

**SUBJECT: Blue Cross Political Subdivision Renewal**

PREPARED BY: Administration

DATE: May 24, 1999

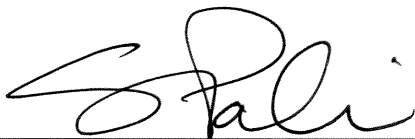
FOR AGENDA OF: June 14, 1999

**SUMMARY:**

FYI: The group coverage for the City of Wasilla Blue Cross Political Subdivision becomes effective July 1, 1999 through June 30, 2000.

**FISCAL IMPACT:**  X  No   Yes, amount requested: \$ Fund:

**RECOMMENDED ACTION:**



Reviewed by: SARAH PALIN, Mayor

Attachments: Blue Cross Political Subdivision Renewal

Presented with: 6/14/99  
Date: 6/14/99 Verified by: EV

**DAVID FRAZIER  
& ASSOCIATES INC.**  
*Insurance Brokers and Consultants*



May 17, 1999

RECEIVED

John Cramer  
Deputy of Administration  
City of Wasilla  
290 East Herning Avenue  
Wasilla, Alaska 99654

MAY 19 1999

CITY OF WASILLA, ALASKA

Regarding: Blue Cross Political Subdivision Renewal

John,

I am very happy to provide you this year's Blue Cross renewal. During the last month, Blue Cross has reviewed the claims data for the Political Subdivision, which has been very good. Their efforts in 1998 and 1999 aimed at expanding capabilities to provide quality coverage at consistent costs have paid off. Some of them are:

- Successful contracting initiatives with hospitals in Nome, Homer and Dillingham. These hospitals are now "preferred" and care delivered in them will be reimbursed at the highest level under the BestCare Plans.
- Expanded non-institutional provider contracts with physicians and other providers.
- Influenced legislation creating a reduction of the previously imposed Alaska premium tax on governmental entities.

By next year, Blue Cross expects to expand their products and services to provide new pharmacy options and the Alaska Prudent Buyer Product (physician PPO). This year, we are very pleased to tell you that your health coverage will show a 2.5% increase effective July 1, 1999. These rates will be guaranteed through June 30, 2000 unless legislation impacts them.

The attached rate exhibit provides a high level of detail of the various plans available through the Alaska Political Subdivision Pool and highlights the plan you are currently enrolled in.

The States West Life portion of the plan has also had a very successful year. The rates for that plan are outlined on the attached States West Life spreadsheet. Your current plan is highlighted.

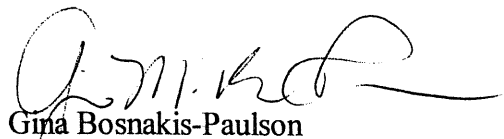
**000033**

A copy of the most recent provider network for Alaska is enclosed for your review. Please look through it and find your comfort level with not only the facilities, but the physicians. This year, only the facility (hospital) PPO is available, but next year we will be able to offer you, at a discounted rate, the physician PPO. It will be worth taking your time this year to think about whether it will be an option you'll want to explore next year.

To indicate acceptance of this renewal, please check the box on the right indicating which health and life plans you are electing this year, and then sign the master contract in the areas marked. Please return the signed documents no later than June 4, 1999. I have also enclosed an additional copy of the rate/benefit sheets and contract for your files.

Thank you for allowing us to continue providing the City of Wasilla consulting/brokerage services. If there is ever anything we can do to assist you, or if you would like to discuss your health plan or related subject, please call me any time.

Regards,



Gina Bosnakis-Paulson

Attachments



**Blue Cross  
Blue Shield of Alaska**  
A PREMIERA HEALTH PLAN  
Independent Licensee of the Blue Cross and Blue Shield Association

City of Wasilla (77529)

Renewal Rates  
for  
Alaska Political Subdivisions

Effective July 1, 1999 through June 30, 2000

Option	Plan Design	E	ES	ESC	EC	Check Option
Traditional 100	Medical plan with \$100/\$300 deductible; 90% coinsurance to \$1,950 in allowable charges; \$5/\$7 mail order prescription drug; dental and vision	\$280.57	\$608.84	\$848.40	\$520.14	<input type="checkbox"/>
Best Care 100	Medical plan with \$100/\$300 deductible; 90% preferred benefit coinsurance to \$1,950 in allowable charges and constant 70% for non-preferred benefits; \$5/\$7 mail order prescription drug; dental and vision	\$261.90	\$568.37	\$792.02	\$485.54	<input type="checkbox"/>
Traditional 200	Medical plan with \$200/\$600 deductible; 80% coinsurance to \$5,000 in allowable charges; \$5/\$7 mail order prescription drug; dental and vision	\$245.16	\$560.08	\$779.43	\$464.51	<input type="checkbox"/>
Best Care 200	Medical plan with \$200/\$600 deductible; 80% preferred benefit coinsurance to \$5,000 in allowable charges and constant 60% for non-preferred benefits; \$5/\$7 mail order prescription drug; dental and vision	\$229.33	\$523.50	\$728.54	\$434.37	<input type="checkbox"/>
Traditional 500	Medical plan with \$500/\$1,500 deductible; 80% coinsurance to \$10,000 in allowance charges; \$5/\$7 mail order prescription drug; dental and vision	\$238.58	\$520.77	\$723.82	\$441.63	<input type="checkbox"/>
Best Care 500	Medical plan with \$500/\$1,500 deductible; 80% preferred benefit coinsurance to \$10,000 in allowable charges and constant 60% for non-preferred benefits; \$5/\$7 mail order prescription drug; dental and vision	\$223.30	\$487.34	\$677.39	\$413.35	<input type="checkbox"/>

Shaded plan option denotes current benefit design.

Please select option and return this signed form with group renewal by June 1, 1999.

Accepted by: \_\_\_\_\_

Renewal Rates  
for  
Alaska Political Subdivisions

Effective July 1, 1999 through June 30, 2000

Basic Life and AD&D Options

Option	Basic Life	Rate	Basic AD&D	Rate	Check Option
I	\$2,000	\$0.21/\$1,000	\$5,000	\$0.06/\$1,000	<input type="checkbox"/>
II	\$10,000	\$0.17/\$1,000	\$10,000	\$0.06/\$1,000	<input type="checkbox"/>

Shaded plan option denotes current benefit design.

Basic Life and AD&D benefits reduce to 65% at age 65, to 50% of original amount at age 70, to 30% of original amount at age 75, to 20% of original amount at age 80, and terminate at retirement.

Only one option per group, based on employer selection. All segments, of an employer, must elect the same option.

Change notification must be received by States West Life no later than June 1, 1999.

000036



A PREMIER COMPANY

City of Wasilla

**Supplemental Life and Supplemental AD&D**

Benefit: one times annual salary rounded up to the next \$1,000 to a maximum of \$60,000.

Age	Supplemental Rates	
	Life	AD&D
Under 30	\$0.11	\$0.06
30 - 34	\$0.13	\$0.06
35 - 39	\$0.18	\$0.06
40 - 44	\$0.28	\$0.06
45 - 49	\$0.42	\$0.06
50 - 54	\$0.64	\$0.06
55 - 59	\$1.00	\$0.06
60 - 64	\$1.51	\$0.06
65 - 69	\$2.18	\$0.06
70 - 74	\$3.65	\$0.06
75 - 79	\$5.33	\$0.06
80 +	\$7.78	\$0.06

Supplemental Life and AD&D benefits reduce to 65% at age 65, to 50% of original amount at age 70, to 30% of original amount at age 75, to 20% of original amount at age 80, and terminate at retirement.

**Dependent Life**

Benefit: Spouse \$1,000; Child graded benefit from 14 days to 23 years to a maximum of \$500.

Cost:

Family Unit (Spouse & Children)	\$0.40
Spouse Only	\$0.27
Children Only	\$0.13

Please select option and return this signed form with group renewal by June 1, 1999.

Accepted by: \_\_\_\_\_

000037



**Blue Cross  
Blue Shield of Alaska**

**A PREMIERA HEALTH PLAN**  
Independent Licensees of the Blue Cross and Blue Shield Association

P.O. Box 327  
Seattle, Washington 98111-0327

**GROUP CONTRACT  
FOR  
CITY OF WASILLA**  
(herein referred to as the Group)

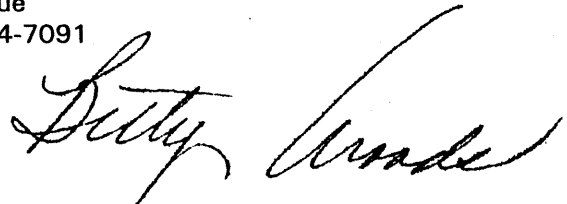
BLUE CROSS BLUE SHIELD OF ALASKA (herein also referred to as "we," "us," or "our") agrees to provide the benefits described in this Contract for eligible employees of the Group, as defined in this Contract, and their eligible dependents who are enrolled for coverage under this Contract. All benefits of this Contract are subject to the terms and conditions stated herein and any endorsements or riders included or issued thereafter. We have the discretionary authority to determine eligibility for benefits and to construe the terms used in this Contract.

This Contract is delivered in, and is governed by, the laws of the state shown below, except to the extent preempted by federal law. This Contract is valid on the effective date indicated below only when signed by an officer of ours. Payment of the subscription charges indicates that the Group accepts this Contract.

Any existing group contract or agreement between the Group and us which is being replaced by this Contract is terminated when this one becomes effective.

**CONTRACT EFFECTIVE DATE** July 1, 1999  
**GROUP NUMBER** 77529  
**STATE** AK

**GROUP ADDRESS** 290 Herning Avenue  
Wasilla, AK 99654-7091



\_\_\_\_\_  
**Signed**

\_\_\_\_\_  
**Betty Woods**

\_\_\_\_\_  
**Title**

\_\_\_\_\_  
**President and Chief Executive  
Officer**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**April 29, 1999  
Date**

## **STANDARD PROVISIONS**

### **Contract**

The entire Contract between the Group and us consists of all of the following:

- The contract face page and "Standard Provisions";
- The attached benefit booklet(s);
- The Group's application;
- The Funding Arrangement Agreement (Exhibit A) between the Group and us; and
- All attachments, endorsements and riders included or issued hereafter.

No agent of Blue Cross Blue Shield of Alaska or any other entity is authorized to make any changes, additions or deletions to this Contract or to waive any provision of this Contract. Changes, alterations, additions or exclusions can only be done over the signature of an officer of Blue Cross Blue Shield of Alaska.

No assignment of the Group's interest as a party to this Contract will be binding on us.

### **Contract Term And Renewal**

The initial contract term begins on the contract's effective date and continues to the contract anniversary date, unless canceled or terminated in accordance with the terms of the Contract. If not so terminated, the Contract is kept in force during the initial term by the Group's payment of required subscription charges when due.

After the initial term, this Contract will continue in force on a month-to-month basis by the Group's payment of required subscription charges when due, unless it is changed or terminated in accordance with the contract change and termination provisions stated elsewhere in this Contract.

### **Funding Arrangement Agreement (Exhibit A)**

The contract period, subscription charges and contract termination provisions are set forth in the Funding Arrangement Agreement (Exhibit A) between the Group and us, which is attached to and made part of this Contract.

### **Certificate Of Health Coverage**

**We agree** to provide the Group with information regarding an enrollee's coverage period under this program when coverage terminates.

**The Group agrees** to provide a Certificate of Health Coverage to enrollees upon termination from the group's health plan and upon request, to comply with all provisions required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and state law.

### **Group Records**

The Group is responsible for keeping accurate records relating to this Contract. The records must contain all the information needed by us to administer this Contract. We have the right to request, inspect, or audit the Group's records at any reasonable time during regular business hours.



## **Clerical Error**

Discovery of a clerical error by the Group in keeping any records pertaining to enrollment, continuance, or termination of employee and/or dependent coverage under this Contract, will not invalidate coverage otherwise validly in force or continue coverage otherwise validly terminated. However, any retroactive coverage and subscription charge adjustment will be limited to the later of:

- The date the employee or dependent's coverage would have been validly in force or validly terminated, in accordance with the terms and conditions of the Group Contract; or
- The preceding anniversary date of the Group Contract.

Enrollment which is delayed due to reasons other than clerical error by the Group is explained in the subscriber's benefit booklet.

## **Compliance With Law**

The Group shall comply fully with all applicable State, Federal and local laws and regulations, including notice and disclosure requirements, in carrying out its responsibilities under this Contract. These include, but are not limited to, compliance with the Internal Revenue Code, the Employee Retirement Income Security Act of 1974 (ERISA), the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the Family Medical Leave Act of 1993 (FMLA), and the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

## **Venue**

All suits or legal proceedings brought against us by you or anyone claiming any right under this program must be filed:

- Within 15 months of the date we denied, in writing, the rights or benefits claimed under this program (the Group, on behalf of itself and its participants, hereby waives its rights under the provisions of AS 09.10.053 to bring an action within 3 years); and
- In the State of Alaska, or the state in which you are employed or reside.

## **Inaccurate And Unapproved Descriptive Materials**

The Group will indemnify, defend and hold us harmless for any claims, damages, judgments and expenses (including attorney's fees) based on or arising out of, directly or indirectly, descriptive materials written, created, designed or printed by the Group, or on the Group's behalf by any third party when such descriptive materials:

- Are used without prior review and written approval by us; and
- Inaccurately reflect any of the terms, conditions and/or provisions of this Contract.

The term "descriptive materials" includes, without limitation, any type of circular, leaflet, booklet, summary, handbook, letter or form that describes in whole or in part any of the terms, conditions and/or provisions of this Contract.

## **COBRA**

As directed by federal laws and regulations (referred to in this Contract as "COBRA"), most employers of 20 or more employees must offer enrollees who meet COBRA's "qualified beneficiary" criteria an election to continue their group coverage. The Group must fulfill all the obligations and responsibilities regarding continued coverage that are assigned by COBRA to the employer, plan sponsor or administrator, and to the "group health plan." We are not the COBRA plan administrator, and our actions pertaining to COBRA continued coverage shall not be construed as relieving the Group of its responsibility under COBRA.

The summary of COBRA continued coverage in "Continued Coverage Under This Program" only illustrates, and does not limit, the obligations of the Group and the qualified enrollees under COBRA. These obligations automatically change with further amendments of COBRA by Congress or interpretations of COBRA by the courts and federal regulatory agencies, even if this summary is not amended to show those changes.

The Group must notify all enrollees of their rights under COBRA when they first become eligible for coverage under this Contract. The Group must also notify the qualified enrollee of his or her rights under COBRA within 14 days of the date the Group received notice of the qualifying event.

When requested by the Group, we will provide continued coverage under this Contract, but only to the extent that enrollees are entitled to continue group coverage under COBRA and subject to the other terms and limitations of this Contract. In addition, all the requirements listed below must be met:

- The Group is subject to COBRA on the date of the qualifying event.
- The Group notifies the qualified enrollee of his or her rights under COBRA within 14 days of the date the Group received notice of the qualifying event. This requirement will be waived if the enrollee elects continued coverage no more than 60 days after the date coverage was to end because of the qualifying event.
- The qualified beneficiary elects to continue coverage within the time limits set by COBRA, and the application and required subscription charges are submitted to us with the Group's next billing.
- The required subscription charges continue to be paid when due or within the 30-day COBRA grace period. The Group must submit qualified beneficiaries' subscription charges with its regular monthly subscription charge payment.
- This Contract remains in force. The Group acknowledges that even after this Contract is terminated, COBRA may require the Group to offer continuation unless the Group ceased to offer group health care coverage to any employee.

The Group will terminate the coverage of any qualified beneficiary who does not elect COBRA continuation.

## **Subscriber Eligibility**

The following employees of CITY OF WASILLA are eligible to enroll as subscribers under this contract:

### **Elected Officials**

On the date the official is sworn into office.

### **All Other Employees**

- An active full-time employee who regularly works a minimum of 40 hours a week, provided such employee has completed a 30-day probationary period. The probationary requirement does not apply to employees returning to work from a leave without pay or layoff.
- An active part-time employee who regularly works a minimum of 20 hours a week, provided such employee has completed a 30-day probationary period. The probationary requirement does not apply to employees returning to work from a leave without pay or layoff.

## **Reinstatement**

Upon the Group's written application for reinstatement of this Contract, we may, at our option, reinstate this Contract after terminating it. If so reinstated, the Group must pay all unpaid subscription charges prior to and subsequent to the cancellation or termination of the Contract.

## **Independent Corporation**

The Group hereby expressly acknowledges, on behalf of itself and all of its eligible employees and their eligible dependents, its understanding that the Group Contract constitutes a contract solely between the Group and Blue Cross Blue Shield of Alaska. We are an independent corporation operating under a license with the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans (the "Association") permitting us to use the Blue Cross and Blue Shield Service Marks in the State of Alaska. The Group expressly acknowledges that we are not contracting as the agent of the Association and that the Association has no obligation under the Group Contract.

The Group further acknowledges and agrees that it has not entered into the Group Contract based upon representations by any person other than us, and that no person, entity or organization other than us shall be held accountable or liable to the Group for any of our obligations to the Group created under the Group Contract. This provision shall not create any additional obligations whatsoever on our part other than those obligations created under other provisions of the Group Contract.

## **Rights Of Assignment**

Notwithstanding any other provision in this Contract, and subject to any limitations of state or federal law, in the event that Blue Cross Blue Shield of Alaska merges or consolidates with another corporation or entity, or does business under another name or jointly with another entity, or transfers this Contract to another corporation or entity, this Contract shall remain in full force and effect in accordance with its terms, and bind the Group and the successor corporation or other entity. In such event, we guarantee that all our obligations under this Contract will be performed by the successor entity.

## Confidentiality Of Enrollee Information

No employee, agent, or other representative of Blue Cross Blue Shield of Alaska will provide to the Group any confidential medical information that is either implicitly or explicitly identifiable to an enrollee without the express, written consent of the enrollee or the enrollee's legal representative.

The Group will not ask nor direct any employee, agent, or other representative of Blue Cross Blue Shield of Alaska to divulge an enrollee's confidential medical information unless the enrollee's express, written permission has been obtained.

## Year 2000 Compliance

Commencing on July 1, 1999 and continuing thereafter, the Group and Blue Cross Blue Shield of Alaska, referred to hereafter as the "parties," shall exchange all electronic data in compliance with the data transfer specifications described below. If data transmitted on or after July 1, 1999, by either party (each referred to as "Data Transmitter" or "Data Receiver" as appropriate) are not in compliance with such data transfer specifications, the Data Transmitter shall, at its sole cost and expense, promptly generate and resubmit data in compliance with the data transfer specifications, in a manner that minimizes interruption of the Data Receiver's business processes, with time being of the essence. As further described in the paragraph below, at our request, the parties will conduct a trial between July 1, 1999 and October 31, 1999, to exchange data in a Year 2000 test environment to ensure that data exchanged between the parties satisfy the data transfer specifications described below.

For all transmissions of electronic data on and after July 1, 1999, the parties shall use the electronic data translators or formats ("Permitted Data Formats") described in the table below. The Permitted Data Formats require Patient Date of Birth to be transmitted in a 4 digit form (i.e., mm/dd/yyyy). As a part of our Year 2000 Project, a testing period has been set aside between July 1, 1999 and October 31, 1999. This testing period allows the parties to have the opportunity to exchange data in a test environment to ensure that both parties receive and transmit Year 2000 compliant data. If we desire to conduct such a test with the Group, our Year 2000 Project staff will contact and schedule the Group for the test, and such scheduling efforts will start on or about June 1, 1999.

PERMITTED DATA FORMATS	DATA FIELDS REQUIRING 4 DIGIT YEARS
NSF Institutional-vs 4.0 and up Professional-vs 1.04 and up	Patient Date of Birth
Ansi x12 - DCDS 837 vs 3041	Patient Date of Birth
COB - vs 3.0 and up	Patient Date of Birth
ITS release 8	Patient Date of Birth
ECC - Revised 6/01/1998	Patient Date of Birth
Envoy - vs 2.1 and up	Patient Date of Birth

000043

**EXHIBIT A  
PROSPECTIVE FUNDING ARRANGEMENT AGREEMENT**

**to the Group Health Care Contract between  
BLUE CROSS BLUE SHIELD OF ALASKA  
(hereinafter also referred to as "we", "us", or "our")**

**AND**

**STATE OF ALASKA POLITICAL SUBDIVISION  
(hereinafter called the Group)**

**Effective Date: July 1, 1999**

This Funding Arrangement Agreement is a part of Contract Form No. 1550Y effective July 1, 1999 and includes the following Blue Cross Blue Shield of Alaska Group Numbers:

Group No.                    67234 through 77250 and Segments  
Group No.                    77500 through 77531 and Segments

All the Group Numbers listed above shall be pooled together for establishment of contractual rates, pooling of experience, billing and calculation of late charges.

**I. DEFINITIONS**

For purposes of this Contract, the following definitions apply:

**A. Contract Period**

The term "Contract Period" means the period from 12:01 a.m. on July 1, 1999 to midnight on June 30, 2000.

**B. Contractual Revenue**

The term "Contractual Revenue" means the total of the contractual rate for each rate classification multiplied by the number of employees in each such classification for each month in the Contract Period.

**C. Enrollee**

The term "Enrollee" means any subscriber, member, employee, former employee, spouse, former spouse, dependent, former dependent, beneficiary or any other individual who may be entitled to benefits under the terms of the Contract.

D. Grace Period

The term "Grace Period" means the period of time (see Attachment A) from the date a monthly contractual rate is due (due date) during which the Group may make the required payment and the Contract will not be terminated for nonpayment.

E. Group

The term "Group" means the employer, or a group or association of employers, actively engaged in business who are a party to this Contract. The Group is the "plan sponsor" for purposes of 29 U.S.C. Section 1161 et seq. and the "plan administrator" for purposes of 29 U.S.C. Section 1002(16) (a) and 26 U.S.C. Section 4980B(g) (3). All participating employers and segmented employers who are members of the Group shall be treated as one entity for purposes of the Contract, including the establishment of contractual rates, billing, and calculation of late charges.

F. Plan

The term "Plan" means the group health plan established and maintained for employees by the Group which is funded all or in part through this Funding Arrangement Agreement.

**II. CONTRACTUAL RATES (MONTHLY SUBSCRIPTION CHARGES)**

A. Contractual Rates

The monthly contractual rates are set forth in Attachment A.

B. Adjustment to the Contractual Rates

The contractual rates set forth in II A. above will remain in effect until the end of the Contract Period, and during any extension thereof granted by us, or until the Contract is terminated, if earlier, with the following exceptions:

1. Should any federal, state or local authority mandate a change in benefits, eligibility or procedure or impose or change a tax or assessment on us or the Plan during the Contract Period or any extension of the Contract Period, whether by statute, regulation, interpretation or otherwise, we may increase the contractual rates set forth in Attachment A, as of the date specified in our notice to the Group or its agent.
2. We may increase the contractual rates during the Contract Period by giving thirty (30) days advance written notice to the Group or its agent, if we determine that the basis upon which we assumed the risk is materially changed for any reason, including, but not limited to, the following:
  - a. A benefit change requested by the Group;
  - b. A fluctuation of ten (10) percent or more in the number of Enrollees as set forth on the census information included in Attachment A which is herein incorporated by reference and made a part of this Contract.

- c. A change in the amount of the employer's contribution on behalf of each Enrollee.
- d. A change in procedure agreed to by the Group and us, including any change in our reporting requirements.
- e. A change in the Group's health care programs and/or carriers from those set forth in Attachment A.
- f. The addition of enrollees who live outside Washington and Alaska.
- g. The addition of a dual, triple, or multiple choice option or a change in the program choices offered by a dual, triple or multiple choice group.

Any such revision to current subscription charges will take effect on the date specified in the notice.

### **III. PAYMENTS**

#### **A. Monthly Payments**

During the Contract Period, we will bill the Group based upon the previous month's eligibility. The Group shall provide us with updated eligibility information and it shall be liable for, and shall pay to us on or before the first day of each month, an amount equal to the total of the monthly contractual rates which are set forth in Attachment A, on behalf of the Enrollees included on the updated eligibility list.

#### **B. Late Payments**

A Grace Period (see Attachment A) after the due date shall be allowed to the Group for payment of the monthly contractual rates. If payment is not received by us by the end of the Grace Period, the Contract will automatically terminate on the subscription charge due date. Then we may, at our option, upon the Group's written request, reinstate the Contract. No benefits will be paid for otherwise eligible expenses incurred on any day for which payment has not been made. If a partial payment has been received, we may, at our discretion, return the payment or provide benefits for those Enrollees for whom payment has been made. Acceptance by us of late or partial payment shall not be construed as a waiver of our right to demand timely payment or to terminate this Contract for nonpayment.

#### **C. Late Charges**

If a payment is not received by us by the end of the grace period, as liquidated damages the Group will pay us a daily late charge. This late charge is calculated from the due date, rather than from the end of the Grace Period. This late charge is based on the average monthly prime rate posted by Seattle First National Bank during the Contract Period, plus two (2) percent on the amount of the late payments for the number of days late. Late charges will not be assessed against any partial payment which is retained by us. Late charges are in addition to Contractual Revenue and they are calculated and billed at the end of the Contract Period or upon termination of the Contract, if earlier.

#### **IV. CONTRIBUTION AND PARTICIPATION REQUIREMENTS**

- A. The Group must pay a percentage of the cost of the contractual rate under this Contract for employees and a percentage of the eligible employees must be enrolled (see Attachment A).
- B. The Group must pay a percentage of the cost of the contractual rate under this Contract for dependents and a percentage of the eligible dependents must be enrolled (see Attachment A).
- C. For purposes of this Section IV, eligible Enrollees are individuals who satisfy the Contract's eligibility requirements, except for any contribution requirement.

We reserve the right to terminate this Contract, in accordance with Section VI.B.2., if the Group fails to maintain the contribution and participation requirements stated herein.

#### **V. ACCOUNTING**

##### **A. Accounting**

No annual or final accountings will be performed. Gains and losses will be absorbed by us.

##### **B. Reporting**

Within one hundred twenty (120) days of the end of the Contract Period, we shall provide information to the Group for preparing Form 5500's; the Group shall be solely responsible for insuring timely filing of the Form 5500's.

#### **VI. CONTRACT TERMINATION**

The Group Contract will automatically be terminated if subscription charges or contributions are not paid when due; coverage will end on the last day for which payment was made. This program may also terminate as indicated below.

##### **A. The Group may terminate the Group Contract:**

- 1. upon 30 days' advance written notice to us on any subscription charge due date.
- 2. by rejecting in writing the contract changes we make after the initial term. The written rejection must reach us at least 15 days before the changes are to start. The Group Contract will end on the last date for which subscription charges were paid.

##### **B. We may terminate the Group Contract, upon 30 days advance written notice to the Group if:**

- 1. the Group has performed an act or practice that constitutes fraud or made an intentional misrepresentation of material fact under the terms of the coverage;
- 2. the Group has failed to comply with a material plan provision relating to minimum participation or employer contribution requirements;



3. in the case of a network plan, the Group no longer has any enrollees who reside or work in Alaska or Washington;
4. in the case of a plan that is made available only through a bona fide association, the employer's membership in the association ceases and coverage is terminated uniformly without regard to an enrollee's health;
5. we discontinue offering a particular type of benefit plan in the group market providing:
  - a. we furnish written notice of the decision to discontinue coverage to all affected groups, enrollees, and to the insurance regulatory official in each state in which an affected enrollee is known to reside. Such notice must be given at least 180 days before we decide to discontinue the benefit plan;
  - b. we furnish written notice of the decision to discontinue coverage to the director and to the insurance regulatory official in each state in which we are licensed at least 30 days before notice is given to the affected groups and enrollees as described above;
  - c. we offer each group who is provided the particular type of benefit plan the option to purchase another benefit plan currently being offered by us to groups in the same market in that state; and
  - d. we act uniformly without regard to the claims experience of those groups, or to any health or dental status factor of an enrollee or a prospective enrollee who may become eligible for coverage;
6. we discontinue offering and renewing all health or dental care plans in the group market providing:
  - a. we furnish written notice of the decision to discontinue coverage to all affected groups, enrollees, and to the insurance regulatory official in each state in which an affected enrollee is known to reside. Such notice must be given at least 180 days before we decide to discontinue the health or dental care plans;
  - b. we furnish written notice of the decision to discontinue coverage to the director and to the insurance regulatory official in each state in which we are licensed at least 30 days before the notice is given to the affected groups and enrollees as described above; and
  - c. we do not issue a health or dental care plan in the group market in the applicable states for five (5) years from the date the last group health or dental care plan was discontinued.

## **VII. OTHER PROVISIONS**

### **A. Assignment**

No assignment of the Group's interest hereunder shall be binding on us.

**B. Trademark**

We reserves the right to, the control of, and the use of the words "Blue Cross Blue Shield of Alaska" and all symbols, trademarks and service marks existing or hereafter established. The Group shall not use such words, symbols, trademarks or service marks in advertising, promotional materials, materials supplied to Enrollees or otherwise without our prior written consent which shall not be unreasonably withheld.

**C. Notice**

Any notice required or permitted to be given by this Contract shall be in writing and shall be deemed delivered three (3) days after deposit in the United States mail, postage fully prepaid, return receipt requested.

**D. Credit Worthiness**

Issuance and continuance of this funding arrangement is contingent upon receipt and approval by us of evidence of the Group's credit worthiness which is satisfactory to us. Updated evidence of credit worthiness may be required by us at any time during the Contract Period as deemed necessary by us. If the Group fails to provide evidence of satisfactory credit worthiness by the date required or if we determine that the Group's credit worthiness is not satisfactory, upon thirty (30) days advance written notice, the Group will be rerated for and transferred to a conventional funding arrangement.

The parties have signed as duly authorized officers and have hereby executed this Contract. If the monthly contractual rates for the Contract Period, set forth in Attachment A., are received by us but this Contract is not signed and returned to us by the effective date stated herein, we will assume the Group's concurrence and the Group will be bound by its terms.

**ATTACHMENT A**  
**to the Prospective Funding Arrangement Agreement**  
**between**  
**BLUE CROSS BLUE SHIELD OF ALASKA**  
**and**  
**ALASKA POLITICAL SUBDIVISION**

**Effective: 1-Jul-99**

**GRACE PERIOD**

Ten (10) Days

**CONTRACTUAL RATES (MONTHLY SUBSCRIPTION CHARGES)**

The monthly contractual rates for the Contract Period are shown on the attached Rate Exhibit:

**CONTRIBUTION AND PARTICIPATION REQUIREMENTS**

	<b>Employer Contribution</b>	<b>Participation</b>
Employees	Same as current	Same as current
Dependents	Same as current	Same as current

**ACCOUNTING PROCEDURES**

No Annual or Final Accounting will be performed. Gains and losses are absorbed by Premera Blue Cross Of Washington And Alaska.

**NUMBER OF ENROLLEES**

The Contractual Rates are based on the following:

Number of Active Enrollees:

<b>Employees</b>	<b>Spouses</b>	<b>Children</b>
1229	618	1265

Number of COBRA Enrollees:

<b>Employees</b>	<b>Spouses</b>	<b>Children</b>
38	28	27

Other carriers offered: None.

**000050**

Group name:  
Group number(s):  
Renewal period:

STATE OF ALASKA POLITICAL SUBDIVISION TRANSFER POOL  
67234 STAT #  
1-Jul-99 through 30-Jun-00

RATE EXHIBIT

Traditional Medical plan with \$100/\$300 deductible, coinsurance  
payable at 90% to \$1,950 in Allowable Charges ; \$5/\$7 Mail  
Order RX; Dental/Vision

	E	ES	ESC	EC
Renewal rates	\$280.57	\$608.84	\$848.40	\$520.14

Medical Best Care Plan with \$100/\$300 deductible, Coinsurance  
for Preferred Benefits payable at 90% to \$1,950 in Allowable  
Charges; and a constant 70% for Non Preferred;  
\$5/\$7 Mail Order RX; Dental/Vision

	E	ES	ESC	EC
Renewal rates	\$261.90	\$568.37	\$792.02	\$485.54

Traditional Medical plan with \$500/\$1,500 deductible, coinsurance  
payable at 80% to \$10,000 in Allowable Charges ; \$5/\$7 Mail  
Order RX; Dental/Vision

	E	ES	ESC	EC
Renewal rates	\$238.58	\$520.77	\$723.82	\$441.63

Medical Best Care Plan with \$500/\$1,500 deductible, Coinsurance  
for Preferred Benefits payable at 80% to \$10,000 in Allowable  
Charges; and a constant 60% for Non Preferred;  
\$5/\$7 Mail Order RX; Dental/Vision

	E	ES	ESC	EC
Renewal rates	\$223.30	\$487.34	\$677.39	\$413.35

Traditional Medical plan with \$200/\$600 deductible, coinsurance  
payable at 80% to \$5,000 in Allowable Charges ; \$5/\$7 Mail  
Order RX; Dental/Vision

	E	ES	ESC	EC
Renewal rates	\$245.16	\$560.08	\$779.43	\$464.51

Medical Best Care Plan with \$200/\$600 deductible, Coinsurance  
for Preferred Benefits payable at 80% to \$5,000 in Allowable  
Charges; and a constant 60% for Non Preferred;  
\$5/\$7 Mail Order RX; Dental/Vision

	E	ES	ESC	EC
Renewal rates	\$229.33	\$523.50	\$728.54	\$434.37

000051

# RENEWAL LETTER

<b>GROUP NAME:</b>	<b>STATE OF ALASKA POLITICAL SUBDIVISION</b>
<b>RENEWAL DATE:</b>	<b>July 1, 1999</b>

**\* Please return this Renewal Letter with your signed contract, making sure to complete any sections of this document that require your input and/or initials.**

## CHANGES

**If the state or federal government mandates any additional change in benefits or if Blue Cross Blue Shield of Alaska revises benefits or provisions after this renewal is issued, a supplemental notice will be provided.**

The following changes will be made at renewal:

- ⊗ Due to a U.S. Supreme Court ruling on June 9, 1998, a health plan must now offer COBRA coverage to otherwise eligible COBRA beneficiaries who either have group health coverage or who are entitled to Medicare prior to their COBRA election date. If, however, a beneficiary obtains group coverage or becomes entitled to Medicare after COBRA is elected, a health plan may continue to terminate such COBRA coverage.
- ⊗ Blue Cross Blue Shield of Alaska is implementing a pharmacy benefits management program to improve the quality of your program's Pharmacy Drug Benefit and help foster appropriate pharmaceutical care received by our enrollees. Under this program, certain drugs prescribed for longer than a 90-day period will require a statement of medical necessity from the enrollee's prescribing physician. Additionally, certain drugs may require preauthorization by Blue Cross Blue Shield of Alaska before they can be dispensed.

Therefore, the Prescription Drug Benefit currently found in your benefit booklet is amended to include the following provision:

"In accordance with established pharmacy practice standards, certain drugs may require preauthorization. We may also limit the supply dispensed based on medical necessity. Contact your prescribing physician if you have questions about medications that are prescribed for you."

000052

⊗ On October 21, 1998, President Clinton signed into law the **Women's Health and Cancer Rights Act of 1998**. Although your program already provides coverage for reconstructive breast surgery after mastectomy, your program has been amended to fully comply with the coverage requirements of the new federal law as follows:

- A "Mastectomy and Reconstruction Breast Services" benefit has been added to the "Comprehensive Medical Benefits" section of your program.
- Under the "General Limitations and Exclusions" section, the reference to breast reconstructive surgery has been amended.

⊗ The following definitions have been revised:

**Experimental/Investigative Services**

The definition of "Experimental/Investigative Services" located under the "Definitions" section of your booklet has been replaced. The new definition further clarifies the standards we use to determine whether a service or supply is experimental or investigative, and gives examples of some of the sources we use in making a determination.

**Allowable Charge**

The definition of "Allowable Charge" located under the "Definitions" section of your booklet has been revised. The new definition further clarifies our administrative guidelines.

⊗ The following provision will be added to contracts renewing July 1, 1999 and after:

**Confidentiality Of Enrollee Information**

No employee, agent, or other representative of Blue Cross Blue Shield of Alaska will provide to the Group any confidential medical information that is either implicitly or explicitly identifiable to an enrollee without the express, written consent of the enrollee or the enrollee's legal representative.

The Group will not ask nor direct any employee, agent, or other representative of Blue Cross Blue Shield of Alaska to divulge an enrollee's confidential medical information unless the enrollee's express, written permission has been obtained.

⊗ A new compliance statement with regard to data transmission issues with the Year 2000 is being incorporated into the Group Contract. The following provision is being added:

**Year 2000 Compliance**

Commencing on July 1, 1999 and continuing thereafter, the Group and Blue Cross Blue Shield of Alaska, referred to hereafter as the "parties," shall exchange all electronic data in compliance with the data transfer specifications described below. If data transmitted on or after July 1, 1999, by either party (each referred to as "Data Transmitter" or "Data Receiver" as appropriate) are not in compliance with such data transfer specifications, the Data Transmitter shall, at its sole cost and expense, promptly generate and resubmit data in compliance with the data transfer specifications, in a manner that minimizes interruption of the Data Receiver's business processes, with time being of the essence. As further described in the paragraph below, at our request, the parties will conduct a trial between July 1, 1999 and October 31, 1999, to exchange data in a Year 2000 test environment to ensure that data exchanged between the parties satisfy the data transfer specifications described below.

For all transmissions of electronic data on and after July 1, 1999, the parties shall use the electronic data translators or formats ("Permitted Data Formats") described in the table below. The Permitted Data Formats require Patient Date of Birth to be transmitted in a 4-digit form (i.e., mm/dd/yyyy). As a part of our Year 2000 Project, a testing period has been set aside between July 1, 1999 and October 31, 1999. This testing period allows the parties to have the opportunity to exchange data in a test environment to ensure that both parties receive and transmit Year 2000 compliant data. If we desire to conduct such a test with the Group, our Year 2000 Project staff will contact and schedule the Group for the test, and such scheduling efforts will start on or about June 1, 1999.

<b>PERMITTED DATA FORMATS</b>	<b>DATA FIELDS REQUIRING 4-DIGIT YEARS</b>
NSF Institutional-vs 4.0 and up Professional-vs 1.04 and up	Patient Date of Birth
Ansi x12 - DCDS 837 vs 3041	Patient Date of Birth
COB - vs 3.0 and up	Patient Date of Birth
ITS release 8	Patient Date of Birth
ECC - Revised 6/01/1998	Patient Date of Birth
Envoy - vs 2.1 and up	Patient Date of Birth

**STATE-MANDATED BENEFIT OFFERINGS**

Refer to the State-Mandated Benefit Offering selection sheet enclosed.

**NOTIFICATION OF PLAN CHANGES**

Please indicate below any other changes to the existing benefit plan at renewal, including a change in the Group's legal name or address, any affiliate or subsidiary additions or deletions, and revised eligibility requirements or IRS Section 125 Cafeteria Plan revisions. *Attach additional pages as necessary.*

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**GROUP CONTRACT AND FUNDING ARRANGEMENT**

These documents have been updated for your 1999 renewal and are enclosed for your review and signature.

**TIMELY FILING WITH INSURANCE DEPARTMENT**

In order for Blue Cross Blue Shield of Alaska to meet state regulatory filing requirements, we ask that you complete renewal activities, and sign and return the Group Contract to us not later than **July 1, 1999**. We will then issue a final contract that incorporates the changes noted above.

**QUESTIONS**

If you have any questions about this renewal, please contact your Marketing Representative for assistance.



# ALASKA MANDATED BENEFIT OFFERINGS

## Vision, Hearing, and Dental

In compliance with the Alaska Insurance laws, the following minimum levels of coverage for dental, vision, and hearing benefits are being offered as an option, to all new or renewing Alaska groups.

The following is a description of the dental, vision, and hearing benefits that meet the required minimum levels.

Please contact your Marketing Representative if you would like to add any of these options or need further information.

### VISION CARE BENEFIT

- **Examinations** up to 80% of Allowable Charges; one examination per enrollee each calendar year
- **Lenses** Up to 80% of Allowable Charges; maximum of two eyeglass lenses (single vision, bifocal, trifocal, lenticular) or two cosmetic contact lenses per enrollee per calendar year. Contact lenses are limited to a lifetime benefit maximum of \$400
- **Frames** Up to 80% of Allowable Charges; one pair of frames in any two consecutive calendar years

### HEARING AID BENEFIT

- **Hearing Examination** 80% of Allowable Charges; one exam every three consecutive calendar years
- **Hearing Aid** 80% of Allowable Charges
- **Maximum Benefit** \$800 in a period of three consecutive years.

### DENTAL CARE BENEFITS

- **Calendar Year Deductible** \$50 per enrollee; \$150 per family
- **Diagnostic, Preventive, and Basic Services** 80% of Allowable Charges
- **Major Services** 50% of Allowable Charges
- **Dental Benefit Maximum** \$1,500 per enrollee in a calendar year



**Blue Cross  
Blue Shield of Alaska**  
A PREMIERA HEALTH PLAN  
Independent Licensees of the Blue Cross and Blue Shield Association

City of Wasilla (77529)

Renewal Rates  
for  
Alaska Political Subdivisions

Effective July 1, 1999 through June 30, 2000

Option	Plan Design	E	ES	ESC	EC	Check Option
Traditional 100	Medical plan with \$100/\$300 deductible; 90% coinsurance to \$1,950 in allowable charges; \$5/\$7 mail order prescription drug; dental and vision	\$280.57	\$608.84	\$848.40	\$520.14	<input type="checkbox"/>
Best Care 100	Medical plan with \$100/\$300 deductible; 90% preferred benefit coinsurance to \$1,950 in allowable charges and constant 70% for non-preferred benefits; \$5/\$7 mail order prescription drug; dental and vision	\$261.90	\$568.37	\$792.02	\$485.54	<input type="checkbox"/>
Traditional 200	Medical plan with \$200/\$600 deductible; 80% coinsurance to \$5,000 in allowable charges; \$5/\$7 mail order prescription drug; dental and vision	\$245.16	\$560.08	\$779.43	\$464.51	<input type="checkbox"/>
Best Care 200	Medical plan with \$200/\$600 deductible; 80% preferred benefit coinsurance to \$5,000 in allowable charges and constant 60% for non-preferred benefits; \$5/\$7 mail order prescription drug; dental and vision	\$229.33	\$523.50	\$728.54	\$434.37	<input type="checkbox"/>
Traditional 500	Medical plan with \$500/\$1,500 deductible; 80% coinsurance to \$10,000 in allowance charges; \$5/\$7 mail order prescription drug; dental and vision	\$238.58	\$520.77	\$723.82	\$441.63	<input type="checkbox"/>
Best Care 500	Medical plan with \$500/\$1,500 deductible; 80% preferred benefit coinsurance to \$10,000 in allowable charges and constant 60% for non-preferred benefits; \$5/\$7 mail order prescription drug; dental and vision	\$223.30	\$487.34	\$677.39	\$413.35	<input type="checkbox"/>

Shaded plan option denotes current benefit design.

Please select option and return this signed form with group renewal by June 1, 1999.

Accepted by: \_\_\_\_\_

30057



A PREMIER COMPANY

City of Wasilla

Renewal Rates  
for  
Alaska Political Subdivisions

Effective July 1, 1999 through June 30, 2000

Basic Life and AD&D Options

Option	Basic Life	Rate	Basic AD&D	Rate	Check Option
I	\$2,000	\$0.21/\$1,000	\$5,000	\$0.06/\$1,000	<input type="checkbox"/>
II	\$10,000	\$0.17/\$1,000	\$10,000	\$0.06/\$1,000	<input type="checkbox"/>

Shaded plan option denotes current benefit design.

Basic Life and AD&D benefits reduce to 65% at age 65, to 50% of original amount at age 70, to 30% of original amount at age 75, to 20% of original amount at age 80, and terminate at retirement.

Only one option per group, based on employer selection. All segments, of an employer, must elect the same option.

Change notification must be received by States West Life no later than June 1, 1999.



A PREMIER COMPANY

City of Wasilla

**Supplemental Life and Supplemental AD&D**

Benefit: one times annual salary rounded up to the next \$1,000 to a maximum of \$60,000.

000059

Age	Supplemental Rates	
	Life	AD&D
Under 30	\$0.11	\$0.06
30 - 34	\$0.13	\$0.06
35 - 39	\$0.18	\$0.06
40 - 44	\$0.28	\$0.06
45 - 49	\$0.42	\$0.06
50 - 54	\$0.64	\$0.06
55 - 59	\$1.00	\$0.06
60 - 64	\$1.51	\$0.06
65 - 69	\$2.18	\$0.06
70 - 74	\$3.65	\$0.06
75 - 79	\$5.33	\$0.06
80 +	\$7.78	\$0.06

Supplemental Life and AD&D benefits reduce to 65% at age 65, to 50% of original amount at age 70, to 30% of original amount at age 75, to 20% of original amount at age 80, and terminate at retirement.

**Dependent Life**

Benefit: Spouse \$1,000; Child graded benefit from 14 days to 23 years to a maximum of \$500.

Cost:

Family Unit (Spouse & Children)	\$0.40
Spouse Only	\$0.27
Children Only	\$0.13

Please select option and return this signed form with group renewal by June 1, 1999.

Accepted by: \_\_\_\_\_



**Blue Cross  
Blue Shield of Alaska**

**A PREMIERA HEALTH PLAN**  
Independent Licensees of the Blue Cross and Blue Shield Association

P.O. Box 327  
Seattle, Washington 98111-0327

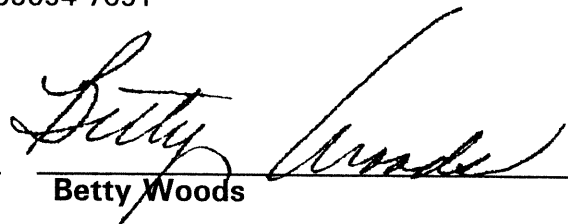
**GROUP CONTRACT  
FOR  
CITY OF WASILLA**  
(herein referred to as the Group)

BLUE CROSS BLUE SHIELD OF ALASKA (herein also referred to as "we," "us," or "our") agrees to provide the benefits described in this Contract for eligible employees of the Group, as defined in this Contract, and their eligible dependents who are enrolled for coverage under this Contract. All benefits of this Contract are subject to the terms and conditions stated herein and any endorsements or riders included or issued thereafter. We have the discretionary authority to determine eligibility for benefits and to construe the terms used in this Contract.

This Contract is delivered in, and is governed by, the laws of the state shown below, except to the extent preempted by federal law. This Contract is valid on the effective date indicated below only when signed by an officer of ours. Payment of the subscription charges indicates that the Group accepts this Contract.

Any existing group contract or agreement between the Group and us which is being replaced by this Contract is terminated when this one becomes effective.

**CONTRACT EFFECTIVE DATE** July 1, 1999  
**GROUP NUMBER** 77529  
**STATE** AK  
  
**GROUP ADDRESS** 290 Herning Avenue  
 Wasilla, AK 99654-7091



Signed \_\_\_\_\_

Betty Woods

Title \_\_\_\_\_

President and Chief Executive  
Officer

Date \_\_\_\_\_

April 29, 1999  
Date

## **STANDARD PROVISIONS**

### **Contract**

The entire Contract between the Group and us consists of all of the following:

- The contract face page and "Standard Provisions";
- The attached benefit booklet(s);
- The Group's application;
- The Funding Arrangement Agreement (Exhibit A) between the Group and us; and
- All attachments, endorsements and riders included or issued hereafter.

No agent of Blue Cross Blue Shield of Alaska or any other entity is authorized to make any changes, additions or deletions to this Contract or to waive any provision of this Contract. Changes, alterations, additions or exclusions can only be done over the signature of an officer of Blue Cross Blue Shield of Alaska.

No assignment of the Group's interest as a party to this Contract will be binding on us.

### **Contract Term And Renewal**

The initial contract term begins on the contract's effective date and continues to the contract anniversary date, unless canceled or terminated in accordance with the terms of the Contract. If not so terminated, the Contract is kept in force during the initial term by the Group's payment of required subscription charges when due.

After the initial term, this Contract will continue in force on a month-to-month basis by the Group's payment of required subscription charges when due, unless it is changed or terminated in accordance with the contract change and termination provisions stated elsewhere in this Contract.

### **Funding Arrangement Agreement (Exhibit A)**

The contract period, subscription charges and contract termination provisions are set forth in the Funding Arrangement Agreement (Exhibit A) between the Group and us, which is attached to and made part of this Contract.

### **Certificate Of Health Coverage**

We agree to provide the Group with information regarding an enrollee's coverage period under this program when coverage terminates.

The Group agrees to provide a Certificate of Health Coverage to enrollees upon termination from the group's health plan and upon request, to comply with all provisions required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and state law.

### **Group Records**

The Group is responsible for keeping accurate records relating to this Contract. The records must contain all the information needed by us to administer this Contract. We have the right to request, inspect, or audit the Group's records at any reasonable time during regular business hours.

## **Clerical Error**

Discovery of a clerical error by the Group in keeping any records pertaining to enrollment, continuance, or termination of employee and/or dependent coverage under this Contract, will not invalidate coverage otherwise validly in force or continue coverage otherwise validly terminated. However, any retroactive coverage and subscription charge adjustment will be limited to the later of:

- The date the employee or dependent's coverage would have been validly in force or validly terminated, in accordance with the terms and conditions of the Group Contract; or
- The preceding anniversary date of the Group Contract.

Enrollment which is delayed due to reasons other than clerical error by the Group is explained in the subscriber's benefit booklet.

## **Compliance With Law**

The Group shall comply fully with all applicable State, Federal and local laws and regulations, including notice and disclosure requirements, in carrying out its responsibilities under this Contract. These include, but are not limited to, compliance with the Internal Revenue Code, the Employee Retirement Income Security Act of 1974 (ERISA), the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the Family Medical Leave Act of 1993 (FMLA), and the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

## **Venue**

All suits or legal proceedings brought against us by you or anyone claiming any right under this program must be filed:

- Within 15 months of the date we denied, in writing, the rights or benefits claimed under this program (the Group, on behalf of itself and its participants, hereby waives its rights under the provisions of AS 09.10.053 to bring an action within 3 years); and
- In the State of Alaska, or the state in which you are employed or reside.

## **Inaccurate And Unapproved Descriptive Materials**

The Group will indemnify, defend and hold us harmless for any claims, damages, judgments and expenses (including attorney's fees) based on or arising out of, directly or indirectly, descriptive materials written, created, designed or printed by the Group, or on the Group's behalf by any third party when such descriptive materials:

- Are used without prior review and written approval by us; and
- Inaccurately reflect any of the terms, conditions and/or provisions of this Contract.

The term "descriptive materials" includes, without limitation, any type of circular, leaflet, booklet, summary, handbook, letter or form that describes in whole or in part any of the terms, conditions and/or provisions of this Contract.

## **COBRA**

As directed by federal laws and regulations (referred to in this Contract as "COBRA"), most employers of 20 or more employees must offer enrollees who meet COBRA's "qualified beneficiary" criteria an election to continue their group coverage. The Group must fulfill all the obligations and responsibilities regarding continued coverage that are assigned by COBRA to the employer, plan sponsor or administrator, and to the "group health plan." We are not the COBRA plan administrator, and our actions pertaining to COBRA continued coverage shall not be construed as relieving the Group of its responsibility under COBRA.

The summary of COBRA continued coverage in "Continued Coverage Under This Program" only illustrates, and does not limit, the obligations of the Group and the qualified enrollees under COBRA. These obligations automatically change with further amendments of COBRA by Congress or interpretations of COBRA by the courts and federal regulatory agencies, even if this summary is not amended to show those changes.

The Group must notify all enrollees of their rights under COBRA when they first become eligible for coverage under this Contract. The Group must also notify the qualified enrollee of his or her rights under COBRA within 14 days of the date the Group received notice of the qualifying event.

When requested by the Group, we will provide continued coverage under this Contract, but only to the extent that enrollees are entitled to continue group coverage under COBRA and subject to the other terms and limitations of this Contract. In addition, all the requirements listed below must be met:

- The Group is subject to COBRA on the date of the qualifying event.
- The Group notifies the qualified enrollee of his or her rights under COBRA within 14 days of the date the Group received notice of the qualifying event. This requirement will be waived if the enrollee elects continued coverage no more than 60 days after the date coverage was to end because of the qualifying event.
- The qualified beneficiary elects to continue coverage within the time limits set by COBRA, and the application and required subscription charges are submitted to us with the Group's next billing.
- The required subscription charges continue to be paid when due or within the 30-day COBRA grace period. The Group must submit qualified beneficiaries' subscription charges with its regular monthly subscription charge payment.
- This Contract remains in force. The Group acknowledges that even after this Contract is terminated, COBRA may require the Group to offer continuation unless the Group ceased to offer group health care coverage to any employee.

The Group will terminate the coverage of any qualified beneficiary who does not elect COBRA continuation.

**000063**



## **Subscriber Eligibility**

The following employees of CITY OF WASILLA are eligible to enroll as subscribers under this contract:

### **Elected Officials**

On the date the official is sworn into office.

### **All Other Employees**

- An active full-time employee who regularly works a minimum of 40 hours a week, provided such employee has completed a 30-day probationary period. The probationary requirement does not apply to employees returning to work from a leave without pay or layoff.
- An active part-time employee who regularly works a minimum of 20 hours a week, provided such employee has completed a 30-day probationary period. The probationary requirement does not apply to employees returning to work from a leave without pay or layoff.

## **Reinstatement**

Upon the Group's written application for reinstatement of this Contract, we may, at our option, reinstate this Contract after terminating it. If so reinstated, the Group must pay all unpaid subscription charges prior to and subsequent to the cancellation or termination of the Contract.

## **Independent Corporation**

The Group hereby expressly acknowledges, on behalf of itself and all of its eligible employees and their eligible dependents, its understanding that the Group Contract constitutes a contract solely between the Group and Blue Cross Blue Shield of Alaska. We are an independent corporation operating under a license with the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans (the "Association") permitting us to use the Blue Cross and Blue Shield Service Marks in the State of Alaska. The Group expressly acknowledges that we are not contracting as the agent of the Association and that the Association has no obligation under the Group Contract.

The Group further acknowledges and agrees that it has not entered into the Group Contract based upon representations by any person other than us, and that no person, entity or organization other than us shall be held accountable or liable to the Group for any of our obligations to the Group created under the Group Contract. This provision shall not create any additional obligations whatsoever on our part other than those obligations created under other provisions of the Group Contract.

## **Rights Of Assignment**

Notwithstanding any other provision in this Contract, and subject to any limitations of state or federal law, in the event that Blue Cross Blue Shield of Alaska merges or consolidates with another corporation or entity, or does business under another name or jointly with another entity, or transfers this Contract to another corporation or entity, this Contract shall remain in full force and effect in accordance with its terms, and bind the Group and the successor corporation or other entity. In such event, we guarantee that all our obligations under this Contract will be performed by the successor entity.

## Confidentiality Of Enrollee Information

No employee, agent, or other representative of Blue Cross Blue Shield of Alaska will provide to the Group any confidential medical information that is either implicitly or explicitly identifiable to an enrollee without the express, written consent of the enrollee or the enrollee's legal representative.

The Group will not ask nor direct any employee, agent, or other representative of Blue Cross Blue Shield of Alaska to divulge an enrollee's confidential medical information unless the enrollee's express, written permission has been obtained.

## Year 2000 Compliance

Commencing on July 1, 1999 and continuing thereafter, the Group and Blue Cross Blue Shield of Alaska, referred to hereafter as the "parties," shall exchange all electronic data in compliance with the data transfer specifications described below. If data transmitted on or after July 1, 1999, by either party (each referred to as "Data Transmitter" or "Data Receiver" as appropriate) are not in compliance with such data transfer specifications, the Data Transmitter shall, at its sole cost and expense, promptly generate and resubmit data in compliance with the data transfer specifications, in a manner that minimizes interruption of the Data Receiver's business processes, with time being of the essence. As further described in the paragraph below, at our request, the parties will conduct a trial between July 1, 1999 and October 31, 1999, to exchange data in a Year 2000 test environment to ensure that data exchanged between the parties satisfy the data transfer specifications described below.

For all transmissions of electronic data on and after July 1, 1999, the parties shall use the electronic data translators or formats ("Permitted Data Formats") described in the table below. The Permitted Data Formats require Patient Date of Birth to be transmitted in a 4 digit form (i.e., mm/dd/yyyy). As a part of our Year 2000 Project, a testing period has been set aside between July 1, 1999 and October 31, 1999. This testing period allows the parties to have the opportunity to exchange data in a test environment to ensure that both parties receive and transmit Year 2000 compliant data. If we desire to conduct such a test with the Group, our Year 2000 Project staff will contact and schedule the Group for the test, and such scheduling efforts will start on or about June 1, 1999.

PERMITTED DATA FORMATS	DATA FIELDS REQUIRING 4 DIGIT YEARS
NSF Institutional-vs 4.0 and up Professional-vs 1.04 and up	Patient Date of Birth
Ansi x12 - DCDS 837 vs 3041	Patient Date of Birth
COB - vs 3.0 and up	Patient Date of Birth
ITS release 8	Patient Date of Birth
ECC - Revised 6/01/1998	Patient Date of Birth
Envoy - vs 2.1 and up	Patient Date of Birth

000065

**EXHIBIT A  
PROSPECTIVE FUNDING ARRANGEMENT AGREEMENT**

**to the Group Health Care Contract between  
BLUE CROSS BLUE SHIELD OF ALASKA  
(hereinafter also referred to as "we", "us", or "our")**

**AND**

**STATE OF ALASKA POLITICAL SUBDIVISION  
(hereinafter called the Group)**

**Effective Date: July 1, 1999**

This Funding Arrangement Agreement is a part of Contract Form No. 1550Y effective July 1, 1999 and includes the following Blue Cross Blue Shield of Alaska Group Numbers:

Group No.                   67234 through 77250 and Segments  
Group No.                   77500 through 77531 and Segments

All the Group Numbers listed above shall be pooled together for establishment of contractual rates, pooling of experience, billing and calculation of late charges.

**I. DEFINITIONS**

For purposes of this Contract, the following definitions apply:

**A. Contract Period**

The term "Contract Period" means the period from 12:01 a.m. on July 1, 1999 to midnight on June 30, 2000.

**B. Contractual Revenue**

The term "Contractual Revenue" means the total of the contractual rate for each rate classification multiplied by the number of employees in each such classification for each month in the Contract Period.

**C. Enrollee**

The term "Enrollee" means any subscriber, member, employee, former employee, spouse, former spouse, dependent, former dependent, beneficiary or any other individual who may be entitled to benefits under the terms of the Contract.

D. Grace Period

The term "Grace Period" means the period of time (see Attachment A) from the date a monthly contractual rate is due (due date) during which the Group may make the required payment and the Contract will not be terminated for nonpayment.

E. Group

The term "Group" means the employer, or a group or association of employers, actively engaged in business who are a party to this Contract. The Group is the "plan sponsor" for purposes of 29 U.S.C. Section 1161 et seq. and the "plan administrator" for purposes of 29 U.S.C. Section 1002(16) (a) and 26 U.S.C. Section 4980B(g) (3). All participating employers and segmented employers who are members of the Group shall be treated as one entity for purposes of the Contract, including the establishment of contractual rates, billing, and calculation of late charges.

F. Plan

The term "Plan" means the group health plan established and maintained for employees by the Group which is funded all or in part through this Funding Arrangement Agreement.

**II. CONTRACTUAL RATES (MONTHLY SUBSCRIPTION CHARGES)**

A. Contractual Rates

The monthly contractual rates are set forth in Attachment A.

B. Adjustment to the Contractual Rates

The contractual rates set forth in II A. above will remain in effect until the end of the Contract Period, and during any extension thereof granted by us, or until the Contract is terminated, if earlier, with the following exceptions:

1. Should any federal, state or local authority mandate a change in benefits, eligibility or procedure or impose or change a tax or assessment on us or the Plan during the Contract Period or any extension of the Contract Period, whether by statute, regulation, interpretation or otherwise, we may increase the contractual rates set forth in Attachment A, as of the date specified in our notice to the Group or its agent.
2. We may increase the contractual rates during the Contract Period by giving thirty (30) days advance written notice to the Group or its agent, if we determine that the basis upon which we assumed the risk is materially changed for any reason, including, but not limited to, the following:
  - a. A benefit change requested by the Group;
  - b. A fluctuation of ten (10) percent or more in the number of Enrollees as set forth on the census information included in Attachment A which is herein incorporated by reference and made a part of this Contract.

- c. A change in the amount of the employer's contribution on behalf of each Enrollee.
- d. A change in procedure agreed to by the Group and us, including any change in our reporting requirements.
- e. A change in the Group's health care programs and/or carriers from those set forth in Attachment A.
- f. The addition of enrollees who live outside Washington and Alaska.
- g. The addition of a dual, triple, or multiple choice option or a change in the program choices offered by a dual, triple or multiple choice group.

Any such revision to current subscription charges will take effect on the date specified in the notice.

### **III. PAYMENTS**

#### **A. Monthly Payments**

During the Contract Period, we will bill the Group based upon the previous month's eligibility. The Group shall provide us with updated eligibility information and it shall be liable for, and shall pay to us on or before the first day of each month, an amount equal to the total of the monthly contractual rates which are set forth in Attachment A, on behalf of the Enrollees included on the updated eligibility list.

#### **B. Late Payments**

A Grace Period (see Attachment A) after the due date shall be allowed to the Group for payment of the monthly contractual rates. If payment is not received by us by the end of the Grace Period, the Contract will automatically terminate on the subscription charge due date. Then we may, at our option, upon the Group's written request, reinstate the Contract. No benefits will be paid for otherwise eligible expenses incurred on any day for which payment has not been made. If a partial payment has been received, we may, at our discretion, return the payment or provide benefits for those Enrollees for whom payment has been made. Acceptance by us of late or partial payment shall not be construed as a waiver of our right to demand timely payment or to terminate this Contract for nonpayment.

#### **C. Late Charges**

If a payment is not received by us by the end of the grace period, as liquidated damages the Group will pay us a daily late charge. This late charge is calculated from the due date, rather than from the end of the Grace Period. This late charge is based on the average monthly prime rate posted by Seattle First National Bank during the Contract Period, plus two (2) percent on the amount of the late payments for the number of days late. Late charges will not be assessed against any partial payment which is retained by us. Late charges are in addition to Contractual Revenue and they are calculated and billed at the end of the Contract Period or upon termination of the Contract, if earlier.

#### **IV. CONTRIBUTION AND PARTICIPATION REQUIREMENTS**

- A. The Group must pay a percentage of the cost of the contractual rate under this Contract for employees and a percentage of the eligible employees must be enrolled (see Attachment A).
- B. The Group must pay a percentage of the cost of the contractual rate under this Contract for dependents and a percentage of the eligible dependents must be enrolled (see Attachment A).
- C. For purposes of this Section IV, eligible Enrollees are individuals who satisfy the Contract's eligibility requirements, except for any contribution requirement.

We reserve the right to terminate this Contract, in accordance with Section VI.B.2., if the Group fails to maintain the contribution and participation requirements stated herein.

#### **V. ACCOUNTING**

##### **A. Accounting**

No annual or final accountings will be performed. Gains and losses will be absorbed by us.

##### **B. Reporting**

Within one hundred twenty (120) days of the end of the Contract Period, we shall provide information to the Group for preparing Form 5500's; the Group shall be solely responsible for insuring timely filing of the Form 5500's.

#### **VI. CONTRACT TERMINATION**

The Group Contract will automatically be terminated if subscription charges or contributions are not paid when due; coverage will end on the last day for which payment was made. This program may also terminate as indicated below.

##### **A. The Group may terminate the Group Contract:**

- 1. upon 30 days' advance written notice to us on any subscription charge due date.
- 2. by rejecting in writing the contract changes we make after the initial term. The written rejection must reach us at least 15 days before the changes are to start. The Group Contract will end on the last date for which subscription charges were paid.

##### **B. We may terminate the Group Contract, upon 30 days advance written notice to the Group if:**

- 1. the Group has performed an act or practice that constitutes fraud or made an intentional misrepresentation of material fact under the terms of the coverage;
- 2. the Group has failed to comply with a material plan provision relating to minimum participation or employer contribution requirements;

3. in the case of a network plan, the Group no longer has any enrollees who reside or work in Alaska or Washington;
4. in the case of a plan that is made available only through a bona fide association, the employer's membership in the association ceases and coverage is terminated uniformly without regard to an enrollee's health;
5. we discontinue offering a particular type of benefit plan in the group market providing:
  - a. we furnish written notice of the decision to discontinue coverage to all affected groups, enrollees, and to the insurance regulatory official in each state in which an affected enrollee is known to reside. Such notice must be given at least 180 days before we decide to discontinue the benefit plan;
  - b. we furnish written notice of the decision to discontinue coverage to the director and to the insurance regulatory official in each state in which we are licensed at least 30 days before notice is given to the affected groups and enrollees as described above;
  - c. we offer each group who is provided the particular type of benefit plan the option to purchase another benefit plan currently being offered by us to groups in the same market in that state; and
  - d. we act uniformly without regard to the claims experience of those groups, or to any health or dental status factor of an enrollee or a prospective enrollee who may become eligible for coverage;
6. we discontinue offering and renewing all health or dental care plans in the group market providing:
  - a. we furnish written notice of the decision to discontinue coverage to all affected groups, enrollees, and to the insurance regulatory official in each state in which an affected enrollee is known to reside. Such notice must be given at least 180 days before we decide to discontinue the health or dental care plans;
  - b. we furnish written notice of the decision to discontinue coverage to the director and to the insurance regulatory official in each state in which we are licensed at least 30 days before the notice is given to the affected groups and enrollees as described above; and
  - c. we do not issue a health or dental care plan in the group market in the applicable states for five (5) years from the date the last group health or dental care plan was discontinued.

## **VII. OTHER PROVISIONS**

### **A. Assignment**

No assignment of the Group's interest hereunder shall be binding on us.

**B. Trademark**

We reserves the right to, the control of, and the use of the words "Blue Cross Blue Shield of Alaska" and all symbols, trademarks and service marks existing or hereafter established. The Group shall not use such words, symbols, trademarks or service marks in advertising, promotional materials, materials supplied to Enrollees or otherwise without our prior written consent which shall not be unreasonably withheld.

**C. Notice**

Any notice required or permitted to be given by this Contract shall be in writing and shall be deemed delivered three (3) days after deposit in the United States mail, postage fully prepaid, return receipt requested.

**D. Credit Worthiness**

Issuance and continuance of this funding arrangement is contingent upon receipt and approval by us of evidence of the Group's credit worthiness which is satisfactory to us. Updated evidence of credit worthiness may be required by us at any time during the Contract Period as deemed necessary by us. If the Group fails to provide evidence of satisfactory credit worthiness by the date required or if we determine that the Group's credit worthiness is not satisfactory, upon thirty (30) days advance written notice, the Group will be rerated for and transferred to a conventional funding arrangement.

The parties have signed as duly authorized officers and have hereby executed this Contract. If the monthly contractual rates for the Contract Period, set forth in Attachment A., are received by us but this Contract is not signed and returned to us by the effective date stated herein, we will assume the Group's concurrence and the Group will be bound by its terms.



**ATTACHMENT A**  
**to the Prospective Funding Arrangement Agreement**  
**between**  
**BLUE CROSS BLUE SHIELD OF ALASKA**  
**and**  
**ALASKA POLITICAL SUBDIVISION**

**Effective: 1-Jul-99**

**GRACE PERIOD**

Ten (10) Days

**CONTRACTUAL RATES (MONTHLY SUBSCRIPTION CHARGES)**

The monthly contractual rates for the Contract Period are shown on the attached Rate Exhibit:

**CONTRIBUTION AND PARTICIPATION REQUIREMENTS**

	<b>Employer Contribution</b>	<b>Participation</b>
Employees	Same as current	Same as current
Dependents	Same as current	Same as current

**ACCOUNTING PROCEDURES**

No Annual or Final Accounting will be performed. Gains and losses are absorbed by Premera Blue Cross Of Washington And Alaska.

**NUMBER OF ENROLLEES**

The Contractual Rates are based on the following:

Number of Active Enrollees:

<b>Employees</b>	<b>Spouses</b>	<b>Children</b>
1229	618	1265

Number of COBRA Enrollees:

<b>Employees</b>	<b>Spouses</b>	<b>Children</b>
38	28	27

Other carriers offered: None.

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Group name:  
Group number(s):  
Renewal period:

STATE OF ALASKA POLITICAL SUBDIVISION TRANSFER POOL  
67234 STAT #  
1-Jul-99 through 30-Jun-00

RATE EXHIBIT

Traditional Medical plan with \$100/\$300 deductible, coinsurance  
payable at 90% to \$1,950 in Allowable Charges ; \$5/\$7 Mail  
Order RX; Dental/Vision

	E	ES	ESC	EC
Renewal rates	\$280.57	\$608.84	\$848.40	\$520.14

Medical Best Care Plan with \$100/\$300 deductible, Coinsurance  
for Preferred Benefits payable at 90% to \$1,950 in Allowable  
Charges; and a constant 70% for Non Preferred;  
\$5/\$7 Mail Order RX; Dental/Vision

	E	ES	ESC	EC
Renewal rates	\$261.90	\$568.37	\$792.02	\$485.54

Traditional Medical plan with \$500/\$1,500 deductible, coinsurance  
payable at 80% to \$10,000 in Allowable Charges ; \$5/\$7 Mail  
Order RX; Dental/Vision

Renewal rates	\$238.58	\$520.77	\$723.82	\$441.63
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Medical Best Care Plan with \$500/\$1,500 deductible, Coinsurance  
for Preferred Benefits payable at 80% to \$10,000 in Allowable  
Charges; and a constant 60% for Non Preferred;  
\$5/\$7 Mail Order RX; Dental/Vision

Renewal rates	\$223.30	\$487.34	\$677.39	\$413.35
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Traditional Medical plan with \$200/\$600 deductible, coinsurance  
payable at 80% to \$5,000 in Allowable Charges ; \$5/\$7 Mail  
Order RX; Dental/Vision

Renewal rates	\$245.16	\$560.08	\$779.43	\$464.51
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Medical Best Care Plan with \$200/\$600 deductible, Coinsurance  
for Preferred Benefits payable at 80% to \$5,000 in Allowable  
Charges; and a constant 60% for Non Preferred;  
\$5/\$7 Mail Order RX; Dental/Vision

	E	ES	ESC	EC
Renewal rates	\$229.33	\$523.50	\$728.54	\$434.37

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