

**AMENDMENT NO. 1 to the Amended and Restated Agreement
FOR PROFESSIONAL SERVICES AGREEMENT
BETWEEN RehabCare Group Management Services Inc. AND
THE NATIVIDAD MEDICAL CENTER
FOR
Management and Rehabilitation Services**

The parties to Amended and Restated Agreement for Professional Services, dated July 1, 2010 between the County of Monterey, on behalf of Natividad Medical Center (“NMC”), and RehabCare Group Management Services (“Contractor”), hereby agree to amend their Amended and Restated Agreement (No. A-09333) on the following terms and conditions:

WHEREAS, the County and Contractor wish to amend the Amended and Restated Agreement to extend the term end date to allow for existing services to continue for two additional fiscal years.

WHEREAS, the County and Contractor wish to amend the Amended and Restated Agreement to increase the monthly service fees payable to Contractor by County and to increase the amount refunded by Contractor to County per unsuccessfully appealed claim.

WHEREAS, the County and Contractor wish to amend the Amended and Restated Agreement to provide for an annual rate change to the monthly service fees payable by County to Contractor, based upon the Consumer Price Index.

WHEREAS, the County and Contractor wish to amend the Amended and Restated Agreement to increase the total contract amount to \$7,946,735 for the full term of the entire agreement (an increase of \$3,858,210), due to the term extension and increase in monthly service fees.

1. **Section 5.1.** Section 5.1 to the Agreement is hereby amended to read in its entirety as follows:

“5.1. Compensation for Services. Compensation for any unbilled or unpaid Inpatient Rehabilitation Services provided before the Effective Date shall be calculated, billed and due and payable in accordance with the terms and provisions set forth in the Original Agreement. Beginning on the Effective Date, for all of the Inpatient Rehabilitation Services, except Temporary Therapy Services, County shall pay RehabCare Group, Inc., as agent for Contractor, a service fee each month for Services provided by Contractor pursuant to this Agreement (the “Service Fee”). Such Service Fee shall be \$54,538.71 per month, which Service Fee shall cover all Services provided by Contractor (excluding Temporary Therapy Services) plus a Therapy Staffing Fee based on the table below:

MONTHLY THERAPY STAFFING FEE

IRF ADC	Therapy Staffing Fee	Therapy Staffing FTE Range
0.00 – 5.99	\$36,567.39	1.25 – 4.25 FTE
6.00 - 7.99	\$50,498.12	3.00 – 5.50 FTE
8.00 - 9.99	\$64,428.85	4.00 – 6.75 FTE
10.00 - 11.99	\$78,358.54	5.00 – 8.00 FTE

12.00 - 13.99	\$92,289.27	5.75 – 9.25 FTE
14.00 - 15.99	\$106,220.00	6.75 – 10.25 FTE
16.00 - 17.99	\$120,149.70	7.75 – 11.50 FTE
18.00 - 20.00	\$134,080.43	8.75 – 13.00 FTE”

2. **Section 5.5.** Section 5.5 is hereby amended to read in its entirety as follows:

“5.5 Appeals of Denied Claims. As soon as practicable following Contractor’s receipt of a Denial Notice from County, Contractor shall, at its cost, appeal the Denied Claim in accordance with applicable Medicare regulations through the Administrative law Judge level of appeal. County shall cooperate fully with Contractor, including providing timely access to necessary medical records and personnel, as well as timely completion of all appeal forms, and by notifying Contractor within 10 days of any communication received by County related to the Denied Claim or the appeal process. If such Denied Claims are reserved through the aforementioned appeals processes, Contractor shall keep all service fees paid as set forth above. If, however, Contractor does not prevail in the appeals processes, through the Administrative Law Judge level of appeal (“unsuccessfully appealed claim”), Contractor will refund to County \$4,817.52 per unsuccessfully appealed claim. If County experiences a significant increase in unsuccessfully appealed Denied Claims, the parties agree to readdress appeals processes and reimbursement arrangement for Denied Claims.”

3. **New Section 5.6.** Section 5.6 is hereby added to the Agreement to read in its entirety as follows:

“5.6 Annual Rate Change to Service Fee. The service fee payable under Section 5.1 will be adjusted annually on the anniversary of the Operational Date to provide for an annual rate change. The rate change is based upon the Medical Care expenditure category of the Consumer Price Index for All Urban Consumers, U.S. City Average, published by the U.S. Bureau for Labor Statistics (“CPI”), comparing the CPI for the fourth (4th) month preceding the then occurring anniversary date with the CPI for the same month of the prior year and changing the fees payable under this Agreement in the same percentage that such index has changed between such respective months.”

4. **New Section 5.7.** Section 5.7 is hereby added to the Amended and Restated Agreement to read in its entirety as follows:

“ 5.7 Maximum Liability. The total amount payable by County to Contractor under Agreement (No. A-09333) shall not exceed the total sum of \$7,946,735 for the full term of the Agreement and \$2,263,429.71 for fiscal year 2012-2013.”

5. **Section 6.1.** Section 6.1 is hereby amended to read in its entirety as follows:

“6.1 Term. This term of this Agreement commenced on February 25, 2003, and shall continue until June 30, 2014 (the “**Term**”) unless sooner terminated in accordance with the provisions of this ARTICLE VI.”

6. The effective date of this Amendment is July 1, 2012.
7. Except as provided herein, all remaining terms, conditions and provisions of the Amended and Restated Agreement are unchanged and unaffected by this Amendment and shall continue in full force and effect as set forth in the Amended and Restated Agreement.
8. A copy of this Amendment shall be attached to the Amended and Restated Agreement (No. A-09333).

IN WITNESS WHEREOF, the parties hereto are in agreement with this Amendment on the basis set forth in this document and have executed this Amendment on the day and year set forth herein.

CONTRACTOR

Signature 1 MP Welc Dated 4/18/12
Printed Name MARY PAT WELC Title SR. VP
Signature 2 _____ Dated _____
Printed Name _____ Title _____

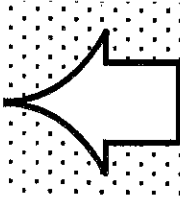
****INSTRUCTIONS: If CONTRACTOR is a corporation, including limited liability and non-profit corporations, the full legal name of the corporation shall be set forth above together with the signatures of two specified officers. If CONTRACTOR is a partnership, the name of the partnership shall be set forth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

NATIVIDAD MEDICAL CENTER

Signature _____ Dated _____
Purchasing Manager
Signature [Signature] Dated 4/23/12
NMC - CEO

Approved as to Legality and Legal Form:
Charles J. McKee, County Counsel
County of Monterey

By _____ Dated: _____, 2012
Stacy Saetta, Deputy



MONTEREY COUNTY BOARD OF SUPERVISORS

MEETING:	May 24, 2011	AGENDA NO.:
SUBJECT:	a. Approve the Amended and Restated Agreement for Acute Rehabilitation Services ("Agreement") between the County of Monterey ("County"), on behalf of Natividad Medical Center ("NMC"), and RehabCare Group Management Services, Inc to provide management and rehabilitation services for the NMC Acute Rehabilitation Unit (ARU), for a total amount not to exceed \$4,088,525 for the term July 1, 2010 through June 30, 2012.	
	b. Authorize the NMC Purchasing Manager to execute the Agreement for a total amount not to exceed \$4,088,525 for the term July 1, 2010 through June 30, 2012	
DEPARTMENT:	Natividad Medical Center	

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve the Amended and Restated Agreement for Acute Rehabilitation Services ("Agreement") between the County of Monterey ("County"), on behalf of Natividad Medical Center ("NMC"), and RehabCare Group Management Services, Inc to provide management and rehabilitation services for the NMC Acute Rehabilitation Unit (ARU), for a total amount not to exceed \$4,088,525 for the term July 1, 2010 through June 30, 2012.
- b. Authorize the NMC Purchasing Manager to execute the Agreement for a total amount not to exceed \$4,088,525 for the term July 1, 2010 through June 30, 2012

SUMMARY:

The County of Monterey, on behalf of NMC, has an agreement with RehabCare Group Management Services, Inc, a leading national provider of post-acute services, managing rehabilitation programs in partnership with over 1,270 hospitals and skilled nursing facilities in 42 states. For the last eight years, pursuant to the parties' agreement, RehabCare has operated NMC's Acute Rehabilitation Unit ("ARU"), a specialized clinical unit that serves patients with a multitude of diagnoses including stroke, orthopedic conditions, arthritis and traumatic brain injuries. The parties' existing agreement, which has been amended five times, expires June 30, 2012. The parties seek to amend the agreement for a sixth time to, among other things, change the scope of the arrangement but keep the same termination date. Given the nature of the negotiated amendments and the extent and number of prior amendments, the parties determined that their agreement needed to be clarified and restated, not merely amended. The Restated Agreement and Amendment is a product of many months of negotiation.

DISCUSSION:

Pursuant to the parties' existing agreement, RehabCare has managed NMC's ARU under the direction of a Medical Director and has performed outpatient (non-ARU) rehabilitation services for NMC patients. In June 2010, NMC initiated discussions with RehabCare regarding discontinuing the vendor's management of outpatient rehabilitation services at NMC and having NMC staff perform these services directly. In July 2010, the Medical Director of the ARU became a contracted

employee of the County, no longer requiring NMC to pay RehabCare for his services under the existing agreement. NMC and RehabCare agreed after much negotiation that the outpatient services by RehabCare would conclude September 30, 2010.

The outcome of the parties' negotiations and related events required changes to the parties' existing multi-part, multi-page agreement. Accordingly, NMC and RehabCare negotiated a Restated and Amended Agreement to memorialize the parties' negotiated changes to their arrangement and to reduce ambiguity and confusion in the agreement introduced by prior amendments. The negotiations were protracted, requiring many months of negotiation, careful drafting by outside healthcare law counsel, and several layers of internal review at the County and at the vendor.

As a result of the restated and emended agreement, the maximum liability under the parties' agreement has been reduced.

OTHER AGENCY INVOLVEMENT:

The Amendment has been reviewed and approved by County Counsel, the Auditor/Controller's office and the Natividad Medical Center Board of Trustees.

FINANCING:

The Restated Agreement and Amendment shall be financed by NMC. This action will not require any additional General Fund subsidy

Prepared by:
Andrea Rosenberg, Administrator 755-6285
April 5, 2011

Harry Weis
Chief Executive Officer

Attachments: Amended and Restated Agreement, Board Order

Before the Board of Supervisors in and for the
County of Monterey, State of California

Agreement No. A-09333

- a. Approve the Amended and Restated)
Agreement for Acute Rehabilitation Services)
("Agreement") between the County of)
Monterey ("County"), on behalf of Natividad)
Medical Center ("NMC"), and RehabCare)
Group Management Services, Inc., to provide)
management and rehabilitation services for the)
NMC Acute Rehabilitation Unit (ARU), for a)
total amount not to exceed \$4,088,525 for the)
term July 1, 2010 through June 30, 2012.....)
- b. Authorize the NMC Purchasing Manager to)
execute the Agreement for a total amount not)
to exceed \$4,088,525 for the term July 1, 2010)
through June 30, 2012.....)

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

- a. Approved the Amended and Restated Agreement for Acute Rehabilitation Services ("Agreement") between the County of Monterey ("County"), on behalf of Natividad Medical Center ("NMC"), and RehabCare Group Management Services, Inc to provide management and rehabilitation services for the NMC Acute Rehabilitation Unit (ARU), for a total amount not to exceed \$4,088,525 for the term July 1, 2010 through June 30, 2012.
- b. Authorized the NMC Purchasing Manager to execute the Agreement for a total amount not to exceed \$4,088,525 for the term July 1, 2010 through June 30, 2012

PASSED AND ADOPTED on this 24th day of May, 2011, by the following vote, to wit:

AYES: Supervisors Armenta, Calcagno, Salinas, Parker, and Potter


NOES: None

ABSENT: None

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 75 for the meeting on May 24, 2011.

Dated: May 26, 2011

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

By 
Deputy

**AMENDED AND RESTATED AGREEMENT
FOR ACUTE REHABILITATION SERVICES**

FOR THE COUNTY OF MONTEREY, NATIVIDAD MEDICAL CENTER

This AMENDED AND RESTATED AGREEMENT FOR ACUTE REHABILITATION SERVICES ("Agreement") is made and entered into as of July 1, 2010 ("Effective Date") by and between the COUNTY OF MONTEREY, a political subdivision of the State of California, for Natividad Medical Center ("County"), on the one hand, and REHABCARE GROUP MANAGEMENT SERVICES, INC., a Delaware corporation ("Contractor"), on the other hand. County and Contractor are sometimes referred to herein collectively as the "Parties" and individually as a "Party."

RECITALS

A. WHEREAS, County invited proposals through a Request for Proposal ("RFP #9678") for providing acute rehabilitation services for the County of Monterey at Natividad Medical Center (the "Hospital"), in accordance with the specifications set forth in this Agreement;

B. WHEREAS, Contractor submitted a responsive and responsible proposal to perform such services;

C. WHEREAS, County and Contractor entered into that certain Agreement for Acute Rehabilitation Services for the County of Monterey Natividad Medical Center, dated March 10, 2003 (the "Original Agreement"), relating to the distinct part Acute Rehabilitation Unit program ("Program") at the Hospital;

D. WHEREAS, County and Contractor have executed a number of renewals and amendments to the Original Agreement, including without limitation (a) that certain Modification Agreement dated April 23, 2003, that certain Extension and Modification Agreement, effective

September 1, 2005; (b) that certain Renewal Amendment No. 2 for Professional Service Agreement Between Master Plan and the County of Monterey, effective July 1, 2006, (c) that certain Renewal Amendment No. 3 for Professional Service Agreement Between Contractor Group Management Services, Inc. and the County of Monterey for Management Services for ARU Services, effective July 1, 2007; (d) that certain Renewal Amendment No. 4 for Professional Service Agreement Between Contractor Group Management Services Inc. and the County of Monterey for Acute Rehabilitation unit Management Services, effective July 1, 2008; and (e) that certain Renewal Amendment #5 for Professional Service Agreement Between Contractor Group Management Services, Inc. and the County of Monterey for Acute Rehabilitation Services, effective May 1, 2009 (collectively with the Original Agreement, the "Prior Agreements");

E. WHEREAS, the Parties desire to amend and restate the terms and conditions of their agreement as of the Effective Date regarding the services provided by Contractor in connection with the Program;

NOW, THEREFORE, in consideration of the covenants and conditions contained in this Agreement, the Parties agree as follows:

AGREEMENT

ARTICLE I PRELIMINARY MATTERS

1.1 Incorporation of Certain Documents. Any and all other contractual obligations, including standard clauses, set forth in RFP #9678, and promises made by Contractor through Contractor's bid in response to RFP #9678, must be honored and adhered to in order to complete the tasks requested by County and promised by Contractor. To the extent of any conflict between the terms and conditions of RFP #9678 and/or Contractor's bid and this Agreement, however, the terms of this Agreement shall control.

1.2 Medical Director Services. Except to the extent otherwise provided herein, Contractor shall not be responsible for providing any Medical Director services associated with the Program. County shall bear the responsibility for employing a qualified Medical Director or otherwise arranging for the provision of such Medical Director services. County shall assure that the Medical Director shall staff the Program as is required to comply with federal Medicare regulations and other federal, state and local laws and regulations relating to the operation of a rehabilitation facility. The Medical Director shall be available on a seven (7) day a week basis to coordinate with patients' physicians in connection with admission of patients into and/or discharge of patients from the Program. County shall consult with Contractor in selecting a Medical Director for the Program, but County shall retain sole and absolute discretion in selecting, disciplining, and/or terminating any such Medical Director.

ARTICLE II CONTRACTOR'S RESPONSIBILITIES

2.1 Scope of Services. Contractor shall assume responsibility for implementing the Program at the Hospital by providing the Acute Rehabilitation Unit services described in RFP #9678 and such services as are further provided herein related to operation of the Program, other than Medical Director services (collectively, the "Services").

2.2 Contractor Recommendations. In providing the Services, Contractor will, from time to time, be required to make recommendations to County regarding actions which County and/or Hospital should take. County shall comply with Contractor's reasonable recommendations in this regard.

2.3 Staffing and Performance Expectations. Contractor shall provide or arrange staffing for the Program as described in Subsections 2.3(a) – 2.3(c). The performance expectations

of the Contractor Personnel are outlined in the job descriptions located in the Hospital's Human Resources Department.

(a) **Program Director.** The Program Director will be Contractor's on-site representative, responsible for day-to-day management of the Program. County, in consultation with Contractor, shall designate a Hospital executive with whom the Program Director will maintain a day-to-day reporting relationship. County shall consult with Contractor prior to changing the reporting relationship of the Program Director.

(b) **Community Relations Coordinator.** The Community Relations Coordinator will develop and implement educational programs directed both at the County's medical staff, and employees and members of the community in general.

(c) **Therapy Personnel.** The following types of therapy personnel, sufficient to provide patients with appropriate therapy care, consistent with applicable industry and accrediting body standards:

- (i) Physical Therapist(s);
- (ii) Physical Therapy Assistant(s);
- (iii) Occupational Therapist(s);
- (iv) Certified Occupational Therapy Assistant(s);
- (v) Rehabilitation Tech(s);
- (vi) Speech Pathologist(s);
- (vii) Social Worker(s);
- (viii) Psychologist(s).

2.4 Contractor Personnel. Contractor shall be responsible for the payment of: (a) wages, employee benefits, workers' compensation insurance, liability insurance, and other

compensation for its employees; and (b) all fees of independent contractors, to the extent each is engaged by Contractor to provide Services to County pursuant to this Section (collectively, the “**Contractor Personnel**”). Contractor Personnel providing Services to County pursuant to this Section will not be deemed employees of County. Pursuant to Section 3.8, all Contractor Personnel will, however, be subject to County’s customary post-offer/pre-employment and periodic health screening procedures for staff, which County will conduct in a manner consistent with the manner in which it conducts such procedures for County’s own staff, at no charge or cost to Contractor.

2.5 Licensure and Credentialing. Contractor shall ensure that all Contractor Personnel associated with the Program who are professionals, will be licensed as required by applicable federal and state laws, and will meet applicable credentialing requirements of County as described in its medical staff bylaws or other similar requirements on the date such individuals are assigned by Contractor to provide Services at Hospital and thereafter for so long as such individuals provide Services at Hospital. County agrees to assist Contractor Personnel to obtain appropriate privileges as expeditiously as possible, provided the individual meets all applicable requirements.

2.6 Orientation; Staff Training. Contractor shall provide orientation regarding the Program for the Directors of the Hospital’s departments and training for the Hospital’s nursing staff assigned to the Program.

2.7 Policies and Procedures. Contractor shall propose for County’s consideration policies and procedures for the Program to be adopted by appropriate governing bodies within the Hospital.

2.8 Equipment. Contractor shall provide specialized therapy equipment for use in the Program during the Term of this Agreement, as described in Exhibit B attached hereto. In addition, to the extent requested by County, Contractor shall advise the County with respect to the selection of

additional equipment for the Program. Upon termination of this Agreement for any reason, County shall have the option, exercisable in its sole discretion, to purchase any or all such items of equipment for the lower of the book or fair market value of such equipment, as of the effective date of such termination.

2.9 Accreditation.

(a) **Hospital Accreditation.** Contractor shall assist County in County's preparation of materials relating to the Program in connection with the accreditation of the Hospital by the Joint Commission or a similar accreditation organization.

(b) **Program Accreditation.** If requested by County, Contractor shall assist the County in the County's preparation of materials required so that County is able to obtain and/or maintain accreditation of the Program by the Commission on Accreditation of Rehabilitation Facilities ("CARF") or a similar accreditation organization.

2.10 Space Planning. If requested by County, Contractor shall provide space planning advice to County with respect to efficient and effective use of the Program space.

2.11 Outcome Monitoring. Contractor shall implement and operate Contractor Group, Inc.'s proprietary program evaluation system to monitor, measure, and report to County clinical and operational Program outcomes.

2.12 Quality Improvement. Contractor shall provide continuous quality improvement systems with respect to therapy service provided in the Program.

2.13 Medical Director Documentation. County shall arrange for copies of the Medical Director's time sheets documenting the services provided by Medical Director to be submitted to Contractor on a monthly basis. Contractor shall review such timesheets in order to ensure that the

amount and nature of Medical Director services are consistent with all Medicare requirements and the requirements of all other applicable federal, state and local law and regulations.

2.14 Additional Responsibilities. Contractor shall provide the related Services described in Exhibit A attached hereto and set forth under the heading, "Contractor Responsibilities."

ARTICLE III COUNTY'S RESPONSIBILITIES

3.1 Space, Equipment, and Materials. County shall provide and maintain the space, equipment, and other materials and supplies required to operate the Program. The Program space will comply with all applicable federal, state and local requirements for operation of the Program and will be sufficient to support both the patient care and the management / administrative requirements of the Program. The Program equipment, materials, and supplies will include, at a minimum, those items listed in Exhibit C attached hereto. So long as economically feasible, County shall configure the Program space consistent with Contractor's recommendations in order to maximize the efficient and effective use of such space.

3.2 Quarterly Management Meetings. At least once per calendar quarter, Hospital's senior management team (e.g., CEO, CFO, COO) shall meet with Contractor's local Program Director and members of Contractor's senior management team (e.g., President, Regional Vice President) to discuss the Program and strategies for improving the Services provided through the Program.

3.3 General Hospital Services. County shall provide linen, laundry, dietary, medical records, pastoral care, and other general services with respect to Program patients in accordance with Hospital's general standards for such activities. County shall provide diagnostic and ancillary services to Program patients as directed by each patient's attending physician.

(a) County shall provide the Program with dedicated (full-time or part-time) nursing personnel sufficient to staff a twenty (20) bed Program. The level of nurse staffing and the manner in which County nursing personnel perform and document the nursing care they provide shall be consistent with applicable industry and accreditation standards.

(b) County shall ensure that all professional personnel who are required to hold state licenses and/or professional certifications have such conditions met in full at the time and throughout the duration of their assignment to the Program.

(c) County shall also provide clerical support for both Contractor Personnel and County personnel providing Services related to the Program.

3.4 County Personnel. County personnel, including without limitation the Medical Director and nursing and clerical personnel assigned to the Program, will not be deemed employees of Contractor. County shall be responsible for the compensation (including benefits, workers' compensation insurance, and liability insurance) for such personnel.

3.5 Distinct Part Status. County shall use commercially reasonable efforts and perform all acts necessary to maintain the Program as a distinct-part, Diagnosis Related Group ("DRG")-exempt rehabilitation unit under applicable federal law.

3.6 No Competing Services. During the Term of this Agreement, County shall not develop, own, manage, operate, or participate, directly or indirectly, in the development, ownership, management, or operation of any intensive inpatient physical rehabilitation service, other than the Program.

3.7 Admissions; Billing. County shall admit patients to the Program in accordance with County's standard admission policies and in accordance with treatment protocols appropriate for the Program. County shall invoice Program patients in County's name for Services rendered through the

Program, as well as for any ancillary or miscellaneous services, at established billing rates, except for professional service fees, which are billed directly as appropriate. County shall set daily County service rates to be charged for Program Services, after consultation with Contractor.

3.8 Contractor Personnel Screening. County shall provide all Contractor Personnel with the same customary post-offer/pre-employment and periodic health screening procedures that County provides to its own staff, in a manner consistent with the manner in which it conducts such procedures for its own staff and at no charge or cost to Contractor.

3.9 Additional Responsibilities. County shall provide the related Services described in Exhibit A attached hereto and set forth under the heading "County Responsibilities."

ARTICLE IV TEMPORARY THERAPY SERVICES

4.1 Temporary Therapy Services. In addition to the regular Services that Contractor provides to County in connection with the Program, each Party shall provide therapy services on a temporary basis ("Temporary Therapy Services") to the other Party, through social workers, speech language pathologists, occupational therapists, physical therapists, physical therapy assistants, certified occupational therapy assistants, and rehabilitation technicians (collectively, "Temporary Therapy Personnel") at such times as the other Party may reasonably request and to the extent of the availability of the Temporary Therapy Personnel during such requested times. The Parties shall mutually agree as to the scheduling for the provision of the Temporary Therapy Services.

4.2 Equipment and Supplies. County shall provide all equipment and supplies that are required with respect to the provision of the Temporary Therapy Services.

4.3 Physical Examinations and Screenings. To the extent County requires a physical examination or other test of the Temporary Therapy Personnel, County shall bear all costs of such tests.

4.4 Compensation for Temporary Therapy Services. Temporary Therapy Services shall be compensated separately from the other Services provided under this Agreement. The Temporary Therapy Services shall be provided and billed at the following hourly rates: (a) Forty Six Dollars (\$46.00) per hour for Social Workers, Physical Therapy Assistants, and Certified Occupational Therapy Assistants; (b) Sixty Six Dollars (\$66.00) per hour for Physical Therapists, Occupational Therapists, and Speech Language Pathologists; and (c) negotiated rates (with prior County approval by County's Department Director or Administrator) not to exceed Seventy Five Dollars (\$75.00) per hour on an as-needed basis for Travelers in the event regular staff is not available. County shall provide thirty (30) days' prior written notice to Contractor in the event any Traveler is no longer needed. Failure to provide such notice may result in additional associated fees.

4.5 Invoices; Payment. Contractor shall submit to the Contract Administrator an invoice for the fees payable for Temporary Therapy Services on a form acceptable to County. If not otherwise specified, the Contractor may submit such invoice periodically or at the completion of services, but in any event, not later than thirty (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 as the County may require. The Contract Administrator or his/her designee shall certify the invoice within thirty (30) days of the date of 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 thirty (30) days of the date of such certification (the "Due Date"). Based on the foregoing deadlines, the Due Date will never be later than sixty (60) days after the date of the invoice.

**ARTICLE V
FINANCIAL ARRANGEMENTS**

5.1 Compensation for Services.

(a) Compensation for any unbilled or unpaid Inpatient Rehabilitation Services provided before the Effective Date shall be calculated, billed and due and payable in accordance with the terms and provisions set forth in the Original Agreement. Beginning on the Effective Date, for all of the Inpatient Rehabilitation Services, except Temporary Therapy Services, County shall pay Contractor Group, Inc., as agent for Contractor, a service fee each month for Services provided by Contractor pursuant to this Agreement (the "Service Fee"). Such Service Fee shall be \$52,641 per month, which Service Fee shall cover all Services provided by Contractor (excluding Temporary Therapy Services) plus a Therapy Staffing Fee based on the table below:

MONTHLY THERAPY STAFFING FEE

IRF ADC	Therapy Staffing Fee	Required Therapy Staffing FTE Range
0.00 – 5.99	\$35,295	1.25 – 4.25 FTE
6.00 - 7.99	\$48,741	3.00 – 5.50 FTE
8.00 - 9.99	\$62,187	4.00 – 6.75 FTE
10.00 - 11.99	\$75,632	5.00 – 8.00 FTE
12.00 - 13.99	\$89,078	5.75 – 9.25 FTE
14.00 - 15.99	\$102,524	6.75 – 10.25 FTE
16.00 - 17.99	\$115,969	7.75 – 11.50 FTE
18.00 - 20.00	\$129,415	8.75 – 13.00 FTE

(b) Any amounts which have been paid by the County to Contractor for services rendered by Contractor on or after the Effective Date, which are in excess of the amounts set forth in

Paragraph 5.1 (a) above, shall be repaid in full by Contractor to County within thirty (30) days of the date of execution of this Agreement.

(c) **Outpatient Services.** County shall pay Contractor a fee of \$8.85 per procedure and \$932.44 per month for rehabilitation services provided in the Outpatient program. This payment under Section 5.1(b) shall conclude September 30, 2010.

5.2 Invoices; Payment. Contractor shall submit to the Contract Administrator an invoice for the fees payable by County pursuant to Section 5.1. If not otherwise specified, the Contractor may submit such invoice periodically or at the completion of services, but in any event, not later than thirty (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 as the County may require. The Contract Administrator or his/her designee shall certify the invoice within thirty (30) days of the date of 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 thirty (30) days of the date of such certification (the "Due Date"). Based on the foregoing deadlines, the Due Date will never be later than sixty (60) days after the date of the invoice.

5.3 Right of Offset. Notwithstanding any other provision of this Agreement, to the extent that County has made or makes any payments to Contractor under this Agreement in excess of amounts owed to Contractor hereunder, County shall have the right to offset subsequent payments due to Contractor under this Agreement to the extent of such overpayments. If County exercises such right of offset, County shall inform Contractor in writing of the amount of overpayments

County has determined, as well as the amount of offset County is exercising with respect to each invoice submitted to County by Contractor.

5.4 Medicare Denials Management. To the extent Contractor provides Services to a Medicare patient hereunder, and Medicare denies payment to County for such services, based solely or in part on incorrect or untimely documentation by Contractor, as defined by regulations or instructions of Medicare (hereinafter a "Denied Claim"), then County shall notify Contractor in writing of such Denied Claim (a "Denial Notice") within ten (10) days of County's receipt of a notice of denial from Medicare.

5.5 Appeals of Denied Claims. As soon as practicable following Contractor's receipt of a Denial Notice from County, Contractor shall, at its cost, appeal the Denied Claim in accordance with applicable Medicare regulations through the Administrative law Judge level of appeal. County shall cooperate fully with Contractor, including providing timely access to necessary medical records and personnel, as well as timely completion of all appeal forms, and by notifying Contractor within 10 days of any communication received by County related to the Denied Claim or the appeal process. If such Denied Claims are reserved through the aforementioned appeals processes, Contractor shall keep all service fees paid as set forth above. If, however, Contractor does not prevail in the appeals processes, through the Administrative Law Judge level of appeal ("unsuccessfully appealed claim"), Contractor will refund to County \$4,800.00 per unsuccessfully appealed claim. If County experiences a significant increase in unsuccessfully appealed Denied Claims, the parties agree to readdress appeals processes and reimbursement arrangement for Denied Claims.

ARTICLE VI TERM

6.1 **Term.** This term of this Agreement commenced on February 25, 2003, and shall continue until June 30, 2012 (the "Term") unless sooner terminated in accordance with the provisions of this ARTICLE VI.

6.2 **Termination.** This Agreement may be terminated as described below:

(a) **Mutual Agreement.** This Agreement may be terminated upon the mutual agreement of the Parties to terminate this Agreement.

(b) **Written Notice.** Either Party may terminate this Agreement for any reason, or for no reason, by giving written notice of such termination to the other Party at least one hundred eighty (180) days prior to the effective date of termination. Such notice shall set forth the effective date of termination.

(c) **Termination for Breach.** Either Party may terminate this Agreement effective thirty (30) days after giving written notice of termination to the other Party if the Party to whom such notice is given is in breach of any material covenant or other provision of this Agreement, including without limitation the failure to pay any compensation required to be paid hereunder. The Party giving such notice of termination shall set forth in the notice the facts underlying its claim that the other Party is in breach of this Agreement. Notwithstanding the foregoing, this Agreement shall not terminate in the event that the breaching party cures the breach, to the satisfaction of the non-breaching Party, prior to the effective date of the termination.

(d) **Immediate Termination.** Either Party may terminate this Agreement immediately if the other Party:

(i) makes, negotiates, or commences negotiations for partial or complete assignment of its assets for the benefit of creditors, pursuant to statutory or common law;

(ii) suffers an appointment of a receiver, custodian, examiner, or a trustee for any of its property or assets;

(iii) terminates, liquidates, or dissolves, or files for bankruptcy;

(iv) is suspended, excluded, or otherwise becomes ineligible to participate in the Medicare, Medi-Cal, or any other government-sponsored health program;

(v) has its state license, certification as a Medicare provider, or applicable accreditation suspended, revoked, or otherwise lost, in whole or in part.

(e) **Legal Event.** Notwithstanding any other provision of this Agreement, if the governmental agencies that administer the Medicare, Medicaid, or other federally funded programs (or their representatives or agents), or any other federal, state, or local governmental or nongovernmental agency, or any court or administrative tribunal, pass, issue, or promulgate any law, rule, regulation, standard, interpretation, order, decision, or judgment, including but not limited to those relating to any regulations pursuant to state or federal anti-kickback or physician self-referral statutes (collectively or individually, “**Legal Event**”), which, in the good-faith judgment of one Party (the “**Noticing Party**”), materially and adversely affects either Party’s licensure, accreditation, certification, or ability to refer, to accept any referral, to bill, to claim, to present a bill or claim, or to receive payment or reimbursement from any federal, state, or local governmental or nongovernmental payor, or which subjects the Noticing Party to a risk of prosecution or civil monetary penalty, or if in the good faith opinion of counsel to either Party any term or provision of this Agreement could trigger a Legal Event, then the Noticing Party may give the other Party written notice of intent to amend or terminate this Agreement. In the event of such notice, the Parties shall have sixty (60) days from the giving of such notice (the “**Renegotiation Period**”) within which to attempt to amend this Agreement. If this Agreement is not amended within the Renegotiation

Period, this Agreement shall terminate as of midnight on the sixtieth (60th) day after said notice was given. Except as otherwise required by Applicable Laws, any amounts owing to either Party hereunder shall be paid, on a pro rata basis, up to the date of such termination, and any obligation hereunder that is to continue beyond expiration or termination of this Agreement shall so continue pursuant to its terms.

6.3 Effect of Termination. Termination of this Agreement will not affect the rights and obligations of the parties arising out of any services performed under this Agreement prior to the effective date of such termination. Upon any termination of this Agreement for any reason whatsoever, and subject to Section 6.4, Contractor shall be entitled to cancel any order then outstanding and to seek payment from County for reasonable cancellation charges incurred by Contractor.

6.4 Obligations Upon Termination. Upon expiration or termination of this Agreement, neither Party shall have any further obligation hereunder except for (1) obligations due and owing which arose prior to the termination or expiration of the Agreement; (2) obligations or covenants contained herein which expressly extend beyond the Term of this Agreement; and (3) Contractor's obligation to continue rendering any of the services provided under this Agreement underway at the time of expiration or termination until such services are completed or transferred to another services provider. Contractor shall reasonably participate in an orderly transition of the services provided hereunder to any new services provider with whom County contracts. It is County's sole duty to arrange to provide, after the termination of this Agreement, any and all products and services need to replace the products and services provided by Contractor under this Agreement.

6.5 Outstanding Balances. Within thirty (30) days following the expiration or termination of this Agreement, at a time and place to be mutually agreed, County and Contractor will

meet to resolve any outstanding balances due to Contractor and other issues with respect to termination. All amounts payable to Contractor from County under this Agreement or otherwise shall be due and payable to Contractor thirty (30) days following the termination or expiration of this Agreement.

ARTICLE VII BACKGROUND CHECKS

7.1 Proof of Identification. Contractor and Contractor's employees shall be required to display their identification badge at all times while working in Hospital.

7.2 Fingerprinting and Background Checks. All Contractor Personnel working at the Hospital must be fingerprinted and must have a background check completed by County prior to beginning employment at the Hospital. Contractor shall have Contractor Personnel fingerprinted at the Monterey County Sheriff's Public Safety Building, 1414 Natividad Road, Salinas, CA, to initiate background checks. County shall be responsible for all costs of fingerprinting and background checks during this Agreement for new or replacement personnel hired after the Effective Date.

ARTICLE VIII INTENTIONALLY DELETED

ARTICLE IX CONFIDENTIALITY

9.1 Confidential Information. For purposes of this Agreement, "Confidential Information" shall include all information, documentation, data, know-how, devices, designs, trade secrets and technology, whether obtained before or after the execution of this Agreement, without regard to medium of storage or method of transmission of such information, including without limitation all notes, minutes, and other summaries of planning meetings between representatives of the Parties which are not legitimately in the public domain, including, but not limited to, the following:

(a) With respect to Contractor: (i) all proprietary documents, including but not limited to all business plans, bids, proposals, financial data, memoranda, manuals, handbooks, production books and audio or visual recordings (excluding written materials distributed to Program patients); (ii) all computer software developed or provided by Contractor (including all documentation relating thereto); (iii) all proprietary methods, techniques, policies, management strategies and procedures utilized by Contractor or provided by Contractor for County to use in providing treatment services to Program patients; (iv) all marketing strategies, demographics, and other related materials; (v) all aggregated patient data or information; and (vi) all material bearing a "Confidential Information" designation.

(b) With respect to County: (i) all pricing or business strategies created by County; (ii) charge data; (iii) financial information, including without limitation, costs and expenses, and wages; (iv) all marketing strategies, demographics, and other related materials; and (v) all material bearing a "Confidential Information" designation.

9.2 Exclusions. Confidential Information of Contractor shall not include information which County can prove was in its possession legitimately prior to the initiation of the negotiation of the Original Agreement, or is information generally available within the healthcare, rehabilitation, or long-term care industries, or is information rightfully obtained by it through third-party sources.

9.3 Efforts to Secure Confidential Information. Confidential Information disclosed pursuant to this Agreement is disclosed in confidence and with the understanding that it constitutes valuable information developed at great expenditure of time, effort, and money. Each Party shall secure and protect the other Party's Confidential Information using all commercially reasonable means, but in no event shall such means be less than those used by each Party to secure its own Confidential Information. If any person seeks to compel a Party to disclose the other Party's

Confidential Information, the disclosing Party shall promptly notify the other Party so that the other Party has the opportunity to seek an appropriate protective order.

9.4 Copies; Return of Confidential Information. Any disclosure of Confidential Information by a Party is done in reliance upon the other Party's representations and covenants in this Agreement. Each Party agrees not to use, duplicate, or make any copies of the other Party's Confidential Information except as necessary to carry out its responsibilities under this Agreement. Upon termination of this Agreement for any reason, each Party shall promptly return to the other Party all material constituting or containing Confidential Information. Neither Party shall thereafter use, appropriate, reproduce, or disclose such information to any third party, except to the extent such disclosures are required by law, pursuant to subpoena or other legal process.

9.5 Confidential Health Information and Records. Contractor and Contractor Personnel shall comply with all legal requirements regarding the confidentiality and security of patient records and patient identifiable information, including without limitation the Health Insurance Portability and Accountability Act of 1996 and all rules and regulations promulgated thereunder, as may be amended ("HIPAA"), the California Medical Information Act ("CMIA"), contained in the California Civil Code Section 56 et seq. the California Patient Access To Medical Records Act ("PAMRA"), contained in the California Health and Safety Code, Section 123100 et seq., California Health and Safety Code Section 1280.15 and other California patient privacy laws (collectively, "Health Information Privacy Laws").

9.6 Remedies. Violation or breach of this Section may result in grievous and irreparable harm to the Parties, which harm may be difficult to quantify, and a Party whose Confidential Information is disclosed will not have an adequate remedy at law for breach of this Section. Therefore, each Party shall waive any defense that the other Party has an adequate remedy at law in

the event of such breach, and the other Party may enforce its rights in equity by injunctive or other equitable relief, in addition to whatever other remedies may exist. The Parties waive any requirement for the securing or posting of any bond in connection with obtaining any such injunctive or other equitable relief.

9.7 Survival. The provisions of this ARTICLE IX shall survive the termination of this Agreement.

ARTICLE X EMPLOYEE RECRUITMENT

10.1 Solicitation of Contractor Personnel. County acknowledges that Contractor has expended and will continue to expend substantial time, effort, and money in training staff in the management and operation of the Program and the delivery of therapy services. Contractor Personnel who provide services to County will have access to and possess Confidential Information of Contractor. For County to employ or contract with Contractor Personnel or former Contractor Personnel likely would result in the use by County of Contractor Confidential Information in violation of ARTICLE IX. Therefore, without Contractor's prior written consent, County shall not (i) directly through its efforts; or (ii) indirectly through the efforts of person(s) acting by or on behalf of County during the Term of this Agreement and during an additional one (1) year thereafter, employ, solicit the employment of, or in any way retain the services of any Contractor Personnel employed or retained by Contractor at any time during the immediately preceding one (1) year to provide services to the Program. This restriction will not apply to any Contractor Personnel who were employed by County prior to their becoming employed or retained by Contractor to provide Services under this Agreement.

10.2 Solicitation of County Personnel. Without County's prior written consent, Contractor shall not (i) directly through its efforts; or (ii) indirectly through the efforts of person(s)

acting by or on behalf of Contractor during the Term of this Agreement and during an additional one (1) year thereafter, employ, solicit the employment of, or in any way retain the services of any employee, former employee, or independent contractor of County, if such individual was employed or retained by County at any time during the immediately preceding one (1) year to provide services in connection with the Program. This restriction will not apply to any County Personnel who were employed or retained by Contractor prior to their becoming employed or retained by County.

ARTICLE XI INTELLECTUAL PROPERTY

11.1 Service Mark. Contractor is a registered service mark belonging exclusively to Contractor. This Agreement transfers no right, title, or interest in or to Contractor or any other mark to County. County shall not cause any documents to be printed or copied bearing a service mark of Contractor or a Contractor affiliate without an accompanying legend indicating that such service mark is the registered service mark of Contractor or its affiliate, as applicable. County shall not provide any goods or services under Contractor's service mark unless a separate written service mark license agreement, specifically authorizing the use of such service mark, is entered into by the Parties.

11.2 Survival. The provisions of this ARTICLE XI shall survive termination of this Agreement.

ARTICLE XII COMPLIANCE

12.1 Compliance Programs.

(a) County represents and warrants to Contractor that County has in effect a compliance program that promotes the prevention, detection, and resolution of instances of conduct that do not conform to federal and state laws and that such compliance program will extend to the

Program, including without limitation: (i) the documentation of services provided through the Program by County personnel; and (ii) County's billing of Program services. As part of County's compliance efforts, County shall monitor the operation of the Program with the same level of frequency and intensity as that with which County monitors County's operations generally, but in no event shall County review the Program less frequently than once each twelve (12) months. County's obligation to monitor the program will supplement, but not supersede, Contractor's obligation to monitor the performance of those individuals serving the Program in the capacity of Contractor Personnel, as described in Section 12.1(b). If County receives any complaints that the Program does not operate in compliance with applicable federal and state laws and regulations or if, through County's internal monitoring of the Program, County identifies an area of potential noncompliance related to the Program, County shall notify Contractor's compliance officer in a timely manner. County shall cooperate and assist Contractor in any investigation that Contractor may elect to conduct in follow-up to information disclosed by County, and shall work with Contractor in good faith in the development of a plan to correct deficiencies, if any, and to prevent recurrences. Contractor shall cooperate and assist County in any investigation that County may elect to conduct pursuant to County's compliance program and shall work with County in good faith in the development of a plan to correct deficiencies, if any, and to prevent recurrences.

(b) Contractor represents and warrants to County that Contractor has in effect a compliance program that promotes the prevention, detection, and resolution of instances of conduct that do not conform to federal and state laws and that such compliance program extends to the documentation of service provided by individuals in their capacity as Contractor Personnel. As part of Contractor's compliance efforts, Contractor shall monitor the performance of Contractor Personnel assigned to provide services through the Program with the same level of frequency and

intensity as that with which Contractor monitors Contractor Personnel assigned to comparable programs across the United States, but in no event shall Contractor review the performance of Contractor Personnel less frequently than once each twelve (12) months. Contractor's obligations to monitor those individuals serving as Contractor Personnel will supplement, but not supersede, County's obligation to monitor the Program, as described in Section 12.1(a). If Contractor receives any complaints that the Program does not operate in compliance with applicable federal and state laws and regulations or if, through Contractor's internal monitoring of the Contractor Personnel, Contractor identifies an area of potential noncompliance related to the Program, Contractor shall notify County's compliance officer in a timely manner. Contractor shall cooperate and assist County in any investigation that County may elect to conduct in follow-up to information disclosed by Contractor, and shall work with County in good faith in the development of a plan to correct deficiencies, if any, and to prevent recurrences. County shall cooperate and assist Contractor in any investigation that Contractor may elect to conduct pursuant to Contractor's compliance program and shall work with Contractor in good faith in the development of a plan to correct deficiencies, if any, and to prevent recurrences.

12.2 Compliance With General Laws. Each Party shall perform its obligations under this Agreement in compliance with all applicable laws, ordinances, codes and regulations of federal, state and local governments, including laws that require the application of the laws of any other jurisdiction.

12.3 Compliance With Healthcare Laws. Without limiting the generality of the foregoing Section, each Party shall fulfill its obligations under this Agreement in accordance with any and all applicable laws, rules, guidelines and requirements of governmental, accrediting, reimbursement, payment and other agencies having jurisdiction over the services provided

hereunder, including without limitation, compliance with all applicable laws and regulations of foreign, federal, state and local governments and all agencies thereof relating to Healthcare Laws and Practices (as defined below). For purposes of this Agreement, “**Healthcare Laws and Practices**” means all federal, state or local laws, rules, regulations or guidelines regarding (a) any government-sponsored health care program, including Medicare and other federally or state funded entitlement programs, and including those laws, rules, regulations and guidelines related to covered services, charging practices, billing, collection, marketing and advertising; (b) kickbacks, fee-splitting and other referral practices, including, without limitation, the federal anti-kickback statute set forth at 42 U.S.C. Section 1320a-7b (the “**Anti-Kickback Statute**”), the federal physician self-referral prohibition law set forth at 42 U.S.C. Section 1395nn (the “**Stark Law**”), California Business and Professions Code Section 650, California Welfare and Institutions Code Section 14107.2(a), California Business and Professions Code Sections 650.01 and 650.02, California Labor Code Sections 139.3 and 139.31 and other related or similar laws and regulations; and (c) the privacy, confidentiality, maintenance, or protection of patient records, including, without limitation, Health Information Privacy Laws.

12.4 HIPAA Compliance. County and Contractor are each a separate “covered entity” as such term is defined under HIPAA. As covered entities, County and Contractor shall implement all necessary policies, procedures, and training to comply with HIPAA and other laws, rules and regulations pertaining to the use, maintenance, and disclosure of patient-related information.

(a) **Organized Health Care Arrangements.** If requested by County during the Term of this Agreement, Contractor shall participate in an Organized Health Care Arrangement (“**OHCA**”), as such term is defined under HIPAA, and comply with County’s OHCA-related policies, procedures, and notice of privacy practices.

(b) **Business Associate Agreement.** County, as a covered entity, and Contractor, as a business associate, are parties to a HIPAA Business Associate Agreement (the "BAA") and agree that the BAA shall be updated from time to time as needed for continued compliance with HIPAA.

12.5 Fair Value Warranty. Each Party represents and warrants to the other that the aggregate benefit given or received under this Agreement has been determined in advance through a process of arm's length negotiations that were intended to achieve an exchange of services consistent with fair market value under the circumstances, and that any benefit given or received under this Agreement is not intended to induce, does not require, and is not contingent upon, the admission, recommendation or referral of any patient, item or service, directly or indirectly, to County or Contractor and, further, is not determined in any manner that takes into account, directly or indirectly, the value of business generated between the Parties.

12.6 Survival. The provisions of this ARTICLE XII shall survive the termination of this Agreement.

ARTICLE XIII INSURANCE AND INDEMNIFICATION

13.1 Insurance.

(a) **Minimum Coverages.** At a minimum, during the Term of this Agreement, each Party shall, at its sole expense, maintain the following insurance coverages:

(i) Commercial and comprehensive general liability insurance in amounts not less than One Million Dollars (\$1,000,000.00) per occurrence and Three Million Dollars (\$3,000,000.00) annual aggregate for all covered claims;

(ii) Professional liability or errors and omissions insurance with limits of liability of not less than One Million Dollars (\$1,000,000.00) per claim and [Three Million Dollars (\$3,000,000.00) per occurrence;

(iii) Workers' compensation insurance and other insurance as required by law.

(b) **Additional Insured; Continued Coverage.** Each Party shall ensure that any of the insurance coverages provided above will name the other Party as an additional insured. Such insurance coverages shall be primary and noncontributory. To the extent such insurance coverages are on a claims-made basis, each Party shall, at its sole expense, provide continued coverage, either through renewal of coverage, or through purchase of an extended reporting endorsement ("tail") for period of [four (4)] years after the termination of this Agreement. Such tail coverage shall be at least in the amounts set forth above. If one Party does not maintain the foregoing group coverage or purchase tail coverage, the other Party shall have the right to purchase such coverage and bill the other Party for the premium.

(c) **Proof of Insurance.** Each Party shall provide proof of the coverages required by this Section 13.1 upon any reasonable request by the other Party. Each Party shall secure an endorsement from its insurer(s) providing that the other Party shall be provided at least thirty (30) calendar days prior written notice of any proposed cancellation or change in insurance carriers or coverage.

13.2 Indemnification of County. To the extent not covered by insurance, Contractor shall indemnify, hold harmless and defend County, Hospital, and County's and Hospital's affiliates, officers, directors, partners, and employees ("County Indemnitees"), from and against any and all liability, loss, damage, claim, causes of action, and expenses (including reasonable attorneys' fees),

caused or asserted to have been caused, directly or indirectly, by or as a result of (1) the performance of any services under this Agreement or any other acts or omissions by Contractor and/or its members, agents, employees, and/or subcontractors (other than acts or omissions occurring at the specific direction of a County Indemnitee) during the Term of this Agreement; or (2) the breach of any agreement or covenant of Contractor and/or any of its shareholders, agents, or employees contained in or made in connection with this Agreement.

13.3 Indemnification of Contractor. To the extent not covered by insurance, County shall indemnify, hold harmless and defend Contractor, its affiliates, officers, directors, partners, and employees (“Contractor Indemnitees”), from and against any and all liability, loss, damage, claim, causes of action, and expenses (including reasonable attorneys’ fees), caused or asserted to have been caused, directly or indirectly, by or as a result of (1) the performance of any intentional acts, negligent acts, or omissions by County and/or its agents, employees and/or subcontractors (other than any acts or omissions occurring at the specific direction of a Contractor Indemnitee) during the Term of this Agreement; or (2) the breach of any agreement or covenant of County and/or any of its agents or employees contained in or made in connection with this Agreement.

13.4 Notice of Indemnified Claims. To the extent a Party hereto intends to seek indemnification under this Article (the “Indemnified Party”), such Indemnified Party shall provide written notice to the Party from whom indemnification is sought (“**Indemnitor**”) within thirty (30) days of obtaining information, regarding any action, claim, or demand, which would lead a reasonable person to conclude that indemnification would be available hereunder (an “Indemnified Claim”). The Indemnified Party shall (a) allow the Indemnitor and/or its insurers to assume direction and control of the defense of any action, suit, or proceeding relating to or arising from an Indemnified Claim, if they elect to do so, including without limitation the right to select or approve

defense counsel; (b) allow the Indemnitor and/or its insurer the right to settle such actions, suits, or proceedings at the sole discretion of the Indemnitor or its insurer; and (c) cooperate fully with the Indemnitor and its insurer in defending against, and settling, such actions, suits, or proceedings. Failure of the Indemnified Party to comply with the requirements of this Section shall render this indemnification provision null and void as to the Indemnified Claim.

13.5 Survival. The provisions of this ARTICLE XIII shall survive the termination of this Agreement.

ARTICLE XIV GENERAL PROVISIONS

14.1 Force Majeure. If any Party hereto is delayed or prevented from fulfilling its obligations under this Agreement by Force Majeure, such Party shall not be liable under this Agreement for such delay or failure. For purposes of this Agreement, “**Force Majeure**” means any cause beyond the reasonable control of a Party, including without limitation acts of God, civil or military disruption, fire, strike, flood, riot, war, or inability due to the aforementioned causes to obtain necessary labor, materials, or facilities.

14.2 Governing Law. The validity of this Agreement, the interpretations of the rights and duties of the parties hereunder and the construction of the terms hereof will be governed in accordance with the laws of the State of California without regard to its conflicts of laws principles.

14.3 Federal Government Access. Until the expiration of four (4) years after services are rendered under this Agreement, Contractor shall make available, upon request of the Secretary of Health and Human Services, the Comptroller General, or their duly authorized representatives, any books, documents (including a copy of this Agreement), or records of Contractor necessary to certify the nature and extent of costs claimed for purposes of Medicare reimbursement for the services provided under this Agreement. Contractor shall provide such books, documents, and records

subject to applicable federal law and in accordance with regulations governing such access. If Contractor performs any of its obligations under this Agreement through subcontract with a related organization, and the value or cost of such subcontract services is in excess of Ten Thousand Dollars (\$10,000.00), then until four (4) years after the termination of services provided under this Agreement, Contractor shall provide in its contract with such related organization that such related organization shall make available, upon request of the Secretary of Health and Human Services, the Comptroller General, or their duly authorized representatives, any books, documents, and records of such related organization as are necessary to verify the nature and amount of costs claimed for Medicare reimbursement with respect to services rendered under this Agreement. Contractor shall provide such subcontract, books, documents, and records subject to applicable law and in accordance with regulations governing such access.

14.4 Severability. If any part of this Agreement should be held to be void or unenforceable, such part shall be treated as severable, leaving valid the remainder of this Agreement notwithstanding the part or parts found void or unenforceable.

14.5 Medical Records. Patient medical records shall at all times be and remain the property of County. Pursuant to Section 9.5, Contractor and Contractor Personnel shall maintain the confidentiality of information contained in patient medical records and will only release such information and/or records in accordance with applicable state and federal laws and regulations.

14.6 Complete Agreement. This Agreement and any Exhibits attached hereto constitute the complete understanding of the Parties and supersede any and all other agreements, either oral or in writing, between the Parties hereto with respect to the subject matter herein, including, without limitation, the Prior Agreements. No amendment to this Agreement or any of its Exhibits shall be effective unless in writing and signed by both Parties.

14.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which together will constitute only one (1) Agreement.

14.8 Captions. The captions or headings of the Articles and other Sections and subsections hereof are inserted only as a matter of convenience and shall have no effect on the meaning of the provisions herein.

14.9 Binding Effect. Except as otherwise expressly provided herein, this Agreement will be binding on the successors and assigns of the respective Parties.

14.10 Assignment. Neither Party may assign this Agreement or any of its rights or obligations hereunder without the advance written consent of the other Party, which consent shall not be unreasonably withheld. Notwithstanding the preceding sentence, either Party may, upon written notice to the other Party, assign this Agreement without the other Party's written consent to an entity (including an affiliated entity) that acquires operational control of the assigning Party and/or substantially all of the assigning Party's assets.

14.11 Authority. County and Contractor each represents to the other that it has taken all necessary corporate action to authorize the execution and delivery of this Agreement.

14.12 Waiver. Any waiver of a breach of this Agreement shall not constitute a waiver of any subsequent breach.

ARTICLE XV NOTICES

15.1 Notices. Notices required to be given to the respective Parties under this Agreement shall be deemed given by any of the following means: (a) when personally delivered to County's contract administrator or to Contractor's responsible officer; (b) when personally delivered to the Party's principal 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;

(c) twenty-four (24) hours after the notice is transmitted by facsimile machine to the other Party, at the Party's facsimile number specified pursuant to this Agreement, provided that the Party giving notice by facsimile must promptly confirm receipt of the facsimile transmission by telephone to the receiving Party's office; or (d) 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:

If to County: Contracts/Purchasing Manager
 1444 Constitution Boulevard
 Salinas, CA 93906
 Tel: (831) 755-4111
 Fax: (831) 757-2592


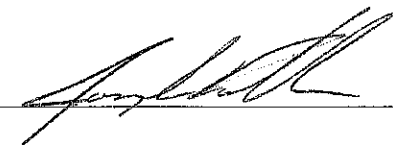
With copies to: County of Monterey
 Office of the County Counsel
 168 West Alisal Street, Third Floor
 Salinas, CA 93901
 Tel: (831) 755-5045
 Fax: (831) 755-5283
 Attn: Deputy County Counsel, Health & Social Services Division

If Contractor: to Contractor Group Management Services, Inc.

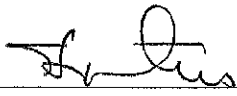
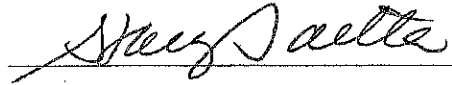
15.2 Change of Address. Either Party may change his/her/its address for notices by notice given pursuant to this Section.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

<p>"COUNTY" MONTEREY COUNTY, a political subdivision of the State of California</p>	<p>"CONTRACTOR" CONTRACTOR GROUP MANAGEMENT SERVICES, INC., a Delaware corporation</p>
By:	


Print Name: <u>Jim L. Carr</u> Its: Contracts/Purchasing Manager  6-28-11	By: _____ Print Name: <u>MARY PAT WELCH</u> Its: Sr. VP of Business Development By: <u>M.P. Welch</u> Print Name: <u>MARY PAT WELCH</u> Its: President, Hospital Rehabilitation Services By:  Print Name: <u>Joseph Fuller</u> Its: Chief Financial Officer VP - Finance
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15.3

<p align="center">"HOSPITAL" NATIVIDAD MEDICAL CENTER, a political subdivision of the State of California</p> By:  Print Name: <u>Harvey</u> Its: Chief Executive Officer	<p align="center">APPROVED AS TO FORM:</p> By:  Print Name: <u>Stacy Saetta</u> Deputy County Counsel, County of Monterey
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15.4

Reviewed as to fiscal provisions


 Auditor-Controller
 County of Monterey

4-22-11

EXHIBIT A

COMMUNITY SERVICES DEVELOPMENT / COMMUNICATIONS ACTIVITIES

Contractor Responsibilities:

- Development of Patient Orientation Literature
- “Contractor” Community Relations Brochure
- Community Relations Plan: development and implementation, including travel, entertainment, and business meal expenses related to direct community relations efforts
- Contractor specialty items for community relations development
- Reprints of selected articles
- Community Relations Training
- Tracking Systems – diagnosis, payor class, admissions, hospitals, etc.
- Patient Relations Tracking
- Assist in developing Public Relations programs

• County Responsibilities:

- Printing of business cards for five (5) members of the Contractor Program Team
- Provide telephone system (usually four (4) telephones with four (4) lines common to each) and media advisories / press releases on hospital stationery, mailing of clinical staffing notes
- Printing, addressing, and mailing of invitations and announcements for Contractor educational seminars and community services development events, and collaterals
- Hosting of groups for seminars, community services development events and open houses, including refreshments and meals
- Photocopy machines available for the Program’s use in the Hospital

EXHIBIT B**CONTRACTOR EQUIPMENT**

PHYSICAL THERAPY EQUIPMENT	
Adjustable Metal Cane	Platform Attachment
Adult Forearm Safe-T-Crutch (set of 2)	Posture Mirror
Airex Physical Therapy Mat	Powder Board
Cold Packs	Pressure Splints Kit
Dumbbells and Rack	Selection of AFOs
EMS plus unit	Set of Weight Balls and Rack
Exercise Bike	Sidestepper Cane/Walker
Folding Walker	Sonicator with Large Sound Head
Folding Walker (youth size)	Splint Mouthpieces
Glide Break Footpiece (1 pair)	Splint Mouthpiece Filters
Mat Tables	Therapy Roll – 8" x 36"
Neuro Hammer	Training Steps
Offset Handle Narrow Base Quad Cane	Transfer Boards
Offset Handle Wide Base Quad Cane	Treatment Stools
Parallel Bars	Wall Pulley System
Pen Lights	Wheel Footpiece (1 pair)

OCCUPATIONAL THERAPY EQUIPMENT	
2 Point Anesthesiometer	Moleskin Adhesive Padding
Adjustable Work Height Table (36 " x 60")	Perceptual and Cognitive Dysfunction in the Adult Stroke Patient (revised)
All-Purpose Scissors	Pinch Gauge, 0-30 Pounds

Assorted Thera-Band	Purdue Pegboard
Card Holder Rack	Soft Touch Velfoam Loop 1"
Card Holder Disks	Soft Touch Velfoam 4"
Clear Lap Tray	Soft Skin Padding, 9" x 4" Yard Roll
CVA Slings	Suction Brush
Cylindrical Foam Padding	Suction Denture Brush
D Rings	Therapeutic Balls
Economy Stopwatch	Therapy Putty
Exercise Skate	Transfer Tub Bench
Fast Heat Gun	Triangular Finger Grips 1 1/2" long, Pkg. of 6
Foam Elevating Wheelchair Arm Tray – Left	Triangular Pen/Pencil Grips, Pkg. of 25
Foam Elevating Wheelchair Arm Tray – Right	Universal Cuffs
Functional Push-Up Blocks	Velcro Pressure Sensitive White 1" Hook 25 Yards Roll
Grooved Pegboard Test	Visual Matching Memory and Sequencing, Complete Set
Jamar Dynamometer	Webbing for Sling, 2" x 25 yards
Minnesota Rate of Manipulation Test	Wedge

SPEECH LANGUAGE PATHOLOGY EQUIPMENT

Advanced Community Exercises (ACE)	Photo Cue Cards
Aphasia Language Performance Scale ALPS	Reading Comprehension Battery for Aphasia
Boston Assessment of Severe Aphasia (BASA)	Ross Information Processing Assessment
Boston Diagnostic Aphasia Exam	Set II, Eye-Hand Coordination
Cognitive Rehabilitation of Closed Head Injured	Set I, Eye-Hand Coordination

Patients	
Colored Cubes for Cognitive Skills	Shape Stamps
Consumer Sequential Cards	Social Sequences
Evaluation and Treatment of Swallowing Disorders	Source Book for Aphasia – Out of Print until January 1995
Figure Ground Activity Cards	Tape Recorder
Group Activities for Brain Injured Adults	Therapy Kit Mirror
Independent Living Sequential Cards	Visual Sequential Memory Exercise
Language Activity Resource Kit (LARK)	Workbook for Adult Language and Cognition, Complete Set
Large Paraquetry Blocks and Designs	Workbook for Reasoning Skills
LARK Workbook	Workbook for Language Skills
Mental Math and Estimation	Workbook of Cognitive Skills
Mini Inventory of Right Brain Injury	Working with Apraxic Clients
Multivariant Sequencing Beads and Bead Pattern	Working with Dysarthic Clients
RESOURCE MATERIALS	
Handbook of Severe Disability, 1981 Stolov & Clowers	
Minnesota Rate of Manipulation Test	
Perceptual and Cognitive Dysfunction in the Adult Stroke Patient (revised)	
Rehabilitation of the Head Injured Adult Comprehensive Cognitive Management	
Geriatric Exercise and Rehabilitation Prescription Kit (reproducible cards)	
ASSORTED EQUIPMENT FOR ACTIVITIES OF DAILY LIVING, INCLUDING:	
Assorted Adaptive Feeding Utensils	

Be OK Scoop Dish
Be OK Reacher (folding)
Flexible Seek and Stocking Aid
Invisible Food Guard
Little Octopus Suction Holder, Pkg. of 3
Long Scrub Sponge, Round
Rocker Knife
Soft Build-up Handle Fork
Sponge Wash Mitt
ASSORTED LEISURE ACTIVITY EQUIPMENT, INCLUDING:
Bingo
Cross Stitch Kit
Needlepoint Coasters
Tournament Chess
Tournament Checkers

EXHIBIT C

COUNTY EQUIPMENT

MISCELLANEOUS EQUIPMENT	
Speech Therapy	Office desk and chair, wooden table and chairs, file cabinet, bookshelf.
Occupational Therapy	Office desk and chair; ADL kitchen (inclusive of stove, refrigerator, cabinetry, and sink), storage cabinet and microwave).
Dining / Activity Area	Adequate number of round tables (minimum height of 29"), straight chairs with arms, and storage cabinet.
Physical Therapy	Office desk and chairs, storage cabinet, locking file cabinet, treatment room curtains.
Psychology	Office desk and chairs (2), bookshelf, locking file cabinet.
Social Worker	Office desk and chairs (3), bookshelf, locking file cabinet.
Program Director	Office desk and chairs (2), 4-drawer locking file cabinet, bookshelf. Copy machine on unit.
Nursing	Wheelchairs with various attachments (minimum of five (5) on opening of the unit), wheelchair scale, standard Hoyer lift with sling, functional washer and dryer, typewriter, schedule board (48" x 72").
<p>All bathroom fixtures and equipment, including one (1) island tub.</p> <p>Standard kitchen equipment to include cookware (pots, pans, bowls, dishes), utensils, and linen, food preparation items.</p> <p>Patient rooms require: Electric beds, curtain enclosures, bedside table, over-the-bed bulletin board (24" x 36"), closet, and one (1) visitor's chair, clock, calendar (one per patient).</p> <p>Office supplies.</p>	



CERTIFICATE OF LIABILITY INSURANCE

1/1/2013

DATE (MM/DD/YYYY)
12/28/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Lockton Companies, LLC NE 1185 Avenue of the Americas, Suite 2010 New York 10036 646-572-7300	CONTACT NAME:	
	PHONE (A/C, No, Ext):	FAX (A/C, No):
	E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE	NAIC #
	INSURER A: Continental Casualty Company	20443
	INSURER B: Arch Insurance Company	11150
	INSURER C:	
	INSURER D:	
	INSURER E:	
	INSURER F:	

INSURED
1344716 KINDRED HEALTHCARE, INC.
REHABCARE GROUP, INC.
680 SOUTH FOURTH STREET
LOUISVILLE KY 40202

COVERAGES KTNHE03 99 CERTIFICATE NUMBER: 11575201 REVISION NUMBER: XXXXXXXX

THIS IS TO CERTIFY THAT 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 CERTIFICATE 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.

INSR LTR	TYPE OF INSURANCE	ADL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR	N	N	HAZ30117432483	1/1/2012	1/1/2013	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ Included MED EXP (Any one person) \$ Included PERSONAL & ADV INJURY \$ Included GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COMP/OP AGG \$ Included
B	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	N	N	11CAB4974601(AOS) 11CAB4974701(MA)	1/1/2012 1/1/2012	1/1/2013 1/1/2013	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ XXXXXXXX BODILY INJURY (Per accident) \$ XXXXXXXX PROPERTY DAMAGE (Per accident) \$ XXXXXXXX
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE			NOT APPLICABLE			EACH OCCURRENCE \$ XXXXXXXX AGGREGATE \$ XXXXXXXX
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NJ) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N	N/A	11WCI4974801(AOS)	1/1/2012	1/1/2013	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
A	PROFESSIONAL LIABILITY CLAIMS MADE	N	N	HAZ30117432483	1/1/2012	1/1/2013	Ba Medical Incident \$1,000,000 Aggregate \$3,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
NATIVIDAD MEDICAL CENTER, 1441 CONSTITUTION BLVD, SALINAS, CA 93906

CERTIFICATE HOLDER**CANCELLATION**

<p>11575201</p> <p>NATIVIDAD MEDICAL CENTER 1441 CONSTITUTION BLVD SALINAS CA 93906</p>	<p>SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.</p> <p>AUTHORIZED REPRESENTATIVE</p> <p><i>Michael P. Calabrese</i></p>
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