

**AGREEMENT TO PROVIDE REGISTRY NURSING FOR
MONTEREY COUNTY NATIVIDAD MEDICAL CENTER**

This AGREEMENT is made and entered into by and between the County of Monterey, a political subdivision of the State of California, hereinafter referred to as "County", and HRN Services Inc., hereinafter referred to as "CONTRACTOR."

RECITALS

- A. WHEREAS, the County has invited proposals through the Request for Proposals (RFP #10093 for Registry Nursing in accordance with the specifications set forth in this AGREEMENT; and
- B. WHEREAS, CONTRACTOR has submitted a responsive and responsible proposal to perform such services; and
- C. WHEREAS, CONTRACTOR has the expertise and capabilities necessary to provide the services requested.

NOW THEREFORE, the County and CONTRACTOR, for the consideration hereinafter named, agree as follows:

PERFORMANCE OF THE AGREEMENT

After consideration and evaluation of the CONTRACTOR'S proposal, the County hereby engages the CONTRACTOR to provide the services set forth in RFP # 10093 and in this AGREEMENT on the terms and conditions contained herein and in RFP # 10093. The intent of this AGREEMENT is to summarize the contractual obligations of the parties. The component parts of this AGREEMENT include the following:

- RFP # 10093 dated March 7, 2008
- Addendum #1
- CONTRACTOR's Proposal dated April 2, 2008 including all attachments and exhibits, to RFP # 10093
- AGREEMENT including Exhibits
- Certificate of Insurance
- Additional Insured Endorsements

All of the above-referenced contract documents are intended to be complementary. Work required by one of the above-referenced contract documents and not by others shall be done as if required by all. In the event of a conflict between or among component parts of the contract, the

contract documents shall be construed in the following order: AGREEMENT, General Requirements and General Provisions, CONTRACTOR's Proposal (with all attachments and exhibits), RFP # 10093, Addendum No. 1, Certificate of Insurance, and Additional Insured Endorsements.

1.0 SCOPE OF SERVICE

- 1.1 The selected CONTRACTOR (s) duties shall include but are not limited to:
 - 1.1.1 Provide registered nurses who have current and valid licensure through the California Board of Registered Nursing, for a time period of one day per diem, up to a 13 week assignment.
 - 1.1.2 Provide registered nurses who have current certifications specific to the unit of assignments, (i.e. BLS, ACLS, PALS, NRP, for a time period of one day per diem, up to a 13 week assignment.
 - 1.1.3 Provide a contact person who will be available to the facility via phone 24 hours per day, seven (7) days per week.
 - 1.1.4 Utilize at it's own cost and expense an online staffing software system in conjunction with NMC.
- 1.2 CONTRACTOR shall notify the County of Monterey immediately upon the occurrence of any event or circumstance that may affect the completion of the assignments.
- 1.3 CONTRACTOR shall make all reasonable efforts to immediately replace any registered nurse who does not complete his/her assignments.
- 1.4 Orientation: Registry Nurses shall receive at least 12 hours of orientation from the Facility. Facility shall not be charged orientation. Registry Nurses shall read the Natividad Medical Center Orientation Manual and sign a statement attesting to this fact. The manual will be provided once the award(s) has been made.

2.0 TERM OF AGREEMENT

- 2.1 The initial term shall commence with the signing of the AGREEMENT through and including June 30, 2011, with the option to extend the AGREEMENT for two (2) additional one (1) year periods.
- 2.2 The County reserves the right to cancel this AGREEMENT, or any extension of this AGREEMENT, without cause, with a thirty day (30) written notice, or with cause immediately.
- 2.3 CONTRACTOR must commence negotiations for rate changes a minimum of ninety days (90) prior to the expiration of the AGREEMENT.

- 2.4 If the County exercises its option to extend, all applicable parties shall mutually agree upon the extension, including any rate and/or terms and conditions changes in writing.

3.0 COMPENSATION AND PAYMENTS

- 3.1 It is mutually understood and agreed by both parties that CONTRACTOR shall be compensated under the AGREEMENT in accordance with EXHIBIT A attached hereto.
- 3.2 Prices shall remain firm for the initial term of the AGREEMENT and, thereafter, may be adjusted annually as provided in this paragraph. The County does not guarantee any minimum or maximum amount of dollars to be spent under this AGREEMENT.
- 3.4 Negotiations for rate changes shall be commenced, by CONTRACTOR, a minimum of ninety days (90) prior to the expiration of the AGREEMENT.
- 3.5 Invoice amounts shall be billed directly to the ordering department.
- 3.6 CONTRACTOR shall reference the AGREEMENT number and RFP # 10093 on all invoices submitted to the County. CONTRACTOR shall submit such invoice periodically or at the completion of services, but in any event, not later than 30 days after completion of services. The invoice shall set forth the amounts claimed by CONTRACTOR for the previous period, together with an itemized basis for the amounts claimed, and such other information pertinent to the invoice. The County shall certify the invoice, either in the requested amount or in such other amount as the County approves in conformity with this AGREEMENT, and shall promptly submit such invoice to the County Auditor-Controller for payment. The County Auditor-Controller shall pay the amount certified within 30 days of receiving the certified invoice.
- 3.7 Doubletime: All Doubletime hours require prior written approval by County Department to which the relevant Staff is assigned.
- 3.8 Per Diem: County shall use their best efforts to request Registry Nurses to fill a Per Diem Staffing need at least two (2) hours prior to the applicable reporting time. If County requests a particular person, CONTRACTOR shall assign that person to such Facility if the person is available, satisfies the County requirements, and is ready, willing and able to work.
- 3.8.1 When County cancels a request for Per Diem Staff less than two (2) hours before the scheduled start of a shift or assignment, and Registry Nurses cannot be contacted by CONTRACTOR prior to reporting to the County for work, the County will pay CONTRACTOR for two (2) hours in accordance with the applicable rate structure.
- 3.8.2 If a Registry Nurse is no longer needed by County after reporting for work and beginning his or her assignment, the Registry Nurse may be cancelled by County. Under these circumstances, CONTRACTOR shall be paid for the actual hours

worked by Registry Nurses, or two (2) hours, whichever is greater, in accordance with the applicable rate structure. CONTRACTOR shall be solely responsible for satisfying any reporting time pay obligations due Registry Nurses under state or federal wage and hour laws.

3.8.3 When CONTRACTOR cancels a confirmed assignment for Per Diem Nurses less than two (2) hours prior to the scheduled start of a shift or assignment, and CONTRACTOR cannot replace that Registry Nurse with a substitute acceptable to County per the terms of this AGREEMENT, CONTRACTOR shall pay the County a late cancellation fee equal to two (2) hours multiplied by such Registry Nurse's hourly rate.

3.9 Travel Nurses: When County cancels a confirmed assignment for Travel Nurses less than two (2) weeks prior to the scheduled start of a shift or assignment County shall pay CONTRACTOR a late cancellation fee equal to two (2) weeks multiplied by such Nurse's hourly rate.

3.9.1 When CONTRACTOR cancels a confirmed assignment for Travel Nurses less than two (2) weeks prior to the scheduled start of a shift or assignment, and County cannot replace that Nurse with a substitute acceptable to County per the terms of this AGREEMENT, CONTRACTOR shall pay County a late cancellation fee equal to two (2) weeks multiplied by such Nurse's hourly rate.

3.10 Conversion: County will pay no fees to CONTRACTOR if Nurse accepts offers of employment with County, as long as conversion occurs after the completion of one (1) thirteen (13) week travel assignment.

4.0 COMPLIANCE

4.1 CONTRACTOR shall procure all necessary permits and licenses and abide by all applicable laws, regulations and ordinances of the United States and of the State of California. The Agency will be in compliance with Title 22, OSHA, Federal and State Labor Laws and the Joint Commission on Accreditation of Health Care Organizations.

4.2 In accordance with the Federal Health Insurance Portability and Accountability Act of 1996 ("HIPPA"), CONTRACTOR assures that any Protected Health Information that is disclosed to CONTRACTOR or its REGISTRY NURSES will be used only as required by law, will be appropriately safeguarded to prevent non-permitted use or disclosure of Protected Health Information, and that CONTRACTOR and all of its officers and will be bound by the requirements of HIPPA.

5. ADDITIONAL REQUIREMENTS

5.1 CONTRACTOR will provide County with background information on each Registry Nurse prior to commencement of assignment to include:

- 5.1.1 Resume
- 5.1.2 Skills and clinical competency checklist
- 5.1.3 References
- 5.1.4 Proof of valid state licensure
- 5.1.5 Federal Criminal background check, all inclusive
- 5.1.6 Copy of Basic Cardiac Life Support (BCLS), and all applicable advanced certifications such as Pediatric Advanced Life Support (PALS), Neonatal Resuscitation Program (NRP), Advanced Cardiac Life Support (ACLS), and a current tuberculosis screening (PPD)
- 5.1.7 Proof of physical exam
- 5.1.8 A ten (10) panel drug screen
- 5.1.9 Proof of current immunizations for Rubella, Measles, Varicella, Hepatitis B, and current TB test or Chest X-ray if appropriate

6. ACCESS TO RECORDS

At any time during or after the term of this AGREEMENT, all books, documents and records of CONTRACTOR relating to its performance under this AGREEMENT, including without limitation all federal, state and local tax withholding and other filings and records related to workers' compensation, shall be available for reasonable inspection at any time during CONTRACTOR's normal business hours upon reasonable notice.

7. CANCELLATION PROVISIONS

- 7.1 Cancellation with cause: If County concludes, in its sole discretion, that Registry Nurses assigned to County by CONTRACTOR are not performing their duties in a satisfactory manner or that Registry Nurses otherwise fail to satisfy the requirements of County hereof, said Registry Nurses shall not be permitted to continue working at County Facility. Under such circumstances, the County may immediately terminate Registry Nurse's assignment and ask Registry Nurse to leave County property. County shall immediately inform CONTRACTOR of any such action and shall not owe any penalties or other fees as a result of such termination.
- 7.2 Cancellation without cause / Guaranteed hours: County guarantees that each Registry Nurse with a Long-Term Staffing assignment will be given 72 hours per pay period; provided, however, that County is allowed to cancel three (3) shifts per 13 week assignment without charge. For any cancellation of assignment without "cause", County

agrees to provide 2-weeks notice. If County is unable to provide 2 weeks notice, CONTRACTOR may charge County for 72 hours of work at the applicable bill rate.

8.0 INDEMNIFICATION

CONTRACTOR shall indemnify, defend, and hold harmless the County, its officers, agents, and employees, from and against any and all claims, liabilities, and losses whatsoever (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys' fees) occurring or resulting to any and all persons, firms or corporations furnishing or supplying work, services, materials, or supplies in connection with the performance of this AGREEMENT, and from any and all claims, liabilities, and losses occurring or resulting to any person, firm, or corporation for damage, injury, or death arising out of or connected with the CONTRACTOR's performance of this AGREEMENT, unless such claims, liabilities, or losses arise out of the sole negligence or willful misconduct of the County. "CONTRACTOR's performance" includes CONTRACTOR's action or inaction and the action or inaction of CONTRACTOR's officers, employees, agents and subcontractors.

9.0 INSURANCE

9.1 Evidence of Coverage:

Prior to commencement of this AGREEMENT, CONTRACTOR shall provide a "Certificate of Insurance" certifying that coverage as required herein has been obtained. Individual endorsements executed by the insurance carrier shall accompany the certificate. In addition CONTRACTOR upon request shall provide a certified copy of the policy or policies.

This verification of coverage shall be sent to the County's, Contracts/Purchasing Division, unless otherwise directed. CONTRACTOR shall not receive a "Notice to Proceed" with the work under this AGREEMENT until it has obtained all insurance required and such insurance has been approved by the County. This approval of insurance shall neither relieve nor decrease the liability of CONTRACTOR.

9.2 Qualifying Insurers:

All coverage's, except surety, shall be issued by companies which hold a current policy holder's alphabetic and financial size category rating of not less than A- VII, according to the current Best's Key Rating Guide or a company of equal financial stability that is approved by the County's Purchasing Officer.

9.3 Insurance Coverage Requirements:

Without limiting CONTRACTOR's duty to indemnify, CONTRACTOR shall maintain in effect throughout the term of this AGREEMENT a policy or policies of insurance with the following minimum limits of liability:

- 9.3.1 Commercial general liability insurance, including but not limited to premises and operations, including coverage for Bodily Injury and Property Damage, Personal Injury, Contractual Liability, Broadform Property Damage, Independent Contractors, Products and Completed Operations, with a combined single limit for Bodily Injury and Property Damage of not less than \$1,000,000 per occurrence.
- 9.3.2 Business automobile liability insurance, covering all motor vehicles, including owned, leased, non-owned, and hired vehicles, used in providing services under this AGREEMENT, with a combined single limit for Bodily Injury and Property Damage of not less than \$1,000,000 per occurrence.
- 9.3.3 Workers' Compensation Insurance, if CONTRACTOR employs others in the performance of this AGREEMENT, in accordance with California Labor Code section 3700 and with Employer's Liability limits not less than \$1,000,000 each person, \$1,000,000 each accident and \$1,000,000 each disease.
- 9.3.4 Professional liability insurance, if required for the professional services being provided, (e.g., those persons authorized by a license to engage in a business or profession regulated by the California Business and Professions Code), in the amount of not less than \$1,000,000 per claim and \$2,000,000 in the aggregate, to cover liability for malpractice or errors or omissions made in the course of rendering professional services. If professional liability insurance is written on a "claims-made" basis rather than an occurrence basis, the CONTRACTOR shall, upon the expiration or earlier termination of this AGREEMENT, obtain extended reporting coverage ("tail coverage") with the same liability limits. Any such tail coverage shall continue for at least three years following the expiration or earlier termination of this AGREEMENT.
- 9.4 **Other Insurance Requirements.**
All insurance required by this AGREEMENT shall be with a company acceptable to the County and issued and executed by an admitted insurer authorized to transact Insurance business in the State of California. Unless otherwise specified by this AGREEMENT, all such insurance shall be written on an occurrence basis, or, if the policy is not written on an occurrence basis, such policy with the coverage required herein shall continue in effect for a period of three years following the date CONTRACTOR completes its performance of services under this AGREEMENT.
- 9.5 Each liability policy shall provide that the County shall be given notice in writing at least thirty days in advance of any endorsed reduction in coverage or limit, cancellation, or intended non-renewal thereof. Each policy shall provide coverage for CONTRACTOR and additional insureds with respect to claims arising from each subcontractor, if any, performing work under this AGREEMENT, or be accompanied by a certificate of insurance from each subcontractor showing each subcontractor has identical insurance coverage to the above requirements.

- 9.6 Commercial general liability and automobile liability policies shall provide an endorsement naming the County of Monterey, its officers, agents, and employees as Additional Insureds with respect to liability arising out of the CONTRACTOR'S work, including ongoing and completed operations, and shall further provide that such insurance is primary insurance to any insurance or self-insurance maintained by the County and that the insurance of the Additional Insureds shall not be called upon to contribute to a loss covered by the CONTRACTOR'S insurance. The required endorsement form for Commercial General Liability Additional Insured is ISO Form CG 20 10 11-85 or CG 20 10 10 01 in tandem with CG 20 37 10 01 (2000). The required endorsement form for Automobile Additional Insured endorsement is ISO Form CA 20 48 02 99.
- 9.7 Prior to the execution of this AGREEMENT by the County, CONTRACTOR shall file certificates of insurance with the County's contract administrator and County's Contracts/Purchasing Division, showing that the CONTRACTOR has in effect the insurance required by this AGREEMENT. The CONTRACTOR shall file a new or amended certificate of insurance within five calendar days after any change is made in any insurance policy, which would alter the information on the certificate then on file. Acceptance or approval of insurance shall in no way modify or change the indemnification clause in this AGREEMENT, which shall continue in full force and effect.
- 9.8 CONTRACTOR shall at all times during the term of this AGREEMENT maintain in force the insurance coverage required under this AGREEMENT and shall send, without demand by County, annual certificates to County's Contract Administrator and County's Contracts/Purchasing Division. If the certificate is not received by the expiration date, County shall notify CONTRACTOR and CONTRACTOR shall have five calendar days to send in the certificate, evidencing no lapse in coverage during the interim. Failure by CONTRACTOR to maintain such insurance is a default of this AGREEMENT, which entitles County, at its sole discretion, to terminate this AGREEMENT immediately.

10:0 NOTICES

Notices required to be given to the respective parties under this AGREEMENT shall be deemed given by any of the following means: (1) when personally delivered to the County's contract administrator or to CONTRACTOR'S responsible officer; (2) when personally delivered to the party's principle place of business during normal business hours, by leaving notice with any person apparently in charge of the office and advising such person of the import and contents of the notice; (3) 24 hours after the notice is transmitted by FAX machine to the other party, at the party's FAX number specified pursuant to this AGREEMENT, provided that the party giving notice by FAX must promptly confirm receipt of the FAX by telephone to the receiving party's office; or, (4) three (3) days after the notice is deposited in the U. S. mail with first class or better postage fully prepaid, addressed to the party as indicated below.

Notices mailed or faxed to the parties shall be addressed as follows:

TO THE COUNTY:

Contracts/Purchasing Officer
County of Monterey, Contracts/Purchasing Division
168 W. Alisal Street, 3rd Floor
Salinas, CA 93901-2439
Tel. No.: (831) 755-4990 FAX No.: (831) 755-4969

TO THE CONTRACTOR:

Name of Contact _____

Address _____

Tel. No. _____ FAX No. _____

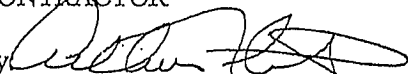
Email _____

IN WITNESS WHEREOF, the County and CONTRACTOR execute this AGREEMENT as follows:

MONTEREY COUNTY

CONTRACTOR

Contracts/Purchasing Officer

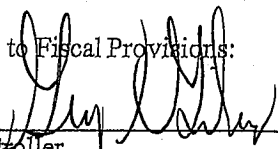
By: 
Signature of Chair, President, or Vice-President

Dated: 9-23-08

ARTHUR PLASTER CEO/PRESIDENT
Printed Name and Title

Approved as to Fiscal Provisions:

Dated: 8/8/08


Auditor/Controller

By: John C. Hernandez
(Signature of Secretary, Asst. Secretary, CFO, Treasurer or Asst. Treasurer)*

Dated: 9-17-08

Approved as to Liability Provisions:

John C. Hernandez, CFO
Printed Name and Title

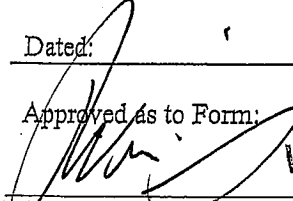
Risk Management

Dated: 8/8/08

Dated: _____

Approved as to Form:

WILLIAM M. LITT


Assistant County Counsel

Dated: 9/17/08

*INSTRUCTIONS: If CONTRACTOR is a corporation, including limited liability and non-profit corporations, the full legal name of the corporation shall be set forth above together with the signatures of two specified officers. If CONTRACTOR is a partnership, the name of the partnership shall be set forth above together with the signature of a partner who has authority to execute this Agreement on behalf of the partnership. If CONTRACTOR is contracting in an individual capacity, the individual shall set forth the name of the business, if any, and shall personally sign the Agreement.

Attachment A

Agency Name: **HRN Services, Inc.**

| Position | 8 Hour | 12 Hr Blend | OT Structure | DT Structure | On Call | Call Back Structure | Holiday Structure |
|---------------------------------|---------|-------------|--------------|--------------|---------|---------------------|-------------------|
| In-Patient Nurse | \$65.00 | \$74.00 | Base + \$10 | Base + \$20 | \$20.00 | 1.5X Base | 1.5X Base |
| Case Management Nurse | \$65.00 | \$74.00 | Base + \$10 | Base + \$20 | \$20.00 | 1.5X Base | 1.5X Base |
| Supervising Nurse | \$76.00 | \$86.00 | Base + \$10 | Base + \$20 | \$25.00 | 1.5X Base | 1.5X Base |
| Nursing Assistant | \$30.00 | | Base + \$10 | Base + \$20 | | | 1.5X Base |
| LVN | \$42.00 | \$51.00 | Base + \$10 | Base + \$20 | \$15.00 | 1.5X Base | 1.5X Base |
| Outpatient / Ancillary Nurse | \$65.00 | \$74.00 | Base + \$10 | Base + \$20 | \$20.00 | 1.5X Base | 1.5X Base |
| Nurse Director | \$80.00 | \$90.00 | Base + \$10 | Base + \$20 | | | 1.5X Base |
| Staff Nurse - Per Diem | \$58.50 | \$68.50 | Base + \$10 | Base + \$20 | \$20.00 | 1.5X Base | 1.5X Base |
| House Supervisor | \$75.00 | \$85.00 | Base + \$10 | Base + \$20 | \$25.00 | 1.5X Base | 1.5X Base |
| Infection Control | \$60.00 | \$70.00 | Base + \$10 | Base + \$20 | \$20.00 | 1.5X Base | 1.5X Base |
| Administrative Nurse (Quality / | \$65.00 | \$74.00 | Base + \$10 | Base + \$20 | \$20.00 | 1.5X Base | 1.5X Base |

Note: All Differentials (OT, DT, etc...) are to be calculated using the Base (8 Hr rate)

ADDENDUM #1
To Agreement for Professional Services
By and between
County of Monterey and Natividad Medical Center
And Various Qualified Participants in Master Agreement for RFP ##10093

This Addendum #1 ("Addendum") is entered into by and between Natividad Medical Center ("NMC"), a general acute care teaching hospital wholly owned and operated by the County of Monterey, ("County"), a political subdivision of the State of California, and various qualified signatories to the Master Agreement for RFP #10093 ("Contractors").

WHEREAS, NMC and Contractors will enter into an Master Agreement for Professional Services with an effective date of October 1, 2008 ("Master Agreement"), pursuant to which NMC and County engage Contractors for Registry Nursing services as outlined in the Agreement ("Services"); and

WHEREAS, Contractors are willing to provide Registry Nursing services for NMC and County as set forth in this Addendum.

NOW THEREFORE, in consideration of the mutual agreements and covenants contained in the Agreement and attachments/exhibits thereto, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, its is mutually agreed and covenanted by and between the parties to the Agreement and the Addendum, as follows:

1. Terms not otherwise defined in this Addendum shall have the meanings given to them in the Master Agreement.
2. NMC and County hereby engage Contractors to provide Nurse Registry services as described in the Master Agreement for RFP #10093.
3. NMC shall pay a total amount not to exceed \$2,156,249 for the term of October 1, 2008 through June 30, 2009, pursuant to the terms of the Master Agreement, RFP #10093, with the authority to open purchase orders and distribute these funds between all of the Contractors under the Master Agreement in any manner of allocation determined to be appropriate by NMC and County. As stated in the Master Agreement, NMC and County do not covenant to allocate a maximum or minimum amount of funds to any particular Contractor.
4. NMC shall pay a total amount not to exceed the approved budget for Nurse Registry Services as determined and approved by the Monterey County Board of Supervisors for all subsequent years and through the full term of the Master Agreement.
5. Except as modified by this Addendum, the Master Agreement shall remain in full force and effect unmodified. To the extent that the terms of the Master Agreement are

inconsistent with the terms of this Addendum, the terms of this Addendum shall control.

IN WITNESS WHEREOF, the parties have executed this Addendum, which will become effective on the date on which this Addendum is full executed by the parties.

NATIVIDAD MEDICAL CENTER

By: *William Foley*

Name: William Foley

Title: Chief Executive Officer

Date: _____

PARTICIPATING CONTRACTOR

HRN SERVICES INC
By: *Arthur Flaster*

Name: ARTHUR FLASTER

Title: CEO

Date: 9/8/08

MONTEREY COUNTY

By: *[Signature]*
Contracts/Purchasing Manager

Approved as to Form

[Signature]
William Litt
Deputy County Counsel

Date: 9/17/08

Reviewed as to fiscal provisions

[Signature]
Auditor-Controller
County of Monterey

9-12-08

BUSINESS ASSOCIATE AGREEMENT

This Agreement, hereinafter referred to as "Agreement", is made effective Oct. 1, 2004 by and between the County of Monterey, a political subdivision of the State of California, on behalf of Natividad Medical Center, hereinafter referred to as "Covered Entity", and HRN Service Inc hereinafter referred to as "Business Associate", (individually, a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, Sections 261 through 264 of the federal Health Insurance Portability and Accountability Act of 1996, Public Law 104-191, known as "the Administrative Simplification provisions," direct the Department of Health and Human Services to develop standards to protect the security, confidentiality and integrity of health information; and

WHEREAS, pursuant to the Administrative Simplification provisions, the Secretary of Health and Human Services has issued regulations modifying 45 CFR Parts 160 and 164 (the "HIPAA Privacy Rule"); and

WHEREAS, the Parties wish to enter into or have entered into an arrangement whereby Business Associate will provide certain services to Covered Entity, and, pursuant to such arrangement, Business Associate may be considered a "business associate" of Covered Entity as defined in the HIPAA Privacy Rule and is hereby referred to as the "Service Agreement"); and

WHEREAS, Business Associate may have access to Protected Health Information (as defined below) in fulfilling its responsibilities under such arrangement;

THEREFORE, in consideration of the Parties' continuing obligations under the Service Agreement, compliance with the HIPAA Privacy Rule, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to the provisions of this Agreement in order to address the requirements of the HIPAA Privacy Rule and to protect the interests of both Parties.

I. DEFINITIONS

Except as otherwise defined herein, any and all capitalized terms in this Section shall have the definitions set forth in the HIPAA Privacy Rule. In the event of an inconsistency between the provisions of this Agreement and mandatory provisions of the HIPAA Privacy Rule, as amended, the HIPAA Privacy Rule shall control. Where provisions of this Agreement are different than those mandated in the HIPAA Privacy Rule, but are nonetheless permitted by the HIPAA Privacy Rule, the provisions of this Agreement shall control.

The term "Protected Health Information" means individually identifiable health information including, without limitation, all information, data, documentation, and materials, including without limitation, demographic, medical and financial information, that relates to the past, present, or future physical or mental health or condition of an individual; the provision of health care to an individual; or the past, present, or future payment for the provision of health care to an individual; and that identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual.

Business Associate acknowledges and agrees that all Protected Health Information that is created or received by Covered Entity and disclosed or made available in any form, including paper record, oral communication, audio recording, and electronic display by Covered Entity or its operating units to Business Associate or is created or received by Business Associate on Covered Entity's behalf shall be subject to this Agreement.

II. CONFIDENTIALITY REQUIREMENTS

(a) Business Associate agrees:

(i) to use or disclose any Protected Health Information solely: (1) for meeting its obligations as set forth in any agreements between the Parties evidencing their business relationship or (2) as required by applicable law, rule or regulation, or by accrediting or credentialing organization to whom Covered Entity is required to disclose such information or as otherwise permitted under this Agreement, the Service Agreement (if consistent with this Agreement and the HIPAA Privacy Rule), or the HIPAA Privacy Rule, and (3) as would be permitted by the HIPAA Privacy Rule if such use or disclosure were made by Covered Entity;

(ii) at termination of this Agreement, the Service Agreement (or any similar documentation of the business relationship of the Parties), or upon request of Covered Entity, whichever occurs first, if feasible, Business Associate will return or destroy all Protected Health Information received from or created or received by Business Associate on behalf of Covered Entity that Business Associate still maintains in any form and retain no copies of such information, or if such return or destruction is not feasible, Business Associate will extend the protections of this Agreement to the information and limit further uses and disclosures to those purposes that make the return or destruction of the information not feasible; and

(iii) to ensure that its agents, including a subcontractor, to whom it provides Protected Health Information received from or created by Business Associate on behalf of Covered Entity, agrees to the same restrictions and conditions that apply to Business Associate with respect to such information. In addition, Business Associate agrees to take reasonable steps to ensure that its employees' actions or omissions do not cause Business Associate to breach the terms of this Agreement.

(b) Notwithstanding the prohibitions set forth in this Agreement, Business Associate may use and disclose Protected Health Information as follows:

(i) if necessary, for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, provided that as to any such disclosure, the following requirements are met:

(A) the disclosure is required by law; or

(B) Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will be held confidentially and used or further disclosed only as required by law or for the purpose for which it was disclosed to the person, and the person notifies Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached;

(ii) for data aggregation services, if to be provided by Business Associate for the health care operations of Covered Entity pursuant to any agreements between the Parties evidencing their business relationship. For purposes of this Agreement, data aggregation services means the combining of Protected Health Information by Business Associate with the protected health information received by Business Associate in its capacity as a business associate of another covered entity, to permit data analyses that relate to the health care operations of the respective covered entities.

(c) Business Associate will implement appropriate safeguards to prevent use or disclosure of Protected Health Information other than as permitted in this Agreement. The Secretary of Health and Human Services shall have the right to audit Business Associate's records and practices related to use and disclosure of Protected Health Information to ensure Covered Entity's compliance with the terms of the HIPAA Privacy Rule. Business Associate shall report to Covered Entity any use or disclosure of Protected Health Information which is not in compliance with the terms of this Agreement of which it becomes aware. In addition, Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or

disclosure of Protected Health Information by Business Associate in violation of the requirements of this Agreement.

III. AVAILABILITY OF PHI

Business Associate agrees to make available Protected Health Information to the extent and in the manner required by Section 164.524 of the HIPAA Privacy Rule. Business Associate agrees to make Protected Health Information available for amendment and incorporate any amendments to Protected Health Information in accordance with the requirements of Section 164.526 of the HIPAA Privacy Rule. In addition, Business Associate agrees to make Protected Health Information available for purposes of accounting of disclosures, as required by Section 164.528 of the HIPAA Privacy Rule.

IV. TERMINATION

Notwithstanding anything in this Agreement to the contrary, Covered Entity shall have the right to terminate this Agreement and the Service Agreement immediately if Covered Entity determines that Business Associate has violated any material term of this Agreement. If Covered Entity reasonably believes that Business Associate will violate a material term of this Agreement and, where practicable, Covered Entity gives written notice to Business Associate of such belief within a reasonable time after forming such belief, and Business Associate fails to provide adequate written assurances to Covered Entity that it will not breach the cited term of this Agreement within a reasonable period of time given the specific circumstances, but in any event, before the threatened breach is to occur, then Covered Entity shall have the right to terminate this Agreement and the Service Agreement immediately.

V. MISCELLANEOUS

Except as expressly stated herein or in the HIPAA Privacy Rule, the parties to this Agreement do not intend to create any rights in any third parties. The obligations of Business Associate under this Section shall survive the expiration, termination, or cancellation of this Agreement, the Service Agreement and/or the business relationship of the parties, and shall continue to bind Business Associate, its agents, employees, contractors, successors, and assigns as set forth herein.

This Agreement may be amended or modified only in a writing signed by the Parties. No Party may assign its respective rights and obligations under this Agreement without the prior written consent of the other Party. None of the provisions of this Agreement are intended to create, nor will they be deemed to create any relationship between the Parties other than that of independent parties contracting with each other solely for the purposes of effecting the provisions of this Agreement and any other agreements between the Parties evidencing their business relationship. This Agreement will be governed by the laws of the State of California. No change, waiver or discharge of any liability or obligation hereunder on any one or more occasions shall be deemed a waiver of performance of any continuing or other obligation, or shall prohibit enforcement of any obligation, on any other occasion.

The parties agree that, in the event that any documentation of the parties, pursuant to which Business Associate provides services to Covered Entity contains provisions relating to the use or disclosure of Protected Health Information which are more restrictive than the provisions of this Agreement, the provisions of the more restrictive documentation will control. The provisions of this Agreement are intended to establish the minimum requirements regarding Business Associate's use and disclosure of Protected Health Information.

In the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the provisions of this Agreement will remain in full force and effect. In addition,

in the event a party believes in good faith that any provision of this Agreement fails to comply with the then-current requirements of the HIPAA Privacy Rule, such party shall notify the other party in writing. For a period of up to thirty days, the parties shall address in good faith such concern and amend the terms of this Agreement, if necessary to bring it into compliance. If, after such thirty-day period, the Agreement fails to comply with the HIPAA Privacy Rule, then either party has the right to terminate upon written notice to the other party.

Business Associate acknowledges that Natividad Medical Center (NMC) has established a Corporate Compliance Program, and under this program NMC has developed a Code of Conduct Manual to provide guidance in the ethical and legal performance of our professional services. Business Associate further agrees to abide by all principles stated in the Code of Conduct while conducting business with Natividad Medical Center. A copy of the Code of Conduct & Principles of Compliance is available upon request.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year written above.

COVERED ENTITY:

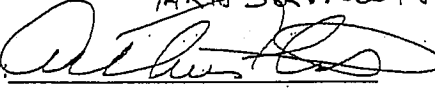
By: Natividad Medical Center

Title: Contracts Department
1441 Constitution Blvd
Salinas, CA 93906

(831) 755-4111

BUSINESS ASSOCIATE:

~~HEALTH SERVICES INC~~

By: 

Title: CEO

Date: AUG 11 2008

Date: 8/9/08