Walgreens retail stores located in the cities of Marina, Monterey, Seaside and two in Salinas, all of which are frequently utilized by Clinic Services' patients.

This Agreement contains non-standard risk provisions.


OTHER AGENCY INVOLVEMENT:

County Counsel, Auditor-Controller, and Risk Management have all reviewed the Agreement. County Counsel has approved the Agreement as to form and legality. Auditor-Controller has approved as to financial terms. Risk Management is unable to approve due to non-standard risk provisions in the Agreement, including limitations in Agreement on indemnity. Contracts/Purchasing has reviewed the current draft of this Agreement and concurs with these recommendations subject to further review and approval of the final draft to the Agreement. A copy of the Agreement is on file with the Clerk of the Board.

FINANCING:

The Agreement with Walgreens authorizes Clinic Services to purchase prescription and non-prescription medications at reduced costs for outpatients of Monterey County Health Department FQHC-Look Alike Clinics only. No other County outpatient settings that provide health services are the subject of this Agreement. The Agreement with the County Health Clinics does not require any additional funding. Clinic Services is budgeted at zero General Fund Cost for FY 2013-14. There are sufficient appropriations in Fiscal Year 2013-14 Health Department Budget 4000-HEA007.

Prepared by: Stephanie Shonley, Management Analyst, 1313

Approved by: Ray Bullick, Director of Health, 4526 

Attachment:

Agreement on file with the Clerk of the Board



# Monterey County

168 West Alisal Street,  
1st Floor  
Salinas, CA 93901  
831.755.5066

## Board Order

### Agreement No.: A-12654

Upon motion of Supervisor Potter, seconded by Supervisor Armenta and carried by those members present, the Board of Supervisors hereby:

- a. Approved and authorized the Contracts/Purchasing Officer to execute the 340B Contract Pharmacy Services Agreement ("Agreement") with Walgreen Co. ("Walgreens"), allowing Walgreens to manage and dispense the County Health Department's 340B Drugs to eligible Monterey County Health Department (Clinic Services) patients, at eligible retail pharmacy locations, for a five-year (5) period, from March 25, 2014 to March 25, 2019, unless terminated sooner by either party;
- b. Authorized the Contracts/Purchasing Officer to sign up to three (3) future amendments to this Agreement where the amendments do not significantly change the scope of work; and
- c. Accepted non-standard risk provisions, as recommended by the Director of Health.

PASSED AND ADOPTED on this 18th day of March 2014, by the following vote, to wit:

AYES: Supervisors Armenta, Calcagno, Parker and Potter

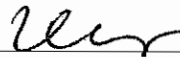
NOES: None

ABSENT: Supervisor Salinas

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 77 for the meeting on March 18, 2014.

Dated: March 18, 2014  
File Number: A 14-024

Gail T. Borkowski, Clerk of the Board of Supervisors  
County of Monterey, State of California

By   
Deputy