# AGREEMENT

This Agreement is effective this first day of September 2014 by and between Aetna Life Insurance Company (herein called Aetna) and TRS-ActiveCare (herein called Customer).

WITNESSETH THAT:

Whereas, Aetna and Customer have entered into Administrative Services Contract # 866325 effective September 1, 2014, for purposes of providing certain administrative services concerning the self-funded health benefit plans (the Plans) offered by Customer;

WHEREAS, Customer has directed Aetna to process certain health claims for services covered under the Plans, which have been pre-certified before September 1, 2014 by Customer's prior claim administrator, Blue Cross Blue Shield of Texas (BCBSTX), in accordance with BCBSTX's precertification and without further medical necessity review;

WHEREAS, Aetna is agreeable to administer such health claims;

NOW, THEREFORE, in consideration of the premises, the parties agree that:

(1) Aetna will process such claims in accordance with the terms of the Plans and Aetna's normal claim processing protocols, except to the extent such protocols would be inconsistent with BCBSTX's precertification determination and provided that Aetna will accept BCBSTX's precertification determination and will not conduct further medical necessity review in connection with the precertification of the services that are the subject of BCBSTX's precertification determination. However, the administration of claims in accordance with BCBSTX's precertification will be implemented through manual and non-standard processes by Aetna, and may also result in confusion on the part of medical providers, thus increasing the possibility of errors;
(2) Customer agrees that Customer will not hold Aetna liable for the accuracy, completeness and content of a precertification determination that is supplied to Aetna by BCBSTX;
(3) Aetna will not be responsible for any overpayments that result from Aetna's acceptance of BCBSTX's precertification of services or Aetna's administration of a claim which is subject to BCBSTX's precertification determination, but that in the event of any overpayment, Aetna shall follow the overpayment correction provisions under the Administrative Services Contract;
(4) The parties further agree that any Aetna error which does not result from Aetna's non-standard claim administration as a result of this agreement shall be subject to the terms of the Administrative Services Contract; and
(5) Customer will not hold Aetna and its affiliates liable for overpayments, failure to meet performance guarantees or expenses relating to administrative actions, participant litigation or threatened litigation, arising as a result of Aetna's acceptance of BCBSTX's precertification of a claim or Aetna's administration of a claim which is subject to BCBSTX's precertification determination.

IN WITNESS WHEREOF, Aetna Life Insurance Company and TRS-ActiveCare have each caused this Agreement to be executed by their respective personnel duly authorized to do so.

Hartford, Connecticut

Date: June 23, 2014 Aetna Life Insurance Company

Witness:_____ By: _____

Regional Director
(Title)

Austin, Texas

Date: 8/19/2014 TRS-ActiveCare

Witness:_____ By: _____
Bob Jordan

Director, Health and Insurance Benefits Department

No.
866325

**Aetna Life Insurance Company, Hartford, Connecticut**
**Administrative Services Contract**

Contract Number ASC-866325

Contract Effective Date - September 1, 2014

This is an agreement for administrative services entered into between

The Teacher Retirement System of Texas (hereinafter referred to as the "Contractholder" or "TRS"), acting on behalf of and in its capacity as the Trustee of the Texas School Employees Uniform Group Health Coverage Program (hereinafter referred to as the "Program" or "TRS-ActiveCare").

and

**Aetna Life Insurance Company**

(hereinafter referred to as "Aetna")

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**WHEREAS**, the Contractholder has established the Program pursuant to Chapter 1579 of the Texas Insurance Code, comprised in part by the three plans generally described in Appendix I to this Contract, as it shall be amended by the Contractholder from time to time, which provides certain benefits for those certain employees of Participating Entities (as hereinafter defined) and their dependents who meet the eligibility requirements of the Program ("Plan Participants") and otherwise satisfy the conditions of the Program; and

**WHEREAS**, the Program is funded, in whole or in part, by the Trust (defined in Section 1) established and maintained by the State of Texas pursuant to the laws of the State of Texas, and amounts are paid into the Trust by the State of Texas, public schools, active teachers and by the Plan Participants in accordance with the terms of the Trust and the laws of the State of Texas, as such laws shall be amended from time to time; and

**WHEREAS**, Aetna is in the business of providing administrative and other services with respect to health benefit programs; and

**WHEREAS**, Aetna possesses a certificate of authority and is authorized by the State Department of Insurance of the State of Texas to act as an "administrator" as defined in

the Insurance Code of the State of Texas (the "Statute"), to which reference is herein made for all purposes; and

**WHEREAS**, the Contractholder has requested Aetna to provide certain administrative services in connection with the Plans, and Aetna has agreed to provide such services in accordance with the terms of this Contract and the Plans.

**NOW, THEREFORE**, in consideration of the mutual promises and covenants contained in this Contract, it is hereby agreed as follows:

## Section 1. Definitions

In this Contract:

(A) "Bank" means the bank selected by Aetna on which benefit payment drafts are drawn in satisfaction of a claim for benefits under the Plans.

(B) "Booklet" means that written summary and description of benefits to which a Plan Participant is entitled, to whom the benefits are payable, and any limitations or requirements applicable to Plan Participants, as amended or supplemented from time to time by the Contractholder or by applicable Law.

(C) "Business Day" means all days except Saturdays, Sundays, Texas state holidays and federal holidays.

(D) "Dependent" means only a person in a class described in Section 1579.004, Texas Insurance Code, and TRS Rule 41.33 as a dependent.

(E) "Employee" means only a person described in Section 1579.003, Texas Insurance Code, and TRS Rule 41.33 as an employee.

(F) "Law" means all provisions of Federal and State Law applicable to the TRS, Aetna, or the Program (*e.g.*, the Health Insurance Portability and Accountability Act of 1996, as amended (commonly referred to as "HIPAA"), the Texas Insurance Code), and any regulation promulgated thereto, as they shall be amended from time to time.

(G) "LBB" means the Legislative Budget Board in the State of Texas.

(H) "Paid" or "payable": Benefits under the Plans are "paid" or "payable" when a draft drawn in accordance with Aetna's regular practices in satisfaction of a claim for benefits has been accepted for payment by the drawee bank and has been approved and recorded by Aetna or when a benefit payment has been made by electronic funds transfer.

(I) "Participating Entity" has the meaning assigned to such term in Section 1579.002(5) of the Texas Insurance Code.

(J) "Plans" means the health benefit plans offered under the Program that are to be described in the summary plan descriptions to be prepared in accordance with applicable Law, along with any amendments or changes thereto as the Contractholder shall adopt from time to time. Except as otherwise required by applicable Law, Contractholder retains the right to amend or terminate the Plans in whole or in part, at any time and in any manner, subject to the terms of Section 11. Contractholder agrees that it shall make reasonable efforts to notify Aetna of the adoption of amendments, if any, to the Plans within 30 days of its adoption by Contractholder. Except as otherwise required by Law, Aetna shall administer the Plans at all times in accordance with the terms of the Plans, including any and all amendments made thereto within 30 days notice of the adoption thereof, provided that Aetna shall not be responsible for any delay in its performance or non-performance under this Contract to the extent that the delay results because the Contractholder fails to provide notification of such amendments. Notwithstanding anything to the contrary above, this term does not refer to any health benefits offered by a health maintenance organization (HMO).

(K) "Plan Participants" means Employees and Dependents covered under the Plans.

(L) "Plan Year": The Plan Year for each Plan begins at 12:00:00 a.m. on September 1 of the calendar year and ends at 11:59:59 p.m. on the following August 31.

(M) "Trust" means the Texas School Employees Uniform Group Coverage Trust Fund.

**Section 2. Administrative Services**

Pursuant to this Contract, the Contractholder has selected Aetna to act, and Aetna hereby agrees to act as the claim administrator of the Plans for the services listed in this section. As the claim administrator, Aetna shall administer and issue payment on claims submitted under the Plans and perform such other duties as set forth in the Contract. Aetna shall possess discretionary authority and shall be accountable to the Contractholder with respect to all duties and powers assigned to Aetna under this Contract or the Plans. TRS has the sole and complete authority to determine eligibility of persons to participate in the Plans. Aetna hereby agrees that it shall perform all duties assigned to it under the Plans, or the Contract, in accordance with the terms of the Plans as originally stated or as subsequently amended, the provisions of this Contract, the applicable provisions of the Texas Insurance Code, and any other applicable provision of Law. Performance expectations regarding delivery of services will be defined in Appendices III.a, III.b and IV of the Contract.

Aetna will provide the Contractholder with services for the administration and operation of the Plans. The cost of services in (A) below and, if a subrogation recovery is not

made, (C) below is included in the administration charges outlined in Section 5. The cost of services in (B) below and the charge for any subrogation recovery made are not included in the administration charges outlined in Section 5. Aetna assumes no liability for funding of benefits under the Plans.

(A) Standard Services

(1) Core Services – Aetna shall provide the core services identified in the Service and Fee Schedule in Appendix II.

(2) Account Executive - The account executive will coordinate the services provided by Aetna and will act as account executive to assure effective and efficient operation of the Plans. The account executive will assist in identifying and resolving problems of administration, benefit payments, communications with respect to the Plans, and will provide guidance and advice on the operation of the Plans.

Aetna shall provide services with respect to the financial accounting and administrative aspects of the Contract.

(3) Claims Administration – In addition to services identified in Appendix II, Aetna shall accept claims for benefits, including requiring that the Plan Participants and service providers submit to Aetna full and complete information regarding each claim submitted under the Plans, process requests for benefits, determine benefits payable under the Plans with respect to such claims, and pay such benefits in accordance with the terms of the Plans and this Contract. Aetna shall perform these duties using Aetna's normal claim determination, payment and audit procedures, and applicable cost control procedures, modified to the extent necessary to comply with the terms of the Plans, this Contract, and applicable Law. Also included are installation and administration of the following services:

(a) Hospital pre-admission review for medical and surgical admissions, and continued stay review and discharge planning,

(b) Consumer advisory services,

(c) Pre-certification of out-patient procedures listed in the Aetna National Pre-Cert List,

(d) Hospital pre-admission review for psychological and substance abuse admissions,

(e) COBRA Administration.

Aetna shall also act as a fiduciary solely for benefit determination and review of denied claims for benefits under the Plans, and shall be fiduciarily responsible for determinations made by an external review organization engaged by Aetna pursuant to subsection 16 (i) immediately below. In connection with its performance of these services, Aetna also specifically agrees to:

(a) Provide written notice regarding any decisions to deny a claim in whole or part, administering appeals of denials of claims, and providing written notice regarding its determination regarding the review in accordance with the terms of the Plans, the Contract, and all applicable Law.

(b) Provide such written notice or other notification to the Plan Participant and others of any partial or complete denial of a claim and of the procedures through which such individual may appeal such denial in accordance with the Plans, the Contract, and applicable Law.

(c) Maintain current and complete records and files of claims payments for each Plan Participant in accordance with Aetna's then current practices, and such other specifications as the Contractholder shall establish from time to time.

(d) Aetna shall access and determine the appropriateness and medical necessity of medical services for which payment is requested under the Plans and the appropriateness of charges made therefore.

(4) Administration - Aetna shall develop and install all agreed upon administrative and record keeping systems, described in "Appendix II," including the production of Plan Participant identification cards. Installation of any such systems in addition to those described in "Appendix II" shall be subject to mutual agreement of the parties.

(5) Description of the Plans - The Contractholder shall have the exclusive right to determine the terms of the Plans and to amend or terminate the provisions of each Plan in whole or in part at any time subject to the terms of Section 11. Aetna shall prepare a description of the Plans for attachment hereto as Appendix I, and prepare any amendments thereto as shall be required from time to time in accordance with Aetna's normal plan description standards, properly modified to comply with applicable requirements of Law with respect to the Plans, and as necessary to meet with the approval and satisfaction of the Contractholder, which shall not be unreasonably withheld.

(6) Benefit/Account Structure – As desired and approved by Contractholder, Aetna shall design and install a benefit-account structure separately by class of Plan Participant, division, subsidiary, associated company, or other classification presented by the Contractholder.

(7) Monthly/Quarterly/Annual Accounting Reports - Aetna shall prepare accounting reports in accordance with the benefit-account structure for use by the Contractholder in the financial management and administrative control of the Plans, including:

(a) a monthly listing of funds requested for payment of benefits under each Plan,

(b) a monthly reconciliation of funds requested to claims paid within the benefit-account structure,

(c) a monthly or quarterly or annual listing of paid benefits,

(d) quarterly or annual standard claim analysis reports,

(e) quarterly report on claim processing (number of claims received, number of claims processed, total dollar amount of benefits paid, percent of claims processed within 14 calendar days),

(f) quarterly report on claim processing quality (payment incidence accuracy, financial accuracy, total claim accuracy),

(g) quarterly report on service contacts (number of customer service phone calls, number of health line phone calls, and number of walk-in visitors),

(h) quarterly report on case management (number of new cases established, number of ongoing cases, number of closed cases, and total number of active cases and savings),

(i) quarterly report on inpatient pre-certification (total number of cases, total days saved, and total dollar amount saved),

(j) quarterly report on the Hospital Audit Program (number of audits in process, number of audits completed, and total dollar amount saved),

(k) quarterly summary report of all managed care cost savings,

(l) quarterly lawsuit summaries (narrative report as activities occur on progress of any pending lawsuit),

(m) quarterly summary of benefit payments over $150,000 (listing of all participants with claim payments in excess of $150,000),

(n) weekly and quarterly reports on the percent of TRS-ActiveCare medical claims adjudicated within fourteen (14) days of receipt,

(o) quarterly report of claims paid by plan code,

(p) quarterly eligibility report,

(q) quarterly cost containment report [total for all profiles (e.g., surgical, hospital room and board and ancillary, physician medical, x-ray and lab, etc.), total of other profile reductions, total of COB, total dollar amount of claims for ineligible claimants, provider not recognized, non-prescription drugs/vitamin charges, and private room non-medical personal items],

(r) quarterly report on savings identified by audits conducted by post-payment auditors, including, at a minimum, (i) the number of total audits during the quarter, (ii) the number of completed audits, and (iii) the total cost recovered as a result of the audits. Consistent with the reporting provided as of the Effective Date for TRS-ActiveCare claims, Aetna shall provide a summary of claim savings for coordination of benefits, unbundling/fee cuts, claim recoveries, subrogation hospital audits, R&C and other recoveries. The report shall also include hospital audits in process, hospital audits completed and any known lawsuits. For renewal purposes, Aetna shall credit TRS' experience for all funds recovered as a result of Aetna's auditing services.

Quarterly Financial Reporting, specifically related to LBB reporting, is provided to TRS within 10 days from the close of the relevant quarter. All other reports are due within 45 days from the close of the relevant quarter. Any annual report is due 45 days from the close of the Plan Year. The data will be provided to TRS in accordance with appropriate confidentiality policies.

Aetna will be required to furnish additional reports as determined by the Contractholder. By law, Aetna must provide these reports to the Contractholder at no additional cost. It may be necessary to provide these reports in paper, diskette, electronic, or tape formats as specified by the Contractholder.

(8) Annual Accounting Reports - Aetna shall prepare standard annual accounting reports for each major benefit line under the Plans for the Plan Year that include the following:

(a) forecast of claim costs,

(b) accounting of experience,

(9) Plan Design - Aetna shall provide underwriting services and shall provide assistance to Contractholder concerning plan design matters in connection with extensions of coverage to new or existing Plan Participants and persons entitled to benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"); benefit additions, restrictions or deletions; funding needs and arrangements; and any other funding; cost containment or design issues as the Contractholder shall request from time to time. Also, Aetna shall make a good faith effort to keep the Contractholder apprised of plan design and underwriting services as may be relevant or helpful with regard to the Contractholder's design and administration of the Plans.

(10) Cost Estimates - Aetna shall provide cost estimates and actuarial advice for benefit revisions, new benefits and extensions of coverage being considered by the Contractholder.

(11) Claim Settlement/Cost Containment - Aetna shall provide claim settlement and cost containment services which include but are not limited to:

(a) provision of standard claim forms,

(b) surgical, medical and dental reasonable and customary profiles,

(c) coordination of benefits,

(d) chiropractic guidelines,

(e) podiatry guidelines,

(f) pre-authorization of dental treatments,

(g) dental post-treatment review,

(h) medical necessity determination.

(12) Plan Participant Booklets and Identification Cards - Aetna shall prepare Plan Participant Booklets, Plan Participant Identification Cards, and any other Plan Participant communications and claims materials in such form as shall be acceptable to the Contractholder. Aetna shall prepare any such documents and any amendments thereto as shall be required from time to time in accordance with Aetna's normal plan description standards, properly modified to comply with applicable requirements of Law with respect to the Plans and as necessary to meet with approval and satisfaction of the Contractholder, which shall not be unreasonably withheld.

(13) Group Health Certification Services Relative to P.L. 104-191, the Health Insurance Portability and Accountability Act of 1996 and Related Regulations – From the Effective Date to December 31, 2014, Aetna will assist the Contractholder with the preparation and distribution of Certifications of Prior Group Health Coverage for health expense coverage which is administered under the terms of this Contract, including providing documentation for such coverage. Aetna will be entitled to rely upon the information provided by the Contractholder in the production and distribution of such certifications.

(14) Reporting and Withholding. Aetna shall assume full responsibility for compliance with the reporting requirements applicable to the Plans on amounts paid to providers of medical equipment, prescriptions, and services pursuant to the Plans. Aetna also shall assume full responsibility for compliance with any withholding or reporting requirements applicable to the Plans or amounts paid pursuant to the Plans to any Plan Participant or beneficiary.

(15) Claim office–Patient Management – Aetna's Patient Management staff shall administer all utilization management programs currently underwritten into the Plans. This includes precertification requirements, case management, determination of incapacitated child coverage, transplant management, and identification and negotiation of single case agreements to provide appropriate care when network providers are not available. Aetna's Patient Management staff will also assist in seeking social assistance for Plan Participants when the need is identified.

(16) Data Management – Aetna shall maintain claim payment data for at least seventy-two (72) months (or longer if required by Law or this Contract) and to maintain this data on line for at least eighteen (18) months. The data is the property of TRS. Except as set forth in Appendix II, Data and all reports must be provided as requested and at no additional cost to TRS. TRS reserves the right to request additional data that is not identified here.

Data management consists primarily of the following four components:

(a) Enrollment Data – All enrollment data will be provided to Aetna by the Participating Entities. Aetna will maintain a database which identifies each Plan Participant and the level of coverage for each Plan Participant.

(b) reports provided to TRS from Aetna (see Section 2(A)(6)),

(c) data provided monthly by Aetna to be used as input to TRS' utilization analysis system,

(d) provider data file submitted by Aetna on at least an annual basis. This file shall include the following:

- Tax ID
- provider name,
- street,
- city,
- state,
- zip code,
- provider type, and
- modifier codes.

This file is to include all providers for whom claims were paid for Plan Participants, regardless of network, and is to be submitted via magnetic tape.

(17) Other Custom Services, as described below:

(a) Core claim processing team dedicated to the Program's Account;

(b) Core customer service team, for Plan Participant calls dedicated to the Program's Account;

(c) Core patient management team dedicated to the Program's Account;

(d) On-line inquiry access to Aetna's claim processing system;

(e) Maintain fee loads for the Program's Custom Non-Participating Physician Fee Schedule;

(f) Provide use of Aetna's Non-Participating Texas Facility Schedule;

(g) Access to Aetna Owned and Rental Networks;

(h) Aetna will negotiate on behalf of the Program with any providers required by the Program; and

(i) At a Plan Participant's request, Aetna will engage an external review organization to review Aetna's denial of coverage of a service based on lack of medical necessity (includes cosmetic) or based on the service being experimental or investigational, if

(i) the Plan Participant has exhausted the applicable appeal process, and
(ii) the Plan Participant's financial liability is equal to or greater than $500.

The denial of coverage may occur prior to services being provided, during the course of services, or after services have been provided (including as part of claims review). Aetna's adverse coverage determinations prior to services being rendered, in response to a voluntary request by the Plan Participant, are not denials of coverage and do not entitle Plan Participants to review by an external review organization.

Aetna will be bound by the determination of the external review organization.

This external review organization review process will comply with the Patient Protection and Affordable Care Act (P.L. 111-148) and the Health Care and Education Reconciliation Act (P.L. 111-152) (together, the "PPACA") if and when the external review processes of the PPACA for group health plans becomes applicable to the Program.

(B) Special Services - Aetna shall provide such other services as mutually agreed upon for an additional direct charge. Such services may include but are not limited to:

(1) Preparation of Plan descriptions or Plan Participant booklets, other than those prepared in accordance with Aetna's normal standards.

(2) Review of Plan Participant descriptive literature prepared by Contractholder.

(3) Printing of Plan Participant descriptive literature or customized claim forms.

(C) Subrogation Services - Aetna will provide assistance to the Contractholder as follows subject to the additional charge described below if a subrogation recovery is made:

Subrogation Activities, some of which may be delegated to an organization of Aetna's choosing in accordance with subsection 6(G) hereof:

(1) Screen medical claims for potential third party responsibility.

(2) Request information from claimants regarding potential recovery incidents, including workers' compensation claims.

(3) Conduct at least one follow-up inquiry with claimants regarding questionnaires if claimants do not respond.

(4) Provide reports on subrogation claims to the Contractholder quarterly.

(5) Initially attempt to recover any and all monies that the Contractholder may be entitled to on a subrogation basis without the involvement of legal counsel or litigation.

(6) Aetna has the exclusive discretion:

(i) To decide whether to pursue potential recoveries on subrogationclaims.

(ii) To determine the reasonable methods used to pursue recoveries on subrogated claims, subject to subsection (C)(7) below.

(ii) To decide whether to accept any settlement offer relating to a subrogation claim.

(7) Aetna shall advise Contractholder if the pursuit of recovery requires formal litigation or if formal litigation arises in which the subrogation claim can be asserted by Contractholder. The Contractholder shall have the option to instruct Aetna to cease further action toward recovery.

(8) Aetna shall report to Contractholder all monies recovered net of fees. Such report shall include the gross amount and net recovery. Aetna will credit net recoveries to the Contractholder's accounting.

(9) Aetna or its contracted representative shall retain a percentage of any monies collected by Aetna or its contracted representative to recover reasonable expenses incurred in the performance of the services under this subsection noted above. The percentage for the Plan Year that begins on September 1, 2014 is 27% of the recovered amount, and shall remain at 27% of the recovered amount for subsequent Plan Years unless and until otherwise agreed upon in writing by Aetna and the Contractholder. Reasonable expenses include but are not limited to (a) collection agency fees, (b) police and fire reports, (c) asset checks, and (d) local reports.

If no monies are recovered as a result of the subrogation pursuit by Aetna or its contracted representative, no fees or expenses incurred by Aetna will be charged to the Contractholder.

Notwithstanding the above, should the Contractholder pursue, recover by settlement or otherwise, waive any subrogation claim, or instruct Aetna to cease pursuit of a potential subrogation claim, Aetna will be entitled to its standard fee, which will be calculated based on the full amount of claims paid at the time the Contractholder resolves the file or instructs Aetna to cease pursuit.

(10) If the Contractholder notifies Aetna of its election to terminate the subrogation services provided by Aetna, all claims identified for potential subrogation recovery prior to the date of notification of such election is received (*i.e.* pending claims) shall be handled to conclusion by Aetna while this Contract is in force and shall be governed by the terms of this provision, unless otherwise mutually agreed.

Subrogation language must be included in the Contractholder's SPD and the SPD must be finalized and available to the Contractholder's employees before subrogation matters can be investigated and pursued. Aetna will continue to process claims during the investigation process. Aetna will not pend or deny claims for subrogation purposes.

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**Section 3. Banking**

Benefit payments of any amount payable under the Program shall be made by draft drawn upon the Trust payable through the Bank or by electronic funds transfer. The Contractholder shall make such payments out of the Trust on behalf of the Plans for the purpose of paying benefits that are payable under the Plans.

Benefit payments of any amount payable under the Program shall be transferred to the Bank by electronic funds transfer or other reasonable transfer method. Aetna will advise the Contractholder by facsimile transmission, or any other method acceptable to Aetna and the Contractholder, of the amount to be charged to the Contractholder for all such benefits paid. On or before the fourth business day, excluding federal and Texas State holidays and weekends, after receipt of the facsimile transmission provided for above, the Contractholder shall transfer the required funds to the Bank.

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**Section 4. Contractholder Reports**

The effective performance by Aetna of the administrative services under this Contract will require that the the Participating Entities furnish to Aetna timely reports and information in a form and manner specified by Aetna, such reports and information to include:

(A) Identification or certification of individuals eligible for benefits, kinds of benefits to which such individuals are entitled, date of eligibility and such other information as may be necessary for processing of benefit payments;

(B) Number of Plan Participants covered under the Program, separately by each Plan; and

(C) Distribution of Plan Participants covered under the Program, by geographic area, age, and sex.

Aetna shall not be responsible for any delay in the performance of this Contract or for non-performance of this Contract to the extent that a Participating Entity fails to provide the needed information on a timely basis.

The parties hereto agree that the effective performance of all obligations hereunder by Aetna will require that the Participating Entities furnish to Aetna certain timely reports and information regarding the names of individuals that qualify as Plan Participants under the Plans when they may become entitled to benefits. The Participating Entities shall also provide Aetna with other information concerning Plan Participants as specified by Aetna and agreed to by the Contractholder for Aetna to perform its duties under the Plans and this Contract, as of the first day of each month and at such other times as shall be mutually agreeable to the parties. Aetna shall in turn transmit to the Contractholder's pharmacy benefit manager all such eligibility data as may be reasonably required by the Contractholder's pharmacy benefit manager. Aetna shall not be responsible for delay in the processing, administration, or payment of the claim and underwriting services caused by the unreasonable failure of a Participating Entity to furnish promptly any and all required information.

**Section 5. Administration Charge**

Aetna will make charges for administration of the Plans. Subsection (A) below will apply to Contract periods or products for which a guaranteed administration charge is in effect.

(A) Guaranteed Administration Charge

The administration charge rates (unit costs) for the first Contract period for all services under the Contract as provided under the Standard Services shall be described in the Administrative Fee Guarantee to the Contractholder attached hereto as Appendix II. The administration charge rates shown in Appendix II exclude Special Services described in 2(B) of this Contract except for those "custom services" specifically described therein, and Late Payment Charges described below.

Aetna shall submit to the Contractholder a statement for each month this Contract is in effect showing the administration charges for that month. The Contractholder shall pay Aetna the amount of the administration charges not later than the payment due date shown on the statement. In general, statements are issued the first of the month and are due the last day of the month. A payment for a given month would not be considered "overdue" for purposes of calculating late payment interest until 31 days after the end of the month, consistent with the terms of Subchapter B of Chapter 2251 of the Government Code. To illustrate the foregoing, the following would be a customary billing cycle:

| | |
|---|---|
| March 1: | Statement issued for services provided in month of March |
| March 31: | Payment for month of March due |
| May 2: | If payment not received by May 1, interest would begin to accrue May 2 |

Aetna will prepare and submit to the Contractholder an annual financial accounting showing the administration charges paid.

Full claim fiduciary service charges and custom services are included in the charges shown in Appendix II.

(B) Performance Guarantees

All charges shall be increased or decreased in accordance with the Performance Guarantees set forth in Appendices III through XI during the period to which such guarantees apply.

(C) Late Payment Charges

Charges will be made by Aetna for failure to make payments on a timely basis. If the Contractholder (1) fails to provide funds to cover benefit payments as provided in Section 3, and/or (2) fails to pay administration charges as provided in this Section, Aetna will make a charge consistent with Aetna's reasonable cost with respect to these late payments and subject to the provision of Subchapter B of Chapter 2251 of the Government Code. In addition, Aetna will make a charge for costs of collection and reasonable attorneys' fees only if Aetna incurs such fees in connection with collecting late payments from Contractholder, subject to the provisions of Subchapter B of Chapter 2251 of the Government Code. Notwithstanding anything to the contrary herein, with regard to interest on a payment by TRS-ActiveCare, a payment will be considered overdue in accordance with Chapter 2251 of the Texas Government Code; additionally, an overdue payment by TRS-ActiveCare will begin to accrue interest in accordance with Chapter 2251 of the Texas Government Code.

(D) Fees on Renewal

The parties may agree to modify the rates of fees charged hereunder as of the end of the Initial Term, as defined in Section 8, and annually thereafter, and at such other times mutually agreed to in writing by a duly authorized representative of the parties, provided that in the event that Aetna wishes to increase the fees charged hereunder as of any such date, it shall notify the Contractholder in writing at least 60 days prior to such date. In the event that Aetna provides timely notification of its proposal to modify such fees, such modification shall not become effective unless the Contractholder agrees, in writing, to such increase on or before the last day of such term.

## Section 6. General Provisions

(A) Relationship. Aetna is an independent contractor with respect to all services being performed pursuant to the Contract. It is expressly agreed that neither Aetna nor its employees, subcontractors or agents will for any purpose be considered or deemed to be employees, agents, ostensible or apparent agents, or servants of TRS or the Program. Aetna hereby acknowledges and agrees that: (i)

no such person shall be entitled to any salary or other compensation from TRS or the Program or to any employee benefits provided by TRS or the Program, including, but not limited to, disability, life insurance, pension and annuity benefits, educational allowances, professional membership dues, and sick, holiday, or vacation pay; (ii) TRS and the Program will not withhold income taxes or pay Social Security or unemployment taxes for such persons; and (iii) Aetna shall indemnify and hold harmless TRS and the Program, and their respective trustees, officers, directors, employees, and agents, if any, and the Trust, against any and all liability related to withholding or failure to withhold income taxes or paying or not paying Social Security or unemployment taxes for such persons. This Contract does not create any joint venture, joint enterprise, principal/agent, or partnership relationship between TRS or TRS-ActiveCare, on the one hand, and Aetna or its agents or subcontractors, on the other hand.

Aetna will be completely responsible for all services Aetna and its subsidiaries, affiliates, agents, partners, and subcontractors are to perform under the Contract and will specifically assume all liability for any and all such services provided by subsidiaries, affiliates, agents, partners, and subcontractors hired by Aetna to the extent Aetna would be liable under the performance standards in subsection 6 (B) below. Neither Contractholder nor Aetna shall have any liability to the other for the health care that is delivered by contracting health care providers. Contracting health care providers are (i) not the agents or employees of Contractholder or Aetna and (ii) are solely responsible for the health care they deliver to Plan Participants. The indemnification obligations of (C) or (F) below do not apply to any portion of any loss, liability, damage, expense, settlement, cost or obligation caused by the acts or omissions of health care providers with respect to the health care delivered by health care providers to Plan Participants.

If the Internal Revenue Service or any other governmental agency challenges the independent contractor status of such persons, each party hereto agrees that the other party shall have the right to participate in any discussion or negotiation that occurs in the course of such a challenge. The services to be performed by Aetna under this Contract may, at Aetna's discretion, be performed directly by Aetna or wholly or in part through a subsidiary or affiliate of Aetna, or under a contract with an organization of Aetna's choosing, provided that TRS reserves the right to first reject any subcontractors to be selected and hired by Aetna.

(B) Performance Standard. Aetna shall use that degree of ordinary care and reasonable diligence in the exercise of its powers and duties hereunder. In addition, Aetna shall be fiduciary solely for benefit determination and review of denied claims for benefits, including any benefit determinations made by an external review organization or any entity providing similar services. Aetna agrees to administer its duties under this Contract at all times with the degree of skill, prudence and diligence required under the Law, in accordance with the terms of this Contract, and in a manner that conforms with all requirements applicable to the performance of such duties under any other applicable federal or

state law or regulation that applies to the claims, transactions or duties that are the subject of the Plans or the Contract. Aetna shall perform all duties and responsibilities assigned to it under this Contract or under the Plans (a) solely in the interest of the Plan Participants, (b) for the exclusive purpose of providing benefits to Plan Participants under the Plans and defraying reasonable expenses of administering the Plans, (c) in accordance with the provisions of the Law, with the requirements of this Contract, the terms of the each Plan, and any applicable Law or regulation. Aetna shall correct any defects in the work provided by Aetna or its subsidiaries, affiliates, agents, and subcontractors, at no cost to Contractholder or the Program.

(C) Aetna Indemnity. Aetna shall indemnify, protect, defend (with counsel for the Indemnitees (as defined below) selected in accordance with the procedures set forth in the next paragraph of this Section 6(C)) and hold harmless the Trust, TRS-ActiveCare, TRS, the State of Texas, and their respective trustees, officers, directors, employees, and agents, if any (all such individuals, entities, programs and funds referenced immediately above are hereinafter referred to jointly as the "Indemnitees"), from and against any and all claims, causes of action, liabilities, damages, losses, lawsuits, liens, judgments, and expenses (including attorney fees) of any nature, kind or description incurred by any Indemnitees arising out of or relating to the performance of, or failure to perform, negligence, willful misconduct or breach of obligations under this Contract by Aetna and/or its subsidiaries, affiliates, agents, partners, employees, subcontractors, consultants, or assignees. The provisions of this section shall not be construed to eliminate or reduce any other indemnification or right which any of the Indemnitees has or have by Law. This section shall survive the termination of this Contract.

Before engaging counsel to represent any Indemnitees in an action subject to the first paragraph of this Section 6(C), Aetna shall present such counsel to TRS and the Office of the Attorney General of Texas ("Attorney General") for approval, which shall not be unreasonably withheld. Such counsel shall not have any conflict of interest under applicable Law, Texas Rules of Disciplinary Conduct, or the TRS Code of Ethics for Contractors. In the event TRS and the Office of the Attorney General rejects Aetna's first choice of counsel, Aetna may present a slate of between three and five other choices of counsel, and TRS and the Office of the Attorney General shall select one firm from among that slate of candidates, assuming all meet the conflict of interest requirements.

(D) Expert Opinions. Aetna may seek the services of experts in performing its duties under this Contract. Aetna shall pay all expenses, fees, and costs incurred for such services.

(E) Notice of Extraordinary Benefit Claims and Defense of Lawsuits.

(1) Aetna shall notify TRS-ActiveCare in writing, as soon as practicable but no later than ten (10) business days after receipt by Aetna, of the following: (A)

any written demand for damages or other relief that in the aggregate exceeds $1000 and that is either (i) against the interests of TRS or TRS-ActiveCare or (ii) against the interests of Aetna that involves or may involve the interests of TRS or TRS-ActiveCare, or (B) any threatened or formal civil, criminal, legal, administrative or regulatory proceeding or action against Aetna that involves or may involve the interests of TRS or TRS-ActiveCare.

If legal action is filed, Aetna will give this written notice to TRS and TRS-ActiveCare whenever Aetna is a named party, whether or not TRS or TRS-ActiveCare is also a named party. Aetna will also timely provide TRS and TRS-ActiveCare with copies of any correspondence or pleading associated with this written notice.

Thereafter, Aetna shall cooperate with and assist TRS and TRS-ActiveCare, and the Attorney General, in the investigation and defense of any and all legal actions arising in connection with TRS-ActiveCare or this Contract, including but not limited to the preparation and execution of any necessary authorizations, releases or other documents.

Except in the case of subrogation actions initiated by Aetna or a subcontractor of Aetna, if Aetna or a subcontractor of Aetna is a named party to a legal action arising in connection with TRS-ActiveCare or this Contract, then to the extent the legal action relates (i) to a claim for a benefit under TRS-ActiveCare, and (ii) not to acts attributable to Aetna's employees that are not in compliance with the performance standards of Aetna, Aetna shall file a plea to the jurisdiction in the legal action and pursue this jurisdictional issue through the appellate levels to a final judgment. For purposes of this paragraph, "plea to the jurisdiction" means raising the defense of sovereign immunity on behalf of Aetna.

In the event a final judgment orders Aetna to pay an amount attributable to TRS-ActiveCare benefits (the "Benefit Amount"), then Aetna, TRS and TRS-ActiveCare may seek to resolve an assertion by Aetna for payment of this Benefit Amount out of the Trust pursuant to Chapter 2260, Subchapter B, Government Code.

If Aetna is a named party to a legal action arising in connection with TRS-ActiveCare or this Contract, Aetna shall be responsible for all of its own court costs and legal expenses.

The provisions of this Section 6 (E) (1) shall not apply to any challenge or review of denied claims for benefits under the Plans until after all Aetna internal appeals have been exhausted and, where applicable and sought, after review by an external review organization (ERO).

(2) Aetna shall notify TRS-ActiveCare in writing, as soon as practicable but no later than ten (10) business days after receipt by Aetna, of any claim asserted against TRS-ActiveCare that arose or involves a matter that took place prior to the term of this Contract.

(3) Aetna shall notify TRS-ActiveCare in writing, as soon as practicable but no later than ten (10) business days after Aetna first becomes aware of facts that would cause a reasonable person to assume that a loss due to any criminal activity, including but not limited to fraud, waste, and abuse, has been or will be incurred or when a loss reportable under FASB or GASB standards must be reported or disclosed on financial statements.

(F) Contractholder's Indemnity. Provided Aetna receives permission from the Texas Legislature to sue Contractholder as Trustee of the Program, and the Texas Legislature provides an appropriation from the general revenue fund in an amount adequate and specifically designated to satisfy the judgment, then, except as provided in (C) and (E) above, the Contractholder agrees to save Aetna harmless by indemnifying Aetna for losses, liabilities, damages, expenses or other costs or obligations in the following areas:

(1) resulting from and arising out of claims, demands or lawsuits brought against Aetna by third parties in connection with the exercise of its powers and duties hereunder, except to the extent that acts attributable to Aetna's employees are not in compliance with (B) above, or

(2) resulting from taxes and similar assessments, and penalties related to taxes and similar assessments, incurred by Aetna by reason of benefit payments made or services performed hereunder and any interest thereon, or

(3) in connection with the release or transfer of benefit payment information to the Contractholder or a third party designated by the Contractholder or audit of that information by those parties.

For the purposes of this subsection (F), "Aetna" includes subsidiaries or affiliates of Aetna providing services in accordance with (G) below.

Notwithstanding anything to the contrary in this Contract, Aetna and TRS agree that neither the Program, TRS nor the Trust will indemnify, protect, defend or hold harmless Aetna from and against any claims, damages, losses, liens, causes of action, suits, judgments, and expenses arising out of the acts or omissions of the Program, TRS, or the Trust, or their respective trustees, officers, directors, employees, or agents, if any.

(G) Delegation. The services to be performed by Aetna under this Contract may, at its discretion, be performed directly by Aetna or wholly or in part through a subsidiary or affiliate of Aetna, or under a contract with an organization of its

choosing, but Aetna shall remain liable for the services under this Contract performed by any of the third parties noted in this subsection (G). Aetna will not delegate all or a substantial part of the claim administration function, more specifically described in Section 2(A)(3) and in Appendix II, without the Contractholder's consent.

(H) Overpayments/Underpayments. If any payment is made hereunder to an ineligible individual, or if it is determined that more or less than the correct amount has been paid by Aetna, Aetna will adjust the underpayment or make reasonable efforts to recover the payment made to an ineligible person or the overpayment. Aetna will timely advise Contractholder in writing if it believes that Contractholder should initiate a lawsuit to recover a payment made to an ineligible person or to recover an overpayment. To the extent permitted by the Plans and provider contracts with Aetna, and except as otherwise required by Law, Aetna may offset the amount of any payment made to a provider for the benefit of an ineligible person or overpayment from any unpaid claim.

(I) Notice Language in SPD. The Contractholder agrees to include language in its SPD, satisfactory to Aetna, that the Trust has complete financial liability for the payment of benefits under the Plans.

(J) Communications. Aetna and the Contractholder shall be entitled to rely upon any communication believed by them to be genuine and to have been signed or presented by the proper party or parties.

Except with regard to communications under Section 12, notice or communications from TRS to Aetna shall be sent by mail or overnight commercial delivery service to 151 Farmington Avenue, Hartford, Connecticut 06156, Attention: Teacher Retirement System of Texas Account Executive, or to such other address as Aetna specifies for the purposes of this Contract by notice in writing addressed to the Contractholder, or by email and facsimile transmission to addresses designated by Aetna. Notices or communications from Aetna to the Contractholder shall be addressed to the Contractholder and shall be sent by mail or overnight commercial delivery service to the Contractholder at the address shown below, or to such other address as Contractholder specifies for the purposes of this Contract by notice in writing addressed to Aetna, or by email and facsimile transmission to addresses designated by Contractholder.

TRS Address: Director of the Health and Insurance Benefits Department
Teacher Retirement System of Texas
1000 Red River Street
Austin, TX 78701-2698

Aetna Address: Office of the General Counsel
Aetna Life Insurance Company
151 Farmington Avenue

Hartford, CT 06156

Written notices shall be deemed received on the date actually delivered to the other party.

(K) Dispute Resolution.

(1) Good Faith Negotiation. If a controversy should arise out of this Contract, or the breach thereof, the individuals executing this Contract on behalf of each party, or their respective successors or designees (hereinafter referred to as "the parties") will attempt in good faith to resolve the dispute informally through discussion, the exchange of documents, or meetings following either party's written notice of the existence and nature of the dispute.

(2) Formal Dispute Resolution. The dispute resolution process provided for in Chapter 2260 of the Texas Government Code, excluding Subchapter C, shall be used by TRS-ActiveCare, TRS acting in its capacity as trustee of TRS-ActiveCare, and Aetna to attempt to resolve any claim for breach made by Aetna under this Contract. Any such claim for breach made by Aetna under this Contract will be subject to the limitations in Section 6 (PPP). Pursuant to Section 2260.005, compliance with the procedures of Chapter 2260 is an exclusive and required prerequisite to suit under Chapter 107 of the Texas Civil Practices and Remedies Code. Chapter 2260 does not waive immunity to suit or liability by TRS or TRS-ActiveCare, and the Texas Legislature retains the sole authority to grant or deny a waiver of immunity to suit against TRS and TRS-ActiveCare.

(3) Litigation. If the parties are unable to resolve any dispute through formal dispute resolution as described in subsection (2), they may bring suit as permitted by Law. In particular, Aetna may bring suit against Contractholder or the Program only with the permission of the Legislature pursuant to Texas Civil Practice and Remedies Code, Chapter 107.

(L) Captions. The titles and headings contained herein are inserted only as a matter of convenience and for reference, are not a part of this Contract, and in no way define, limit, enlarge, or describe the scope or intent of the Contract nor in any way shall affect the Contract or the meaning, construction, effect, or interpretation of any provision thereof.

(M) Gender and Numbers. Whenever the context of this Contract requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural.

(N) Severability and Enforceability. The provisions contained in this Contract shall be considered severable from the remainder of this Contract. If any provision of this Contract is held invalid or unenforceable as written for any reason, its

invalidity or unenforceability shall not affect any other provisions of the Contract, and the parties shall use reasonable efforts to reach agreement on an amendment to this Contract in order to construe and enforce the Contract as if said provision had not been included herein.

(O) Antitrust. To the best of its knowledge, Aetna warrants and certifies that neither Aetna nor anyone acting for Aetna has violated the antitrust laws of the State of Texas, codified in section 15.01 *et seq.*, Texas Business and Commerce Code or the Federal Antitrust Laws, nor communicated directly or indirectly Aetna's bid to any competitor or any other person engaged in such line of business.

(P) Public Announcement. Except as required by Law, Aetna will not, without first obtaining the written consent of TRS-ActiveCare: (i) make any public announcement or issue any news release, press release, or other communication relating to this Contract, or (ii) disclose any information specific to TRS-ActiveCare to any third party, including but not limited to, any media organization. This provision does not restrict Aetna from submitting necessary or appropriate filings required under Law, including but not limited to regulatory filings with the SEC, or from providing any information to a third party that is necessary or required to implement the services of Aetna or to meet the obligations of Aetna under this Contract.

(Q) Non-Solicitation. Aetna shall not use, sell, or otherwise make available to any person or entity, lists of Plan Participants or other Plan Participant data to solicit any other health benefits coverage, annuity product, or any other product, unless specifically approved in writing in advance by TRS. Aetna agrees that it shall not use any photographs or video recordings of TRS' or Plan Participants or use TRS' name in connection with any sales promotion or publicity event without the prior express written approval of TRS.

(R) Assignability. Unless required by Law, no rights or benefits under this Contract are assignable by TRS to any other party unless explicitly approved in writing by Aetna. Aetna agrees that it shall not have the right (i) to assign, transfer, or convey any of its rights, title, or interest hereunder or (ii) to delegate, except as provided by subsection 6(G), any of its duties or obligations hereunder to a third party, without the prior written consent of TRS. Any assignment, transfer, conveyance, or delegation in violation of this provision shall be voidable at TRS's option.

(S) Aetna Employment Practices. Aetna warrants that Aetna will not engage in employment practices that have the effect of discrimination against employees or prospective employees because of age, religion, race, color, sex, creed, hardship, disability, or national origin and will work with TRS to prepare such reports as TRS may hereafter require to assure compliance and that Aetna has the capacity to compile. Such reports may be subject to an additional fee.

(T) Aetna Responsibility for Employment Matters. Aetna agrees that it shall have the total responsibility for its employees in the areas of wrongful discharge, lawsuits, unemployment issues, workers' compensation, employment taxes and reimbursement due to losses in these areas. Consistent therewith, Aetna agrees that it shall make its own arrangements to provide its employees with Workers' Compensation benefits and TRS is, in no way, a party to such arrangements.

(U) Aetna Employees. Regarding its employees, Aetna shall have the sole authority to hire, fire, transfer, train, evaluate, discipline, pay and assign work.

(V) Code of Ethics. The TRS Code of Ethics for Contractors (the "Code of Ethics") is attached hereto as Exhibit A and is hereby incorporated by reference and made part of this Contract. Aetna, by signing this Contract, agrees to abide by the provisions of the Code of Ethics, as amended from time to time. A violation of the Code of Ethics will be, upon election by TRS, a breach of this Contract.

(W) Family Code. By signature hereon, Aetna warrants and certifies that it is not ineligible under Section 231.006, Family Code, to receive payment under this Contract and acknowledges that this Contract may be terminated and payment may be withheld if this certification is inaccurate.

(X) Compliance with Law, Rules, Regulations and Policies. Aetna warrants that (a) Aetna shall comply with all applicable Law and policies; (b) in rendering services, it and its employees have all necessary rights, authorizations, or licenses to provide the services under the Contract and to provide all related materials and services under the Contract; (c) each of Aetna's employees assigned to perform services shall have the proper skill, training, and background so as to be able to perform in a competent and professional manner and that all work will be so performed in accordance with the Contract; (d) Contractholder shall receive free, good, and clear title to all deliverables provided under the Contract, or in the case of any deliverable that requires a license, Aetna shall obtain for Contractholder the unrestricted right to use said deliverable; (e) each and every deliverable shall be provided in a manner consistent with good commercial practice, free from defects in material and workmanship, and shall conform to the specifications as set forth in this Request for Offer and shall meet the functional, performance and reliability requirements of Aetna as set forth in this Request for Offer; (f) that Services conform to the objectives set forth in this Contract.

(Y) Waiver. Each and every right granted to the parties hereunder or under any other document delivered hereunder or in connection herewith, or allowed them by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of either party to exercise any right and no delay in exercising any right will operate as a waiver thereof. Similarly, no single or partial exercise or the exercise of any other right will operate as a waiver of any right.

(Z) Sales and Use Tax. Contractholder and the Trust will not be liable for the payment of any sales, use, or other taxes incurred by Aetna in acquiring any goods, parts, material, labor, or services as a part of any work called for under this Contract, nor will Contractholder or the Trust be liable to reimburse Aetna for same. Upon request, Contractholder will furnish to Aetna suitable documentation of Contractholder's exemption from any taxes on goods, parts, material, labor, and services procured on behalf of Contractholder.

(AA) Franchise Taxes. Aetna warrants and certifies by signature hereon that either (a) its Texas State Franchise taxes are current, or (b) it is not subject to the Texas State Franchise Tax. If the former, Aetna agrees that after the effective date of this Contract, it shall timely file its Texas State Franchise tax returns and shall timely pay its Texas State Franchise taxes as shown thereon. Making a false statement as to corporate franchise status with regard to a state contract shall be grounds for the cancellation of this Contract at the option of TRS.

(BB) Amendments Required to Comply With Law. To the extent applicable Law, court orders, judgments, or official interpretations require TRS to include additional language in its contracts, Aetna agrees to amend this Contract and to cooperate in the execution of any amendment to this Contract necessary to effectuate such laws, regulations, court order, judgments, or official interpretations.

(CC) Public Information Act. TRS and the Program are subject to the provisions of the Texas Public Information Act (the "Act"). If a request for disclosure of this Contract or any information related to the services performed pursuant to the Contract or information provided to TRS or the Program under this Contract constituting a record under the Act is received by TRS, the information must qualify for an exception provided by the Act to be withheld from public disclosure. Aetna authorizes TRS and TRS-ActiveCare to submit any information contained in this Contract, provided under this Contract, or otherwise requested to be disclosed, including information Aetna has labeled as confidential proprietary information, to the Office of the Attorney General for a determination as to whether any such information may be excepted from public disclosure under the Act. Pursuant to Section 552.305, Texas Government Code, neither TRS nor TRS-ActiveCare is obligated under this Contract to submit requested information to the Attorney General for a decision on disclosure. If TRS or TRS-ActiveCare reasonably believes that the requested information is not excepted from public disclosure under the Law, TRS or TRS-ActiveCare will produce the requested public information to the requestor provided, however, TRS or TRS-ActiveCare will give notice to Aetna, as required by Section 552.305, Texas Government Code. TRS and TRS-ActiveCare will reasonably cooperate with Aetna in the coordination of the production of information to the Office of the Attorney General. It shall be the responsibility of Aetna to make any legal argument to the Attorney General or appropriate court of law regarding the exception of the information in question from disclosure. Aetna waives any claim against and releases from liability (1) TRS, its trustees, officers, employees, agents, and attorneys, (2) TRS-ActiveCare

and its agents and attorneys, and (3) the Trust with respect to the disclosure of information provided under or in this Contract or otherwise created, assembled, maintained, or held by Aetna and determined by the Attorney General, a court of law, TRS, or TRS-ActiveCare to be subject to disclosure under the Texas Public Information Act.

In the event of contract termination or expiration, Aetna agrees to transfer all necessary claim data, within thirty (30) days of receipt by Aetna of a written request from TRS, to TRS-ActiveCare or a third party named by TRS at no additional charge. TRS can grant, in writing, an extension of this thirty (30) day period.

Aetna understands that Aetna may, during the contract term or during the six-year retention period following the contract term, have in its possession or custody information that is ultimately considered to be within TRS or TRS-ActiveCare's possession or control and thus subject to subpoena, Public Information Act requests, and other external requirements upon TRS to produce such information. Accordingly, Aetna agrees to cooperate with TRS and TRS-ActiveCare to identify responsive information and formulate cost and employee time estimates if applicable. Aetna agrees to produce or transfer information requested by TRS or TRS-ActiveCare in such circumstances within the time period requested by TRS or TRS-ActiveCare in relation to the respective subpoena, public information request, or other requirement to produce information, at no up-front cost to TRS or TRS-ActiveCare. To the extent that TRS or TRS-ActiveCare receives any payment of costs from a Public Information Act requestor under Subchapter F of the Public Information Act, Texas Government Code, Chapter 552, TRS or TRS-ActiveCare will reimburse Aetna for its respective share of effort in responding to the public information request, up to the total amount of costs collected from the requestor.

(DD) Compliance With Law Pricing Caveat. Contractholder reserves the right to negotiate administrative cost and/or Program design modifications in the event of substantive legislative changes that would have an impact on the Program.

(EE) Taxes. Aetna certifies by signature hereon that it is not delinquent in any tax owed to the State of Texas. Making a false statement as to state tax status shall be grounds for the cancellation of the Contract at the option of the Contractholder. (See Sections 403.055 and 2107.008 of the Texas Government Code.)

Aetna agrees that any payments due under this Contract will be applied towards any debt, including but not limited to delinquent taxes and child support that is owed to the State of Texas.

Contractholder will comply with the United States federal Tax Increase Prevention and Reconciliation Act of 2005 (26 C.F.R § 31.3402(t)-1, *et seq.*) that requires withholding of income tax from payments to certain persons or entities providing

goods or services to Contractholder. Aetna agrees that Contractholder may withhold from amounts otherwise due and payable to Aetna under this Contract such amounts as it deems necessary in its sole discretion to comply with applicable Law regarding Contractholder's income tax withholding obligations.

(FF) Claim Office Review; Hospital Bill Review Vendor. The claim office shall be subject to ad hoc review by TRS. TRS reserves the right to have final approval in the selection of the hospital bill review vendor. TRS will provide notice of its approval or disapproval to Aetna within thirty (30) days of TRS' receipt of notice from Aetna of its intent to change such vendor. TRS may not unreasonably withhold its consent.

(GG) Confidentiality. Aetna will maintain and will ensure that its assignees and subcontractors maintain the confidentiality of all records generated pursuant to this Contract in accordance with all applicable Law, including Chapter 1579, Texas Insurance Code. Aetna will maintain accurate and complete records in a manner that complies with industry standards and all applicable Law. With regard to Plan Participant "Individually Identifiable Health Information", as defined in Section 160.103 of privacy rules promulgated under the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"), with the applicable terms of the Health Information Technology for Economic and Clinical Health Act ("HITECH") (enacted as part of the American Recovery and Reinvestment Act of 2009), with applicable regulations associated with HIPAA and HITECH, and with the Business Associate Agreement, which is attached hereto as Exhibit B, and is incorporated into and made a part of this Contract. Aetna will not furnish any Contractholder or TRS-ActiveCare identifiable data or information to any third party without the written consent of Contractholder and TRS-ActiveCare, except as reasonably necessary to implement and operate TRS-ActiveCare and fulfill its obligations pursuant to the Contract or as required by applicable Law. The restrictions set forth in this section will not apply to claims data or information which is not identifiable on a Contractholder or TRS-ActiveCare basis.

Each party acknowledges that performance of this Contract may involve access to and disclosure of Contractholder and Aetna identifiable business proprietary information of the other (collectively, "Business Confidential Information"). The term "Business Confidential Information " includes, but is not limited to, any information of either the receiving or disclosing party (whether oral, written, visual or fixed in any tangible medium of expression), relating to either party's services, operations, systems, programs, inventions, techniques, suppliers, customers and prospective customers, contractors, cost and pricing data, trade secrets, know-how, processes, plans, reports, designs and any other information of or relating to either party's business, including its therapeutic, disease management, and health education programs, but does not include information which (a) was known to the receiving party before it was disclosed to the receiving party by the disclosing party, (b) was or becomes available to the receiving party from a source other than the disclosing party, provided such fact is evidenced in writing and the source is

not bound by a confidentiality obligation to the disclosing party, or (c) is developed by the receiving party independently of the disclosing party's Business Confidential Information, provided that such fact can be documented. Each party will also keep the terms of this Contract confidential as Business Confidential Information, except as required by Law.

The Business Confidential Information of a party (the "disclosing party") which is disclosed to the other party (the "receiving party") will be held by the receiving party in strictest confidence at all times and will not be used by the receiving party (or its affiliates, employees, officers, directors or limited liability company managers ("Representatives")) for any purpose not previously authorized by the disclosing party, except as necessary for Aetna to perform the services under this Contract. The Business Confidential Information of the disclosing party will not be disclosed or divulged by the receiving party to anyone, except (i) as required by Law or legal process or (ii) with the prior written permission of the disclosing party, which permission may require that the party to whom the Business Confidential Information is disclosed agrees in writing in advance to be bound by these terms and conditions. The receiving party may disclose the Business Confidential Information to those of its Representatives who need to review the Business Confidential Information for the purposes authorized by the disclosing party but only after the receiving party has informed them of the confidential nature of the Business Confidential Information and directs them to treat the Business Confidential Information in accordance with the terms of this Contract. The disclosing party retains all right, title and interest in and to its Business Confidential Information.

Subject to audit rights granted under this Contract and except where prohibited by Law, if the receiving party is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand, any informal or formal investigation by any government or governmental agency or authority, law or regulation, or otherwise) to disclose any of the Business Confidential Information, the receiving party will notify the disclosing party promptly in writing so that the disclosing party may seek a protective order or other appropriate remedy or, in its sole discretion, waive compliance with the terms of this Contract. The receiving party agrees not to oppose any action by the disclosing party to obtain a protective order or other appropriate remedy. If no such protective order or other remedy is obtained, or the disclosing party waives compliance with the terms of this Contract, the receiving party will furnish only that portion of the Business Confidential Information which it is advised by counsel is legally required and will exercise its reasonable best efforts to obtain reliable assurance that confidential treatment will be accorded the Business Confidential Information.

TRS-ActiveCare and Aetna may not utilize the service marks, trademarks, or tradenames of any other party to the Contract, or any service marks, trademarks, or tradenames so similar as likely to cause confusion, without express written

approval of such other party. The programs implemented by Aetna will remain the sole property of Aetna and will only be used by TRS-ActiveCare in connection with the operations of TRS-ActiveCare and so long as Aetna is under contract.

Aetna warrants that all Plan Participant and Contractholder Business Confidential Information will be maintained in a secured area with access allowed to only authorized personnel.

(HH) Insurance. Aetna shall procure and maintain at its own expense, throughout the term of this Contract and any extensions thereof, sufficient insurance coverage as shall be necessary to insure against any claim(s) for damages based on a violation of law or on the services to be provided to TRS and/or the Program under this Contract. To this end, Aetna shall comply with the following:

(i) Aetna shall carry professional liability insurance in an amount deemed acceptable by TRS for each occurrence and in the aggregate.

(ii) Aetna shall carry insurance for professional malpractice of at least $2,000,000.

(iii) Aetna shall maintain Workers' Compensation and Employer's Liability protection of employees in accordance with Texas Workers Compensation Commission Laws, Rules and Regulations.

(iv) All insurance policies required under this paragraph shall be issued by companies authorized to do business under the laws of the State of Texas and shall be in a form satisfactory to TRS. Certificates of insurance provided by Aetna shall contain a provision that Aetna shall endeavor to provide at least thirty (30) days prior notice of cancellation to TRS.

(v) Insurance required under this paragraph shall be effective and evidence of acceptable insurance furnished prior to commencing operations under this Contract. Aetna shall furnish to TRS evidence of required insurance, validated by certificate of insurance.

(vi) Renewal certificates of insurance shall be furnished not more than 30 days following the expiration of current policies.

(vii) Aetna shall, within ten (10) Business Days after issuance of the purchase order, deliver to TRS the evidence of the required insurance. Failure on Aetna's part to furnish the evidence of required insurance, within ten (10) Business Days of the purchase order shall be just cause for the cancellation of the award.

(viii) Certificates evidencing such insurance and waiver shall be filed with TRS before services are started.

(ix) Any changes in the policies require notification be sent to the TRS, Attn: Purchasing and Contracts Manager, 1000 Red River St., Austin, Texas 78701.

(II) Representations and Warranties. Aetna warrants and represents that all of its statements, information, and representations made prior to the selection of Aetna to provide the services specified herein, or made in this Contract, or made during discussion and negotiation of this Contract are material, true and correct. Aetna shall promptly notify TRS in the event that any representations and warranties provided herein are no longer true and correct. Aetna acknowledges that all of its representations and warranties contained in any part of this Contract are material and have been relied upon by TRS in selecting Aetna to provide the services specified herein and in entering into this Contract with Aetna.

(JJ) Prohibited Interest. A Board member, officer, director or employee of TRS may not have a direct or indirect interest in the gains or profits from this Contract, and may not receive any pay or emolument for any service performed for Aetna.

In the case where a Board member, officer, director or employee of TRS receives any unlawful payment from Aetna or any of its affiliates for any services performed by Aetna or for any gains or profits from this Contract, TRS may terminate this Contract immediately. Under such circumstances, Aetna must complete any outstanding transactions associated with the Program or with TRS and provide transition data and information as required to a new administrator within thirty (30) days. TRS and the Program may not consider proposals from Aetna for two (2) full years thereafter. Aetna must hold TRS and the Program harmless for any costs, expenses and damages associated with such termination.

(KK) Procurement Ethics. Aetna warrants and certifies by signature hereon that it has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with this Contract. Violation of this requirement may result in the termination of the Contract at the discretion of TRS.

(LL) Conflict of Interest. No party has a conflict of interest which would impact its ability to perform fairly its obligations under this Contract, and no party is subject to any restrictions, contractual or otherwise, which prevent or would prevent it from entering into this Contract or carrying out its obligations hereunder.

(MM) Audits. At any time during the term of this Contract and for a period of six (6) years thereafter, TRS, the Texas State Auditor's Office or a duly authorized audit representative of TRS, or an independent auditor selected by TRS, may, at the expense of TRS or the State of Texas, audit Aetna's records and books relevant to all services provided under this Contract. Aetna will advise TRS of any conflict of interest it may have with an independent auditor that is being considered by TRS to conduct the audit. TRS shall take such concerns into account and determine

whether it considers the independent auditor to have a conflict of interest. If Aetna and TRS are in disagreement, TRS shall consult with Aetna in good faith to determine whether there is another alternative auditor that could reasonably meet TRS' needs, provided that TRS shall have the ultimate discretion to select its auditor. It is understood and agreed that the foregoing conflict of interest requirements do not apply to employees of TRS or the State of Texas. The audit will be conducted in accordance with established auditing standards. Auditing personnel from TRS and external auditors (state auditors and independent auditors selected by TRS) shall be allowed access to all records, data and information relating to the services and costs associated with the services provided under this Contract, including, without limitation, access to Aetna's facilities, records, contracts, medical records, and agreements with subcontractors. The State of Texas Auditor, TRS or a third party selected by TRS may conduct an audit or investigation of any entity receiving funds directly under the Contract or indirectly through a subcontract under the Contract. The acceptance of funds directly under this Contract or indirectly through a subcontract under the Contract acts as acceptance of authority of the State Auditor and TRS to conduct an investigation or audit in connection with these funds. This requirement shall be incorporated into all subcontracts. TRS's representative shall give a reasonable number of days of prior written notice of the intent to audit and provide a complete and accurate listing of the transactions to be pulled. A draft of any resulting audit report prepared by an independent auditor shall be presented to Aetna at least thirty (30) days prior to the finalization of such report during which time Aetna shall have the opportunity to respond to the audit findings before the report is finalized. Aetna understands and agrees that employees of TRS or the State of Texas are not required to provide drafts of audit reports.

Aetna agrees to cooperate fully with TRS, or a duly authorized audit representative of TRS, or an independent auditor selected by TRS, or The State of Texas, or the State Auditor's Office in the conduct of the audit or investigation, including providing all records requested. Aetna shall ensure that this clause concerning (i) the authority of TRS or a duly authorized audit representative of TRS or an independent auditor selected by TRS, or The State of Texas to audit funds and the requirement to cooperate fully therewith, and (ii) the authority of the State Auditor's Office's to audit funds and the requirement to cooperate fully with the State Auditor's Office, is included in any subcontracts it awards. Additionally, the State Auditor's Office shall at any time have access to and the rights to examine, audit, excerpt, and transcribe any pertinent books, documents, working papers, and records of Aetna relating to this Contract. The above requirements of this section shall be incorporated into all subcontracts.

If an audit conducted on behalf of TRS or the Program reveals any errors or overpayments by TRS, Aetna shall have thirty (30) days to review and respond to the audit findings. If Aetna fails to test any of the findings, or if the explanations for such overpayments provided by Aetna are not satisfying to TRS, Aetna shall refund to TRS the full amount of overpayments within thirty (30) days of such

audit findings. Otherwise, overpayments will be addressed by Aetna in accordance with the provisions of Section 6(H) of this Contract. TRS, at its option, reserves the right to deduct such amounts owed to TRS from any payments due to Aetna. Aetna shall not refund and TRS shall not deduct any amounts the audit revealed as errors/overpayments for which Aetna offers an explanation that TRS accepts as satisfactory.

Any report by auditing personnel from TRS/TRS-ActiveCare or from external auditors (state auditors and independent auditors) shall be presented to the TRS Board of Trustees at a time and in a manner established by TRS.

Any adjustments, payments and/or reimbursements determined to be necessary as a result of any examination or audit shall be paid by the appropriate party within thirty (30) days of execution of an appropriate release document covering the audit period.

(NN) Audit Provisions Apply to Appendices. The audit provisions of the Contract apply to the appendices. The indemnification provisions of the Contract apply to the appendices other than the Performance Guarantees appendices (III through XI).

(OO) Use of Term "Warranty". The parties understand that their use of the terms warrant and warranty does not establish a different or higher standard of performance than ordinarily required of a party to a contract. Breach of a provision that includes one of these two terms may give rise to, but does not require, termination of the Contract as a remedy.

(PP) Force Majeure. Neither party shall be deemed to have breached this Contract or be held liable for failure or delay of performance of all or any portion of its obligations under this Contract arising from an act of God or other events beyond the reasonable control of the parties, such as the acts of a regulatory agency, fires, floods, explosions, strikes, labor stoppages, and acts of terrorism, war or rebellion. However, if, as a result of a force majeure event, TRS fails for a period of ten (10) Business Days to respond to Aetna's written request for funds for reimbursement of a benefits payment, Aetna may cease processing benefit payment requests under the Agreement upon transmission of written notice to TRS. If TRS' delay or nonperformance resulting from a force majeure event continues for a period of at least thirty (30) calendar days from the date TRS fails to respond to Aetna's written request for funds for reimbursement of a benefits payment, Aetna may immediately terminate this Contract upon transmission of written notice to TRS.

(QQ) Waiver. No waiver, relinquishment, or discharge by a party of any right, remedy, or breach of this Contract shall be effective unless it is in writing and signed by an officer of the party granting such waive, relinquishment, or discharge. Any waiver of any breach or violation of any term, provision, covenant, or condition of this Contract shall not constitute a waiver of any preceding or subsequent breach or

violation of the same, or any other term, provision, covenant or condition of this Contract.

(RR) Eligibility to Receive Group Agreement. Under Section 2155.004, Government Code, Aetna certifies by signature hereon that it is not ineligible to receive this Contract and acknowledges that this Contract may be terminated and/or payment withheld if this certification is inaccurate.

(SS) No Third Party Beneficiary. This Contract has been entered into solely for the benefit of the Contractholder, the Program, and Aetna and is not intended to create any legal, equitable, or beneficial interest in any third party or to vest in any third party any interest as to enforcement or performance, including but not limited to, Plan Participants.

(TT) Use of Name. Neither Aetna nor Contractholder may reference each other in a manner that is inconsistent with each party's usual and customary business practices when communicating with any third party without the express written consent of the other party, which may not be unreasonably withheld. Each party shall use the other party's name, logo and trademark only in the manner specified by the other party in writing.

(UU) Claim Office. Aetna's claim office(s) providing services under this Contract shall be subject to ad hoc review by the Contractholder and the Program.

(VV) Organization. Each party is duly organized, validly existing and in good standing, and has the power to own its property and to carry on its business as now being conducted by it.

(WW) Authorization. The execution and delivery of this Contract and the consummation of the transactions contemplated herein on its part, has been duly authorized by all necessary action by each party.

(XX) No Violation. Neither the execution and delivery of this Contract nor the consummation of the transactions contemplated hereby will be a violation or default of any term or provision of the party's governance documents (*e.g.*, its certificate of incorporation or bylaws or operating agreement) or of any material contract, commitment, indenture, or other agreement or restriction to which it is a party or by which it is bound.

(YY) Power, Authority, and Binding Effect. Aetna has all requisite power and authority to enter into (and perform its obligations under) this Contract. This Contract has been duly authorized, executed and delivered by each party, and is a legal, valid and binding obligation of each party, enforceable against such party in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general principles of equity. This Contract

does not violate any other contract or legal requirement applicable to Aetna. A copy of the document granting authority for Aetna to execute this Contract is incorporated into and made a part of this Contract as Exhibit C.

(ZZ) Joint Negotiations. The Contractholder and Aetna have participated jointly in the negotiation of this Contract, and each has had the advice of legal counsel to review, comment upon, and draft this Contract. Accordingly, it is agreed that no rule of construction shall apply against any party or in favor of any party, and any uncertainty or ambiguity shall not be interpreted against any one party and in favor of the other.

(AAA) Licenses. Aetna now maintains, and will continue to maintain during the term of this Contract, all applicable licenses, permits, and certifications necessary to provide the services under this Contract.

(BBB) Parties Bound. This Contract and the rights and obligations hereunder shall be binding upon and inure to the benefit of the parties, and their respective heirs, personal representatives, and permitted assigns. This Contract shall also bind and inure to the benefit of any successor of either party by merger or consolidation.

(CCC) Duty of Good Faith. The parties hereto agree to perform their respective covenants and obligations under this Contract fairly and in good faith, and also to act fairly and in good faith in the enforcement of their respective rights hereunder.

(DDD) Intellectual Property Indemnification. Aetna shall indemnify, protect, defend (with counsel for the Indemnitees (as defined below) selected in accordance with the procedures set forth in the second paragraph of Section 6(C)) and hold harmless the Trust, TRS-ActiveCare, TRS, the State of Texas, and their respective trustees, officers, directors, employees and agents, if any (all such individuals, entities, programs and funds referenced immediately above are hereinafter referred to jointly as the "Indemnitees"), from and against any and all claims, causes of action, liabilities, damages, losses, lawsuits, liens, judgments, and expenses (including attorney fees) of any nature, kind or description incurred by any Indemnitees, that are based on a claim that software infringes any patent rights, copyright rights, or incorporated misappropriated trade secrets.

(EEE) Liquidated Damages. Aetna acknowledges that it is impossible or impractical to estimate certain damages with any degree of certainty. Therefore, the parties agree that in addition to the Contractholder's right to terminate as provided elsewhere in this Contract, upon receipt of information that Aetna is not reasonably in compliance, or that Aetna by action, inaction, or declaration of intent, will not be in compliance with its obligations under the Contract ("noncompliant/anticipatory breach situation"), Contractholder will provide written notification to Aetna that the noncompliant/anticipatory breach situation must be corrected (*i.e.*, (i) corrected on the day notice is transmitted by Contractholder to Aetna, or (ii) by the date specified by Contractholder in the

notice ("Notice")). Aetna agrees to correct the noncompliant/anticipatory breach situation by the time stated in the Notice.

If, however, the noncompliant/anticipatory breach situation has not been fully corrected within the timeframe specified in the Notice to Aetna or if subsequently extended by TRS, fully corrected within the timeframe of the extended period ("Notice Period"), then the Contractholder may, in its discretion, enforce the liquidated damage provision of the Contract beginning five (5) Business Days following the Notice Period, as further specified below.

Liquidated damages shall be in addition to the performance guarantees provided in this Contract, as well as, other remedies. Further, the parties agree that:

(i) If Aetna fails to deliver supplies or perform services before the deadline (the "Deadline") as defined immediately below, Aetna shall pay to Contractholder as fixed, agreed, and liquidated damages, for each calendar day of the delay, the sum set forth below. The term "Deadline" means: (a) within the time specified in this Contract, (b) within the time specified in the RFP, (c) within the time otherwise specified by Contractholder if a deadline specified in the Contract is reasonably changed by TRS and Aetna is notified of same within a reasonable time before performance is required, or (d) within the time otherwise specified by Contractholder if the deadline is not currently specified in the Contract but after provided to Aetna within a reasonable time before performance is required.

(ii) Alternatively, if, in the opinion of Contractholder, delivery or performance is inexcusably delayed by Aetna, Contractholder may terminate this Contract in whole or in part as provided elsewhere herein and/or assess fixed, agreed, and liquidated damages accruing each calendar day until Aetna satisfactorily performs the services or until the time that Contractholder may reasonably obtain delivery or performance of similar supplies, products, or services. In the event Aetna fails or refuses to comply with any of its obligations under this Contract, Contractholder may be required, because of such non-compliance, to obtain services from another source. In this event, Contractholder may elect to charge the full increase in costs to Aetna or to invoke the liquidated damages provision. The liquidated damages shall be in addition to any other remedy or damages available to Contractholder.

(iii) The amount of liquidated damages provided in this Contract is neither a penalty nor a forfeiture and shall compensate Contractholder solely for Contractholder's inability to use or benefit from the supplies, products or services and is not intended to, and does not include: (i) any damages, additional costs or extended costs incurred by Contractholder for extended administration of this Contract or by Contractholder's agents, consultants, or independent contractors for extended administration of this Contract, (ii)

any increases in financing costs resulting from the delay, or (iii) any additional services relating to, or arising as a result of, the delay; or (iv) any other damages that Contractholder and/or participants in TRS-ActiveCare suffer due to Aetna's failure to satisfactorily discharge its obligations under this Contract. Contractholder shall be entitled to claim against Aetna for its actual damages and amounts not specifically included within the liquidated damages as set forth herein. Such costs shall be computed separately. Together with liquidated damages, they shall be either deducted from any monies due to Aetna under the Contract or billed to Aetna.

(iv) Aetna shall not be charged with liquidated damages when the delay in delivery or performance arises out of causes beyond the control and without the fault or negligence of Aetna.

(v) The amount of such liquidated damages, as referred to herein, shall be $5,000 per day for each calendar day beyond the Deadline that Aetna fails or refuses to meet its obligations under the Contract.

(FFF) Information Security and Security Breaches. Aetna shall implement and document a comprehensive information security program. Aetna shall use, implement, and document reasonable and appropriate security practices to make information secure. If the security of any shared data is compromised or breached through an attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an Aetna information system, Aetna shall notify Contractholder no later than 72 hours after the compromise or breach becomes known to Aetna. Aetna shall be liable to Contractholder for any compromise or breach whatsoever and shall be liable for all reasonable and appropriate costs (as determined by Contractholder) associated with remedying the compromise or breach.

(GGG) Ownership of Work Product. In the event that this Contract is terminated for any reason, or upon its expiration, Contractholder shall retain ownership of all associated work products and documentation that results from or is associated with this Contract in whatever form that they exist.

(HHH) Legislative Changes. Contractholder reserves the right to negotiate administrative cost and/or plan design modifications in the event of substantive legislative changes that would have an impact on TRS-ActiveCare.

(III) Suspension and Debarment. Aetna certifies that Aetna and its principals (1) are eligible to participate in this transaction, (2) have not been subjected to suspension, debarment, or similar ineligibility determined by any federal, state or local governmental entity, (3) are in compliance with the State of Texas statutes and rules relating to procurement, and (4) are not listed on the federal government's terrorism watch list as described in Executive Order 13224. Entities ineligible for federal procurement are listed at http://www.sam.gov.

(JJJ) Hurricane Relief. Sections 2155.006 and 2261.053, Texas Government Code, prohibit state agencies from awarding contracts to any person who, in the past five years, has been convicted of violating a federal law or assessed a penalty in connection with a contract involving relief for Hurricane Rita, Hurricane Katrina, or any other disaster, as defined by §418.004, Texas Government Code, occurring after September 24, 2005. Under Section 2155.006, Government Code, Aetna certifies that Aetna is not ineligible to receive this Contract and acknowledges that this Contract may be terminated and payment withheld if this certification is inaccurate.

(KKK) Lobbying Restrictions. Pursuant to Section 556.005, Texas Government Code, relating to the prohibition of using state funds for lobbying activities, Aetna represents and warrants that payment to Aetna and Aetna's receipt of appropriated or other funds under this Contract are not prohibited.

(LLL) Change in Personnel. Subject to prior approval by Contractholder, Aetna shall designate and provide an individual who will serve as the primary contact (the "TRS Contact") to respond to Contractholder needs, questions, and/or issues. The TRS Contact must remain assigned to the TRS-ActiveCare account throughout the term of this Contract. In the event that Aetna must assign a new individual as the TRS Contact due to death or extended illness, Contractholder reserves the right to interview the proposed replacement personnel and, at Contractholder's sole discretion, to refuse the proposed replacement personnel. Approved replacement personnel must have similar levels of relevant experience and overall work experience as the individual being replaced. Contractholder expects Aetna to minimize turnover in the TRS Contact position and to plan for and ensure adequate transition time. Aetna shall notify Contractholder by the close of the first Business Day following the date upon which Aetna learns of the incumbent's departure or possible departure.

(MMM) Background Checks. Aetna agrees that it will comply with the TRS Criminal Background Check policy, as amended from time to time, with regard to all Aetna employees identified by Aetna and Contractholder as being onsite at Contractholder's premises on a regular basis with access to TRS resources.

Aetna represents and warrants that Aetna has, prior to the Contract effective date, performed, at Aetna's expense, a comprehensive criminal investigation at the local and federal levels of all of its existing employees who have been initially identified by Aetna and Contractholder as already being onsite at Contractholder's premises on a regular basis with access to TRS resources. All Aetna employees who are onsite at Contractholder's premises on a regular basis with access to TRS resources are collectively referred to hereinafter as the "On-Site Team."

Further, Aetna shall conduct, at Aetna's expense, a comprehensive criminal investigation of any individual that becomes the Account Executive, Account

Manager, Clinical Consultant or PSL (all of whom are collectively referred to hereinafter as the "Account Team"). The investigation will take place before the individual begins working in one of the named positions above. Aetna's criminal investigation shall be conducted using Aetna's standard background check process.

In addition, using Aetna's standard background check process, Aetna performs a comprehensive criminal investigation at the local and federal levels of all new hires. Any felony related to fraud, breach of trust, or dishonesty or a crime under the Violent Crime Control and Law Enforcement Act shall be a bar to employment. All other adverse conviction information is investigated and reviewed by Aetna's Investigative Services unit and legal department to determine if the conviction should bar the candidate from working at Aetna. Aetna shall periodically update the criminal conviction and work release status of the members of the On-Site Team and the Account Team and affirm that due diligence for criminal convictions has been made in accordance with the foregoing standards.

For the duration of the Contract, if any of the members of the On-Site Team or the Account Team are charged with or under indictment of a criminal offense of the nature described above, Aetna shall either (i) fully advise Contractholder as to the facts and circumstances surrounding the charge or indictment and Contractholder will determine if the charge or indictment prevents the individual from performing work for Contractholder; or (ii) prevent any such On-Site Team or Account Team members from occupying the positions described above.

(NNN) Appropriation. The parties acknowledge and agree that pursuant to the laws of the State of Texas, the Program is to be funded exclusively from the assets of the Trust and the assets of such Trust shall be the exclusive source for all funding of benefits, costs, payments, liabilities and expenses arising under the Program or pursuant to this Contract. The Legislature of the State of Texas appropriates funding for the Program on a biennial basis. The pension fund administered by TRS and the Retired School Employees Group Insurance Fund established under Subchapter G of Chapter 1575, Texas Insurance Code are trust funds separate and apart from the Trust, and the assets of these two funds may not be diverted, under state constitutional and federal law, to the financing of expenses of the Plans, the Program or the Trust. Pursuant to the laws of the State of Texas, TRS acts as a trustee of the Trust with respect to the Plans, pursuant to the authority conferred to TRS under such laws, and TRS does not guarantee the adequacy of the assets in the Trust to support the Plans, or provide any guarantees concerning the payment of claims, costs or expenses arising under the Plans. Aetna is not and shall not be considered the insurer or underwriter of the liability of the Plans to provide benefits for Plan Participants.

(OOO) Survival. The obligations described in Sections 3, 4, 5, 7, 9 and 12 and in subsections 6(A), 6(B), 6(C), 6(E), 6(F), 6(H), 6 (J), 6(K), 6(P), 6(Q), 6(CC),

6(GG), 6(JJ), 6(KK), 6(MM), 6(NN), 6(QQ), 6(SS), 6(TT), 6(DDD) and 6(FFF) shall, to the extent applicable, survive termination of this Contract, along with the provisions of any sections which are specifically designated to survive termination.

**Section 7. Record Ownership and Review/Confidentiality**

(A) All documents, reports, information, records, processes, data, or work product obtained, prepared, maintained or generated by Aetna in carrying out its duties under this Contract and the Program, including but not limited to, physician notes, clinical data, supporting records, claims histories, and any other information (hereafter collectively referred to as "Documentation"), shall be the sole and exclusive property of the Contractholder and the Program, subject to the right of possession and use by Aetna of such Documentation during the continuance of the Contract. Aetna shall maintain such books and records for the term of the Contract and copies of such books and records for the seven year period following the end of the Contract. Upon termination of this Contract and Aetna's continuing obligations with respect to the administration of claims following such termination under this Contract, if any, Aetna shall, at its own expense, deliver all Documentation to the Contractholder that is reasonably necessary to effectuate a smooth transition to a successor vendor, consistent with standard industry practice, but shall continue to maintain copies of such books and records for the period required under the preceding sentence of this Section 7(A). Such Documentation shall be provided as soon as reasonably practicable, consistent with standard industry practice, but in no event later than thirty (30) days after a Contractholder request.

(B) Aetna shall maintain accurate records of all claims and transactions made in connection with this Contract and the Plans and shall keep true and accurate books of account and records of all its transactions with respect to this Contract and the Plans. Such records and accounts shall be maintained at all times in accordance with the requirements of the Law. Aetna shall maintain such books and records for the term of the Contract and for the six-year period following the end of the Contract. Such books and records shall be open to inspection upon reasonable prior request during regular business hours by agents or representatives of the Plans and the Contractholder.

(C) Except for such disclosures and examinations as shall be (i) requested or directed by the Plans, the Contractholder, or their duly authorized representatives, (ii) required by the Contract, (iii) required by the Plans, (iv) required by any Law, (v) required by any compulsory judicial process, or (vi) consented to in writing by a Plan Participant or his legal representative, Aetna shall maintain the confidentiality of all records and information obtained, created, or maintained by Aetna in the administration of its duties hereunder and shall adhere to all applicable Law regarding the privacy of such data and the safeguarding of such data from unauthorized access upon reasonable prior request, and as permitted by

Law. Aetna shall permit duly authorized representatives of the Contractholder or the Plans to inspect, review, and audit such records and information at such times as requested by the Contractholder or the Plans. The Contractholder hereby authorizes Aetna to use non-individually identifiable information obtained or maintained pursuant to this Contract for data compilations and reports, including but not limited statistical reports, cost containment analyses and claims studies.

## Section 8. Period of Contract

The Contract period will begin immediately upon the execution of the Contract by TRS. The Contract period will end on August 31, 2016 (the "Initial Term"), and thereafter will automatically renew for up to four (4) successive one (1) year terms unless either party gives written notice, at least one hundred eighty (180) days prior to the end of any such term, to the other party of its intent to terminate this Contract as of the end of the then current term. Notwithstanding the issuance of a termination notice, Aetna agrees to continue to render services thereunder and TRS agrees to pay for services of Aetna in accordance with the terms of this Contract for any claims incurred for covered benefits while this Contract was in force.

TRS and Aetna agree and acknowledge that the services to be provided pursuant to this Contract will occur between September 1, 2014 and August 31, 2016 and any renewal periods thereafter. Aetna will process all claims incurred while the Contract is in effect. This includes run-out claims incurred during the period of the Contract, but processed after the Contract has been terminated.

In addition, TRS and Aetna also agree and acknowledge that there are duties and obligations specified by this Contract to be performed both prior to September 1, 2014, and after August 31, 2016 or the end of any renewal periods thereafter. The parties each agree to perform all such duties and obligations, and all damage provisions included in the Contract shall thereby be in effect.

## Section 9. Laws Governing Contract, Venue, and Conflict with Texas Law

The terms and provisions of this Contract shall be construed and enforced in accordance with and governed by the laws of the State of Texas (without regard to its conflict of laws rules). Aetna consents to personal jurisdiction in Texas state courts and exclusive venue shall be in Travis County, Texas. Any terms and conditions of this Contract that conflict with the laws of the State of Texas shall not be enforceable and will not be binding.

## Section 10. Contract Counterparts

This Contract may be executed in any number of counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument.

## Section 11. Modification of Contract

Notwithstanding any other provision to this Contract, changes in this Contract, or in any exhibit or appendix hereto, may not be made except by mutual agreement in writing between Aetna and the Contractholder, signed by a duly authorized representative of each party, except that the Contractholder may, in its sole discretion, amend or terminate the Plans in whole or in part, at any time and in any manner. Notwithstanding the prior sentence, no amendment which will or may significantly change the nature or extent of Aetna's obligations under the Contract shall be adopted without first giving Aetna at least sixty (60) days prior written notice, unless a shorter time period is mutually agreed upon by the parties. Changes to this Contract or to any exhibit or appendix hereto shall be effective as of the date stipulated in the writing that effectuates the change.

## Section 12. Termination of Contract

(A) Legal Prohibition - If any state or other jurisdiction enacts a law which prohibits the continuance of this Contract, or the existing law is interpreted to so prohibit the continuance of this Contract, the Contract shall terminate automatically as to such time or jurisdiction on the effective date of such law or interpretation; provided, however, that if only a portion of this Contract is prohibited by such law, only that portion of the Contract shall be affected, and this Contract shall be construed in all respects as if such invalid or unenforceable provision were omitted.

If applicable Law, requirements, court orders, judgments, or official interpretations are amended or judicially interpreted so that either party cannot reasonably fulfill this Contract and if the parties cannot agree to an amendment that would enable substantial continuation of this Contract, the parties shall undertake reasonable actions to orderly conclude their respective obligations under this Contract and shall thereafter be discharged from any further obligations under this Contract.

(B) Termination by Contractholder:

(1) In addition to, and without restricting any other legal, contractual, or equitable remedies otherwise available, the Contractholder may terminate this Contract without cause by giving Aetna at least thirty (30) days written notice stating when, after the date of such notice, such termination shall become effective. Termination under this paragraph shall not affect or relieve Aetna of any obligation or liability that has occurred prior to such termination.

(2) If Aetna fails or refuses to perform or is negligent in performing or it reasonably appears that Aetna will not perform any of its duties or obligations as required by this Contract, fails to perform consistently with Aetna's

statements, promises, and commitments made in this Contract, or fails to comply with any of the terms or conditions of this Contract, TRS has the right, without limiting any other rights or remedies it has by law, equity or under this Contract, upon written notice of default to Aetna, to terminate all or any part of this Contract and/or seek any other remedies available to TRS. Before terminating the Contract pursuant to this paragraph (2), TRS shall provide Aetna with written notice of the breach, stating with specificity the nature of the breach. If the breach is not cured to TRS' reasonable satisfaction within thirty (30) days, TRS may terminate the Contract immediately.

(3) TRS may exercise any other right, remedy, or privilege which may be available to it under applicable Law or in equity, including but not limited to the withholding of payment to Aetna until Aetna complies, or TRS may proceed by appropriate court action to enforce the provisions of this Contract, or to recover damages for the breach of any agreement being derived from this Contract. The exercise of any of the foregoing remedies will not constitute a termination of this Contract unless TRS notifies Aetna in writing prior to the exercise of such remedy. Aetna will remain liable for all covenants and indemnities under the Contract. Aetna will be liable for all legal fees, and other costs and expenses, including attorney's fees and court costs, incurred by TRS with respect to the enforcement of any of the remedies listed herein.

(4) Notwithstanding any other provision of this Contract to the contrary, Aetna agrees that the Contractholder shall have the right to terminate this Contract at any time by providing written notice to Aetna if the Contractholder determines that termination of the Contract is prudent or otherwise required or advisable to fulfill the duties and obligations of the Program or of the Contractholder under any applicable provision of federal or state Law.

(5) TRS may terminate this Contract as provided in the HIPAA Business Associate Agreement.

(6) TRS may terminate this Contract, without penalty, in whole or in part, if the Texas Legislature terminates the Program and/or fails to appropriate funds sufficient to administer the Program.

(7) Aetna understands and acknowledges that, notwithstanding any termination of the Contract by TRS, certain obligations of Aetna shall survive the termination of this Contract. Upon termination for any reason whatsoever, all indemnification obligations upon Aetna set forth herein shall survive the termination and shall remain in full force and effect.

(C) Termination by Aetna:

(1) Aetna reserves the right to terminate this Contract by giving to the Contractholder at least one hundred fifty (150) days written notice stating when, after the date of such notice, such termination shall become effective.

(2) With regard to payments by Contractholder to Aetna for reimbursement of a benefits payment, if the Contractholder fails to respond to Aetna's or the Bank's written request to provide such funds to the Bank for the payment of drafts approved and recorded by Aetna, subject to Section 6(QQ), upon five (5) Business Days notice to Contractholder, Aetna may, upon transmission of written notice to TRS, cease processing benefit payment requests until the requested funds have been provided. Subject to Section 6(QQ), in the event any such funding failure continues for a period of at least thirty (30) calendar days from the date Contractholder fails to respond to Aetna's or the Bank's written request for funds for reimbursement of a benefits payment, Aetna may terminate the Contract immediately upon transmission of written notice to the Contractholder if:

(a) the Contractholder fails to provide the requested funds within five (5) Business Days of written notice by Aetna, or

(b) Aetna determines that the Contractholder will not meet its obligation to provide such funds within such five (5) Business Days.

(3) Subject to Section 6(QQ), Aetna may terminate the Contract immediately upon transmission of written notice to the Contractholder if:

(a) the Contractholder fails to pay administration charges within the period specified in Section 5, and

(b) the Contractholder fails to pay such charges within thirty (30) Business Days of written notice of unpaid administration charges by Aetna.

Any acceptance by Aetna of funds or administration charges described in (2) and (3) above, after the grace periods specified therein have elapsed and prior to any action by Aetna to terminate the Contract, shall not constitute a waiver of Aetna's right to terminate the Contract in accordance with this section with respect to any other failure of the Contractholder to meet its obligations hereunder.

(D) Responsibilities on Termination. Upon termination of the Contract, Aetna will continue to process runoff claims for benefits payable under the Plans that were incurred prior to, but unpaid as of the termination date which are received by Aetna not more than thirty-six (36) months following the termination date. The administration charge for such activity is included in the administration charge

described in Section 5 of the Contract. The procedures and obligations described in this Contract, to the extent applicable, will survive the termination of the Contract and remain in effect during such thirty-six (36) month period. Benefit payments processed by Aetna during such period which are pended or disputed will be handled to their conclusion by Aetna and the procedures and obligations described in this Contract, to the extent applicable, will survive the expiration of the thirty-six (36) month period. Requests for benefit payments received after such thirty-six (36) month period will be returned to the Contractholder or, upon its direction, to a successor administrator.

In the event that this Contract is terminated as provided above and subject to any related privacy requirements, Aetna agrees to cooperate with any succeeding administrator(s) in producing and transferring required claim and enrollment data, as determined by Contractholder, within thirty (30) days of Contractholder's request at no additional charge. Contractholder can grant, in writing, an extension of this thirty (30) day period.

The Contractholder will be liable, to the extent of funds in the Trust, for all benefit payments made by Aetna in accordance with this subsection (D) following the termination date or which are outstanding on the termination date. The Contractholder will continue to fund benefit payments through the banking arrangement described in Section 3 and agrees to instruct its bank to continue to make funds available until all outstanding benefit payments have been funded by the Contractholder, no further funds are contained in the Trust, or until such time as mutually agreed upon by Aetna and the Contractholder.

**Section 13. Entire Agreement**

(A) The Parties acknowledge and agree that, in connection with the Program, TRS issued a Request for Proposal ("RFP"), and Aetna submitted to TRS an original proposal in response to the RFP ("original Proposal"). Aetna clarified its proposal in response to a request and questions from TRS. The original Proposal, as finally clarified, is referred to as the "Proposal." The RFP and the Proposal, attached hereto as Exhibit D, are hereby incorporated into and made a part of this Contract. Therefore, this Contract consists of this document, and the exhibits and appendices hereto, the RFP, and the Proposal. This Contract contains the final, complete, and exclusive understanding of the parties. This Contract shall supersede all prior contemporaneous agreements, understandings, representations, and negotiations between the parties relating to the subject matter of this Contract. The parties further agree that this Contract may not in any way be explained or supplemented by prior or existing course of dealings between the parties, by usage of trade or custom, or by any prior performance between the parties pursuant to this Contract or otherwise.

(B) The statements and representations made and information submitted to TRS prior to the selection of Aetna to provide the services specified herein, including those

in the Proposal, as defined above, or those made during the negotiation of this Contract, were true and accurate in all material respects when Aetna submitted such statements, representations and information.

(C) If there is a conflict between the provisions of this Contract (together with its exhibits and appendices) and any provision in the RFP or Proposal, the provisions of this Contract (together with its exhibits and appendices) shall prevail. If there is a conflict between the provisions of the RFP and the Proposal, the provisions within the RFP shall prevail over the Proposal.

**In Witness Whereof,** the parties hereto have caused this Contract to be executed by their respective officers duly authorized to do so.

**Aetna Life Insurance Company**
**Hartford, Connecticut**

By: _____

Tami Polsonetti
Sales Director for Public & Labor Sector

8/28/14
(Date)

**The Teacher Retirement System of Texas, Trustee**
**of the Texas School Employees Uniform Group Health Coverage Program**
**Austin, Texas**

By: _____

Brian K. Guthrie
Executive Director

8/29/14
(Date)

# Appendix I

## The Program

TRS-ActiveCare 1-HD, as described in the Program document entitled "TRS-ActiveCare Benefits Booklet," as amended from time to time.

TRS-ActiveCare Select, as described in the Program document entitled "TRS-ActiveCare Benefits Booklet," as amended from time to time.

TRS-ActiveCare 2, as described in the Program document entitled "TRS-ActiveCare Benefits Booklet," as amended from time to time.

# Appendix II

## Administrative Fees

This is to describe an agreement between the Teacher Retirement System of Texas ("TRS"), as trustee for the health benefits program (the "Program" or "TRS-ActiveCare") acting on behalf of and in its capacity as the Trustee of the Texas School Employees Uniform Group Health Coverage Program (hereinafter referred to as the "Program" or "TRS-ActiveCare").

### Coverages and Financial Arrangements

The following illustrates the funding arrangements by line of coverage:

| Coverage | Funding Arrangement |
|---|---|
| Choice POS II | Self-Funded |
| Open Access Aetna Select | Self-Funded |
| Open Access Aetna Select with ACN | Self-funded |
| Non-Aetna HMO Eligibility Administration | Self-Funded |

### Administrative Service Fees

Based on the package of services selected and enrollment awarded to Aetna, the per member per month (PMPM) administrative services fees by plan for each of the two contract periods, as revised and quoted on August 14, 2014, are:

| Plan | Projected Enrollment | 09/01/2014 | 09/01/2015 |
|---|---|---|---|
| Choice POS II HDHP (TRS-ActiveCare 1-HD) | 169,924 | | |
| Choice POS II (TRS-ActiveCare 2) | 217,945 | | |
| Open Access Aetna Select (TRS-ActiveCare Select) | 31,604 | | |
| Open Access Aetna Select with ACN (TRS ActiveCare Select ACN) | 27,155 | | |
| HMO Eligibility Administration | 30,716 | | |

## Administrative Fees

We will review the per member per month administrative fees mid-year in January to ensure the actual membership is within an acceptable range and adjust accordingly if needed. Any adjustment applied will be applied on a prospective basis. We reserve the right to adjust our PMPM fees if for any product the member-to-subscriber ratio changes by more than 15%. We assumed the following member-to-subscriber ratios:

- Choice POS II HDHP (TRS-ActiveCare 1-HD) – 1.71
- Choice POS II (TRS-ActiveCare 2) – 1.71
- Open Access Aetna Select (TRS-ActiveCare Select) – 1.64
- Open Access Aetna Select (TRS-ActiveCare Select ACN) – 1.64
- HMO Eligibility Administration – 1.86

Self Funded Choice POS II Fees include:

- $500,000 One Time Implementation Allowance
  - $150,000 used to cover Account Structure Charges
- Designated Implementation Manager
- Open Enrollment Marketing Material (noncustomized)
- Onsite Open Enrollment Meeting Preparation
- Standard ID Cards
- 24-Hour Nurse Line (Informed Health® Line toll-free number)
- Dedicated Toll free member services number with access to a multi-lingual language line
- Dedicated Customer Service Team
- Dedicated Aetna Concierge Team
- Integrated Voice Response
- Plan Sponsor Liaison
- Dedicated Claim Processing and Adjudication Team
- TRS-ActiveCare Specific Satisfaction Survey
- Dedicated Clinical Consultant
- Dedicated Wellness Cordinator / Health Education Specialist
- Custom Website
- iTriage
- Special Investigations / Zero Tolerance Fraud Unit
- Intensive Case Management Program
- Patient Management
- Inpatient Precertification
- Outpatient Precertification
- Utilization Management – Concurrent Review
- Utilization Management – Discharge Planning
- Utilization Management – Retrospective Review
- Managed Behavioral Health
- Compassionate Care Program
- National Medical Excellence
- Online Wellness Programs and Health Risk Assessment (Simple Steps to a Healthier Life)
- Simple Steps to a Healthier Life®
- Patient Safety (MedQuery)

## Administrative Fees

- Aetna Health Connections℠ Disease Management Program
- Designated Disease Management Team
- MedQuery℠ with Standard Member Messaging
- Aetna's CareEngine-Powered Personal Health Record (PHR)
- MedQuery℠ Preventive Care Considerations
- Online Disease Management
- Designated Beginning Right Maternity Management Program™
- Dedicated Care Advocate Team
- Two (2) Dedicated Account Executives
- Two (2) Dedicated Account Managers
- Designated Billing, Eligibility and Plan Set Up
- SPD Review and Drafting
- Aetna as full claim fiduciary
- External Review
- Network Access / Full National Reciprocity
- Online Directories (DocFind)
- Aetna Navigator™ member self-service website
- Web-Chat Technology – Virtual Assistant Ann
- Health Improvement Decision Support Tools
- Online Wellness Programs
- Aetna InteliHealth ®
- Dedicated Aetna Informatics Reporting Resource
- Aetna Health Information Advantage Reporting (Aetna Informatics)
  - Quarterly Utilization Reports - Level A Reporting
  - Quarterly Utilization Reports - Level B Reporting (Standard Reports with Additional Parameters)
- Monthly Banking Reports
- Monthly Claim Detail Report
- One (1) Consolidated Termination Report to New Vendor
- One (1) Monthly Universal File Feed (Outbound)
- Importing 3rd Party Pharmacy Data
- Out of Pocket Maximum 3rd Party Pharmacy Data Integration (TRS-ActiveCare 1-HD only year one, all plans year two)
- Vision One® discount program
- Aetna Fitness® discount health club program
- HearPO® Discount Program
- Natural Alternatives
- GlobalFit™
- Eligibility and COBRA Administration via WellSystems
- Institutes of Quality (IOQ) Program
- Teladoc
- Accountable Care Network Administration Fee (Open Access Aetna Select with ACN Only)
- HIPPA Certificates (9/1/14 through 12/31/14 Only)

## Administrative Fees

Services provided at an additional cost include:

- Claims Subrogation: A contingency fee of [redacted] is collected upon recovery
- Hospital Bill Audit: A contingency fee of 27.0% is collected upon recovery
- Enhanced Clinical Review: An administrative fee of $0.50 PMPM will be billed through the claim wire.
- Teladoc: In addition to the per member per month fee there is also a $40 per Teladoc consult that is charged through the claim wire. Accountable Care Payments: Fees will be charge based on the actual number of members enrolled in the ACN plan.
  - Baptist and Health Texas = [redacted]
  - Baylor = [redacted]
  - Memorial Hermann = [redacted]
  - Seton = [redacted]
- Pay for Performance (PCMH) Fees: Fees will be charged based on the actual number of members attributed to the PCMH.
  - Medical Clinic of North Texas = [redacted]
  - Village Health Partners = [redacted]
  - Platinum IPA = [redacted]
  - Village Family Practice = [redacted]
  - Memorial Hermann = [redacted] – Only applies to the non-ACN plans.

## Self-Funded Medical Financial Assumptions and Caveats

We have made every effort to respond to Teacher Retirement System of Texas (TRS-ActiveCare)'s request in a manner that reflects our existing and expected business practices for the contract period beginning on the effective date of September 01, 2014 continuing through August 31, 2015.

Our quotation assumes that our standard contract provisions and claim settlement practices will apply unless otherwise stated.

Please refer to the Fee Exhibit for a list of the specific programs and services that we offer.

## Self-Funded Medical Financial Assumptions and Caveats

### Underwriting Assumptions and Caveats

- **Services Agreement ("Contract") Period** – The contract period begins on the effective date of September 01, 2014.

- **Pricing and Underwriting Basis** – We have assumed that the proposed plan of benefits will be extended to the subscriber group(s) included on the census file that was submitted with the request for proposal. Our enrollment assumptions are shown on the fee exhibit(s). Our proposal assumes that coverage will not be extended to additional subscriber groups without review of supplemental census information and other underwriting information for appropriate financial review.

- **Plan Design** – These products are offered subject to the terms of our Benefit Review Document.

- **Health Care Reform Disclosure** – This proposal is intended to be compliant with healthcare reform.

  The Federal government released regulations related to grandfathering of health plans in existence on March 23, 2010. Under the health care reform legislation, health plans existing prior to the enactment of the legislation may be "grandfathered" and not subject to some of the mandated benefits and reform provisions. Changes in your benefit design as well as your contribution strategy may affect grandfathering. Plan sponsors are required to notify Aetna if their contribution rate changes for a grandfathered plan at any point during the plan year. On January 1, 2014, grandfathered plans need to comply with the requirement to cover dependent children up to age 26 on their parent's plan even if they have other employer sponsored coverage available.

  This proposal assumes your plan is not grandfathered.

  As a non-grandfathered plan, the plan will include benefits for preventive care as defined by regulation without cost sharing on in-network services.

  For plan years starting with August 1, 2012 this quote includes the women's preventive care coverage requirements, e.g., coverage for preventive contraceptive methods and counseling, breastfeeding support and equipment, and prenatal care.

  Certain religious employers may be exempt from contraceptive services coverage requirements, or may be able to defer until August, 2013 because of a temporary safe harbor. If you want to be considered exempt, please work with your Account

## Self-Funded Medical Financial Assumptions and Caveats

Manager/Account Executive to provide the required documentation to Aetna. Aetna has the right to treat plans as subject to the ACA contraceptive services coverage requirements unless we have an executed certification document. . If and when final rules are issued on the requirements related to plans that meet a religious accommodation for the provision of contraceptive services coverage, Aetna will make changes to the employer's plan as required under the rules upon receipt of the certification demonstrating that the employer meets the requisite standards for religious accommodation.

Except for specific and limited scenarios described as transitional rules in the health care reform legislation, if a plan's grandfathered status has been lost, it cannot be regained. If, after reviewing the grandfathering rules with your benefit consultant or counsel, "TRS-ActiveCare" determines that your coverage could be or is grandfathered, and you want to retain grandfathered status, you should contact Aetna for further instructions.

Guidance issued by the Internal Revenue Service ("IRS"), Department of Labor ("DOL"), and Department of Health and Human Services ("HHS") has indicated that "retiree only" plans are exempt from the new benefit mandates under ACA including Medical Loss Ratio ("MLR") and rebate requirements for insured plans (Retiree only plans are subject to certain ACA fees and assessments). In order to demonstrate the establishment of a retiree only plan, a plan should maintain, separately from the plan for current (i.e., active) subscribers, a separate plan document and Summary Plan Description (SPD) and file a separate Form 5500. If you have a retiree only plan, and want to be considered exempt, please submit a retiree only certification form and required documentation to Aetna.

The benefits and fees within this proposal are subject to change pending any required approvals or future guidance from state or federal regulatory agencies. If you have questions, please contact your Sales/Account Executive.

Aetna reserves the right to modify its products, services, rates and fees, in response to legislation, regulation or requests of government authorities resulting in changes to plan benefits and to recoup any material fees, costs, assessments, or taxes due to changes in the law even if no benefit or plan changes are mandated.

## Self-Funded Medical Financial Assumptions and Caveats

- **Transitional Reinsurance Contribution:**

  **ACA Taxes and Fees - Notice of Self-Funded Group Health Plan's Financial Liability**

  Any taxes or fees (assessments) applied to self-funded benefit plans related to the Affordable Care Act will be solely the obligation of the plan sponsor.

  Under Section 1341 of the Affordable Care Act, self-funded group health plans are responsible for paying an assessment to fund state-based non-profit reinsurance entities that will administer a high-risk pool for the individual market. The assessment is imposed for a limited number of years, beginning in 2014 and ending in 2016.

  The Secretary of Health and Human Services (HHS) provides the methods for determining the amount each self-funded group health plan is required to pay. Beginning in 2014, self-funded group health plans are required to submit membership counts and related payments to HHS. The administrative service fees that Aetna is presenting do not include any such plan sponsor liability or reporting services.

- **Benefit Mandates – Essential Health Benefits**

  The ACA prohibits the application of annual and lifetime dollar limits for any Essential Health Benefits for all plans effective on or after January 1, 2014. To the extent that your current benefit plan includes such limits, this quote includes the removal of those limits.

- **Benefit Mandates – Member Out of Pocket Limit**

  Beginning with January 1, 2014 and later effective/renewal dates, all non-grandfathered, non-exempt plans will need to comply with the new Affordable Care Act (ACA) out-of-pocket (OOP) maximum requirements, which will generally require all in-network medical, behavioral health, and pharmacy cost sharing apply to the member OOP limit. Cost-sharing as defined under the ACA includes the following: deductibles, coinsurance, copayments, and similar charges, as well as other expenditures which are qualified medical expenses with respect to Essential Health Benefits under the plan. Cost-sharing does not include premiums, balance billing amounts (generally) of non-network providers and amounts paid by the member for non-covered services. The U.S. Departments of Labor, Health and Human Services, and Treasury issued guidance announcing they will allow group health plans a one year safe-harbor period for integrating the cost sharing toward the OOP maximum for pharmacy when the pharmacy coverage is managed by a separate service provider for the first plan year

**Self-Funded Medical Financial Assumptions and Caveats**

beginning on or after January 1, 2014. However, the out-of-pocket maximum for major medical plans must not exceed the limitations in effect under section 223(c)(2)(A)(ii) of the Internal Revenue Code of 1986 for self-only and family coverage, respectively (for 2014, these amounts are $6,350/$12,700). This limitation also applies to other coverages to the extent the coverage has an out-of-pocket limit as well.

Please note that existing regulations for Mental Health Parity already require group health plans to have shared out-of-pocket accumulators with medical benefits.

TRS-ActiveCare has elected to invoke the transitional relief for your TRS-ActiveCare 2, TRS-ActiveCare Select and TRS-ActiveCare Select ACN plan benefits for the September 1, 2014 through August 31, 2015 plan year, and will have a separate OOP maximum on medical benefits and on pharmacy benefits, that each independently complies with the OOP maximum requirements. For your next plan renewal year, September 1, 2015 through August 31, 2016, your plan will be required to have medical and pharmacy OOP maximums that collectively do not exceed the statutory limits.

TRS-ActiveCare has elected to integrate Medical OOP accumulators with a third party Pharmacy service provider, CVS/Caremark for the TRS-ActiveCare 1HD plan in year one, September 1, 2014 through August 31, 2015. There is a service fee associated with periodic receipts of claim files from the separate service provider to integrate with medical accumulators. The service fee associated with this integration is included in our TRS-ActiveCare 1-HD fees in both the 2014 and 2015 plan years. This service fee is also included in your 2015 plan year fees for the additional TRS-Active Care plans which have elected the safe harbor for the 2014 plan year.

- **Fee Guarantee** – We have provided a fee guarantee for each of the first two contract years from September 01, 2014 through August 30, 2016 for the self-funded coverages included in this proposal. The mature fees are guaranteed according to the per-member, per-month fees as illustrated on the financial exhibit(s). We will review the per member per month fees mid-year in January to ensure the actual membership is within an acceptable range and adjust accordingly if needed.

- **Fee Guarantee Parameters** – We reserve the right to recalculate the guaranteed fees using our then current book of business formula under the circumstances described below. In such case, TRS-ActiveCare will be required to pay any difference between the fees collected and the new fees calculated retroactive to the start of the guarantee period. Aetna may recalculate:

  1. If, for any product:

**Self-Funded Medical Financial Assumptions and Caveats**

a. There is a 15% decrease in the number of subscribers in aggregate
b. The member-to-subscriber ratio increases by more than 15%. We have assumed a member-to-subscriber ratio of:

   - 1.71 for Choice POS II
   - 1.64 for Open Access Aetna Select

2. If maximum account structure exceeds 750 units per product and TRS-ActiveCare chooses not to use $150,000 of the transitional allowance towards this cost. Account structure determines the reporting format. During the installation process, we will work with TRS-ActiveCare to finalize the account structure and determine which report formats will be most meaningful. Maximum total account structure includes Experience Rating Groups (ERGs), controls, suffixes, billing and claim accounts.

3. If a material change in the plan of benefits is initiated by TRS-ActiveCare or by legislative or regulatory action.

4. If a material change is initiated by TRS-ActiveCare or by legislative or regulatory action in the claim payment requirements or procedures, claim fiduciary option, alternate office processing usage, or any other change materially affecting the manner or cost of paying benefits.

5. If Aetna programs and services including, but not limited to, Informed Health® Line (IHL), MedQuery®, Aetna Health Connections℠ (AHC) disease management program, Beginning Right® Maternity Program, Health Lifestyle Coaching Tobacco Free, Accountable Care Organizations Administration are terminated by TRS-ActiveCare.

6. If legislation, regulation or requests of government authorities result in material changes to plan benefits, Aetna also reserves the right to recoup any material fees, costs, assessments, or taxes due to changes in the law even if no benefit or plan changes are mandated.

7. If source documentation of the dependent limiting age, which is required for plan installation, is not received.

   In the absence of documentation from the current carrier(s), the fees consider the dependent limiting age is up to age 26 student/non-student based on health care reform legislation. The expected claims and, if applicable, the resultant claim target factors contemplate the change to a dependent limiting age of up to 26/26

**Self-Funded Medical Financial Assumptions and Caveats**

student/non-student and may be amended upward upon receipt of the dependent eligibility documentation.

If one or more of the circumstances identified above occurs, then the additional financial guarantees between Aetna and TRS-ActiveCare including, but not limited to, the claim-based performance guarantee may also be modified or terminated in accordance with the financial conditions contained in those documents.

We are relying on information from TRS-ActiveCare and its representatives in establishing the fees and terms of this proposal. If any of this information is inaccurate and has an impact on the cost of the programs, we reserve the right to adjust our fees and terms upon the receipt of corrected information.

- **Claim Fiduciary** – Our proposal assumes that Aetna will assume claim fiduciary responsibilities. As claim fiduciary, we will be responsible for final claim determination and the legal defense of disputed benefit payments. Our appeal administrative services are automatically included when we assume claim fiduciary responsibility. The fee included for this service assumes a member-to-subscriber ratio range of 1.0 to 2.0.

- **External Review** – External Review is included in our self-funded proposal. External review uses outside vendors who coordinate a medical review through their network of outside physician reviewers.

- **Non-ERISA** – For a non-ERISA plan, the risks and responsibilities are different from those under ERISA plans, since the ERISA preemption and ERISA standard of performance do not apply. Our charge for non-ERISA plans must take into account the additional liability risk as compared to known risks under an ERISA plan. An additional $0.35 per-subscriber, per-month is charged for non-ERISA plans and has been included in our fees as shown on the financial exhibit(s).

- **Banking** – We have assumed that TRS-ActiveCare provides funds through a TRS-ActiveCare - pushed ACH transfer for drafts issued under the self-funded arrangement assumed in this proposal.

  We have assumed an alternate stockpiling arrangement, wiring on Monday of each week instead of a trigger of $20,000 for fund wiring requests. In addition, we have assumed that wire transfer will occur within 4 days of the request.

**Self-Funded Medical Financial Assumptions and Caveats**

We have assumed TRS-ActiveCare will use no more than three primary banking lines. Additional wire lines and customized banking arrangements will result in an adjustment to the proposed pricing.

- **Support for SBC Draft Documents**
  At TRS-ActiveCare' s request, we will provide assistance in connection with the preparation of draft Summaries of Benefits and Coverage (SBCs) subject to the direction, review and final approval of TRS-ActiveCare. The development of draft SBCs by Aetna will be based on the benefits information TRS-ActiveCare has provided and existing plan information from our benefit source system. We will include plan design information in the draft SBC relating to products or services administered under the Services Agreement by Aetna as well as any additional pharmacy or behavioral health carve out information or benefits information provided by the TRS-ActiveCare or its delegate. SBCs are not required for "retiree-only plans" as defined by the ACA and Aetna will not be supporting generation of SBCs for "retiree-only plans".

  TRS-ActiveCare has the responsibility to review and approve any SBCs and revisions thereto and to consult with TRS-ActiveCare' s legal counsel, at its discretion, in connection with said review and approval, as well as to disseminate the final SBC to Plan subscribers. We have no responsibility or liability for the content or distribution of any of the TRS-ActiveCare's SBCs, regardless of the role we may have played in the preparation of the documents. The production of SBCs will not be subject to Service or Performance Guarantees.

  - **Health Insurance Portability and Accountability Act (HIPAA)** - Our proposal assumes that Aetna will be providing HIPAA certifications of coverage for terminated subscribers from September 1, 2014 through December 31, 2014. We will no longer be providing HIPPA certificates effective January 1, 2015.

  - **Late Payment** - If TRS-ActiveCare fails to provide funds on a timely basis to cover benefit payments as provided in the Agreement, and/or fails to pay service fees on a timely basis as provided in such Agreement, Aetna will assess a late payment charge. Aetna will make a charge consistent with Aetna's cost with respect to these late payments and subject to the provision of Subchapter B of Chapter 2251 of the Government Code. In addition, Aetna will make a charge for costs of collection and reasonable attorneys' fees only if Aetna incurs such fees in connection with collecting late payments from TRS-ActiveCare.

    Aetna reserves the right to collect any incurred late payment charges through the claim wire on a monthly basis provided there is no other special payment arrangements in-force to fund any incurred late payment charges. TRS-ActiveCare will be notified by

**Self-Funded Medical Financial Assumptions and Caveats**

Aetna in writing to obtain approval prior to billing any late payment charges through claim wire.

- **Aetna Late Payment** - If Aetna fails to provide funds on a timely basis for scheduled payments as provided in the Agreement, TRS-ActiveCare will assess a late payment charge. The late charge will be consistent with TRS-ActiveCare's cost with respect to the late payments and subject to the provision of Subchapter B of Chapter 2251 of the Government Code. In addition, TRS-ActiveCare will make a charge for costs of collection and reasonable attorneys' fees only if TRS-ActiveCare incurs such fees in connection with collecting late payments from Aetna.

- **Advance Notification of Fee Change** – We will notify TRS-ActiveCare of any fee change within 31 days of the fee change.

- **Consultant Compensation** – The quoted fees do not include consultant compensation.

- **Disclosure Statement** – We have various programs for compensating agents, brokers and consultants. If you would like information about compensation programs for which your agent, broker, or consultant is eligible; payments (if any) that we have made to your agent, broker, or consultant; or other material relationships your agent, broker, or consultant may have with us, you may contact your agent, broker, or consultant or your Aetna account representative. Information about our programs for compensating agents, brokers, or consultants is also available at **www.aetna.com**.

- **Specialty Pharmaceutical Rebates** – We will retain as compensation for our efforts in administering the Preferred Specialty Pharmaceutical Program) all specialty pharmaceutical rebates earned on drug claims that we administer and pay through the medical benefit rather than the pharmacy benefit. We will share an annual report with TRS-ActiveCare of the amount of specialty pharmacy rebates retained. Aetna will report the invoiced rebates for the prior year no later than June 1st and collected rebate amounts no later than December 31st for the prior year. Please note that the amounts invoiced and collected could vary due to billing adjustments that are posted along with the collected funds.

## Self-Funded Medical Financial Assumptions and Caveats

- **Transition Allowance** – We are including a transition allowance of up to $500,000, $150,000 of which will be used towards Account Structure Charges, that may be used toward reasonable implementation and communication services procured by TRS-ActiveCare to pay for transition-related expenses incurred during the September 01, 2014 through August 31, 2015 plan year. These funds will be available after the September 01, 2014 contract period service fees have been paid. We will make payment for transition-related expenses after TRS-ActiveCare has presented the invoice(s) outlining the expenses they incurred. Any remaining amounts of the allowance after August 31, 2015 will be forfeited.

  Any amounts ("transition allowance") that we pay to a plan sponsor to offset or reimburse such plan sponsor for any expense or costs incurred as a result of contracting with Aetna for benefits plan administration services, will be paid in accordance with applicable law. Plan sponsors are advised to determine appropriate accounting for these payments with their own counsel or accountant. Any plan sponsor receiving a transition allowance or other payments from us that offset or reimburse expenses that would otherwise be paid from plan assets, should consult with their ERISA counsel to determine if such allowance must be credited to plan assets, and for additional counsel regarding the accounting for reporting of such payments.

- **Communication**– We have included the following customized communications materials for TRS-ActiveCare through Customized Communications Group (CCG).
    - Online Enrollment Guide – 40 pages, English and Spanish
    - Administrator Guide – 100 pages, full color, perfect bound. Quantity of 3,200
    - Training Handouts – BA Version 30 pages. Quantity of 2,300 sets
    - PowerPoint Presentations – BA Version 30 slides and Teacher's version 20 slides.
    - Quick Reference Guides – 3 versions. Quantity of 5,000 of each version, laminated
    - Posters – 12x18 full color. English on one side and Spanish on the reverse. Quantity of 30,000
    - Enrollment Form Pads – 50 enrollment forms each, based on using a supplied version of the Aetna enrollment form. Quantity of 4,000 pads
    - Pre – Enrollment Guide – 12 pages full color mailed to the homes and will promote TRS-ActiveCare' benefits strategy and help subscribers to prepare for open enrollment. Quantity of 245,000. This climate setting communication will include the following key messages:
        - Meet Aetna – Our new partner for better health. Messaging includes reasons why Aetna was chosen.

**Self-Funded Medical Financial Assumptions and Caveats**

- Health care consumerism education. Messaging includes how TRS-ActiveCare continues to provide members with comprehensive benefits in a changing health care environment.
- Benefits-at-a-glance – Review what is changing and what is staying the same.
- Preview plan options provided by Aetna
- Become familiar with Aetna's provider network – Provide instructions on how to check to see if their doctors are in the network, as well as things they can do if they are not in the network.
- Aetna Navigator – Highlight key features of Aetna Navigator and invite them to take a tour of Aetna Navigator (flash demo).
- Preview of all of the value-added programs and resources available to them
- Get ready to enroll – Review open enrollment dates and details as to what they can do and expect soon

- Welcome to the Plan Guide – 16 pages full color mailed to enrolled members to reinforce key messages, promote understanding for appropriate usage of all aspects of their plan. Quantity of 245,000. The plan will:
  - Review how the plans work
  - Explain the online tools and resources available to them
  - Give them tips on receiving medical care and ways to maximize their prescription drug coverage
  - Provide an overview of the health and wellness programs
- Custom Benefit Administrator Website - created to assist TRS-ActiveCare Benefit Administrators with plan information. The site will allow Administrators to access all pertinent information including enrollment forms, SPDs, instructions, administration guides. The website will be built on a dynamic platform, where TRS-ActiveCare can add content through a full content-management system (CMS). Estimate includes overall project management, design, layout, html development and production of the initial build of the website.

- **Federal Mental Health Parity -** The Federal Mental Health Parity and Addiction Equity Act of 2008 applies to fully insured traditional and HMO, Middle Market (MM) & National Accounts (NA) commercial plans as well as self-funded Traditional and HMO MM & NA commercial plans for plan years beginning on or after October 3, 2009. This means many calendar year plans were required to comply with the Act by Jan. 1, 2010. The Interim Final Regulations applied to plan years beginning on or after July 1, 2010, so calendar year plans must comply with the regulations by January 1, 2011. However, given that this is a self-funded plan, it is ultimately up to TRS-ActiveCare to comply with

**Self-Funded Medical Financial Assumptions and Caveats**

Federal Mental Health Parity. We can continue to make our recommendation regarding application and how we think their plan should be designed in order to comply but we are not in the position to provide self-funded plan sponsors legal advice. Therefore, TRS-ActiveCare should speak to their own legal counsel and make the final determination related to compliance with Federal Mental Health Parity

- **Data Integration (Set-up)** - Our proposal assumes one historical medical data integration feed. For an additional fee, historical medical feeds maybe added.

- **Data Integration (On-Going)** - Options and pricing for integrating claims data from an external vendor into one or more of our systems will vary depending on the scale of TRS-ActiveCare' s integration needs.

- **Enhanced Clinical Review Program** - Aetna's Enhanced Clinical Review Program can limit the financial impact of high cost radiology, facility based sleep studies, diagnostic cardiology and cardiac rhythm implant devices by coordinating information provided by the ordering doctor. The information is reviewed by board-certified physicians and registered nurses, to maximize savings on these high cost services. In one year, markets with Aetna's Enhanced Clinical Review Program had costs that were 24 to 32 percent lower than those markets without the program.

- **Additional Products and Services** – Costs for special services rendered that are not included or assumed in the pricing guarantee will be billed through the claim wire, on a single claim account, when applicable, to separately identify charges. Additional charges that are not collected through the claim wire during the year will either be direct-billed or reconciled in conjunction with the year-end accounting and may result in an adjustment to the final administration charge. For example, TRS-ActiveCare may be subject to additional charges for customized communication materials, as well as costs associated with custom reporting, booklet and SPD printing, etc. The costs for these types of services will depend upon the actual services performed and will be determined at the time the service is requested.

**Network Services**

- **Alternative Network Arrangements** – We have included any PCMH arrangements which are currently available within the Texas markets for TRS-ActiveCare. These include Medical Clinic of North Texas, Village Health Partners, Platinum IPA, Village Family Practice and Memorial Hermann. In order to receive the savings of these programs a pay for performance fees will be billed through the claim wire. This fee will vary based on the specific PCMH as shown below. These fees will be charged based on the actual

## Self-Funded Medical Financial Assumptions and Caveats

attribution to the plan. The enrollment numbers provided below are our assumptions. The expected savings for these arrangements has been factored into our proposed or claim target guarantee. The Memorial Hermann PCMH will only apply to those plans which do not include an Accountable Care Network arrangement. Should TRS-ActiveCare wish to terminate one or more of these programs Aetna reserves the right to adjust our proposed administrative services fees and/or claim target guarantee accordingly.

| Patient Centered Medial Home | Pay for Performance Fee | Assumed Enrollment |
|---|---|---|
| Medical Clinic of North Texas | | 2,208 members |
| Village Health Partners | | 88 members |
| Platinum IPA | | 544 members |
| Village Family Practice | | 96 members |
| Memorial Hermann | | 423 members |

- **Aetna Whole Health™ Product** – We have included the Aetna Whole Health product in our proposal and assumed you will be participating in the following Accountable Care Network(s) (ACN) for the Open Access Aetna Select plan: Austin, Dallas, Houston and San Antonio. The ACN agreement is performance based and is tied to quality and efficiency metrics. Further detail can be found in the ACN financial overview documents.

- **Network Contracting** – In addition to standard fee-for-services rates, contracted rates with network providers may also be based on case and/or per diem rates and in some circumstances, include risk-adjustment calculations, quality incentives, pay-for-performance and other incentive and adjustment mechanisms. These mechanisms may include payments to organizations that may refer to themselves as accountable care networks ("ACNs") and patient-centered medical homes ("PCMHs"), in the form of accountable care payments (ACP) and incentive arrangements based on clinical performance and cost-effectiveness. The ACP amount is based upon an assessment for each member who is already accessing providers in an ACN, and is assessed retrospectively on a quarterly basis and collected through established claim wire. Each ACN will have a different ACP based on the clinical efficiencies targeted and Aetna's negotiations. The ACP assists the ACN in funding transformation of the health care system to improve quality, reduce costs and enhance the patient experience by:

  - Identifying and engaging patients at risk for health crises sooner through more data-sharing
  - Increasing patient engagement in best-in-class care management programs through doctor-driven outreach

**Self-Funded Medical Financial Assumptions and Caveats**

- Delivering better health outcomes through increased collaboration between Aetna and ACN providers

**Claim and Member Services**

- **Policies and Claim Settlement Practices** – Our quotation assumes that our standard contract provisions and claim settlement practices will apply. If a material change is initiated by TRS-ActiveCare or by legislative or regulatory action in the claim payment requirements or procedures, account structure, or any changes materially affecting the manner or cost of paying benefits, we reserve the right to adjust our proposal accordingly.

- **Run-In Claim Processing** – Our proposal excludes run-in claim processing from the prior carrier (claims incurred before the effective date of the plan).

- **Run-Off Claims Processing** – Our fees reflect an incurred (mature) claim base and take into account the expenses associated with the processing of run-off claims following cancellation, subject to the conditions of these financial assumptions.

- **Medical EOB Suppression** – Unless required by state law, we do not produce EOBs for Aetna Choice® POS II claims when there is no member liability. Our claim system automatically suppresses an EOB where benefits are assigned and the member's liability is either zero or consists of a copayment only. Additionally, EOBs are always available electronically through Aetna Navigator.

- **Claims Subrogation** – We have entered into an agreement with the firm of Rawlings & Associates to provide comprehensive subrogation services. A contingency fee of 27 percent is retained upon recovery for self-funded customers.

- **Contracted Services** – Aetna utilizes external vendors for claim recovery on Coordination of Benefits, Retro Terminations, Medical Bill and Hospital Bill Audits, Workers Compensation, DRG and Implant Audits. A contingency fee of 27 percent will be charged for the claim recoveries. These fees are primarily to support vendor costs and internal Aetna administrative costs associated with these programs.

- **Claims History Transfer (set up)** - These files are used to administer deductible and internal maximums. There is no cost associated with receiving claim history files electronically from the prior carrier for initial implementation. There will be a charge for files received in a format other than electronically; costs are based on the complexity and format of the data.

## Self-Funded Medical Financial Assumptions and Caveats

- **Medical Service Center** – We have assumed that claim administration and member services for the quoted plans will be provided centrally by the Arlington, TX Service Center. Members will be able to reach the Member Service representatives Monday through Friday, from 8 a.m. to 6 p.m. (or 5 p.m. if AITC), local time (based on where the member resides).

- **Patient Management Center** – Patient Management services for TRS-ActiveCare will be administered by our Care Advocate Team (CAT) in San Antonio, TX.

- **Third-Party Audits** –We do not typically charge to recoup internal costs associated with a third-party audit. We reserve the right to recover these expenses if significant time and materials are required.

- **Alternate Office Processing (AOP)** – We have assumed that non-member facing services may be located inside or outside of the United States. Aetna quality standards and controls apply to all claims regardless of where they are processed. Standard pricing assumptions are in effect based on type of product, auto-adjudication, plan design, and customer specific requirements. Customer services will be domestically based for TRS-ActiveCare. We may adjust service fees based on the above factors and/or where plan sponsors wish to limit use of Alternative Office Processing (AOP).

- **Mental Health/Substance Abuse Benefits** – Our quotation assumes that mental health/substance abuse benefits are included.

## Reporting

- **Aetna Informatics℠ Reporting and Consulting** – In addition to our electronic tool, Aetna Health Information Advantage, TRS-ActiveCare will receive a Dedicated AetInfo resource support for report generation and/or consulting services for customer data housed in Aetna Health Information Advantage.

- **Eligibility Transmission** – Our proposal assumes we will receive eligibility information weekly or biweekly, from TRS-ActiveCare's location(s) and/or by TRS-ActiveCare's designated vendor. Our preferred method of submission is via electronic connectivity. We do not charge for the first 4 Electronic Reporting (ELRs)/segments whether associated with one transmission or by multiple methods. Costs associated with more than 4 ELRs/segments or with any custom programming necessary to accept TRS-ActiveCare' s eligibility information and/or information coming from a designated vendor are not included in this proposal and will be assessed separately. During the

## Self-Funded Medical Financial Assumptions and Caveats

installation, we will review all available methods of submitting eligibility information and identify the approach that best meets TRS-ActiveCare's needs or the needs of their designated vendor.

### Pharmacy

- **Prescription Drug Benefits** – Our quotation assumes that prescription drug benefits are excluded. We have included weekly pharmacy data integration from TRS-ActiveCare's third-party pharmacy vendor.

# Appendix III. a

## Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees

### General Performance Guarantee Provisions

Aetna Life Insurance Company (ALIC) provides health benefits administration and other services for the self-funded Aetna Choice POS II (CPII or TRS-ActiveCare 1-HD and TRS-ActiveCare 2 and Open Access Aetna Select (AS or TRS-ActiveCare Select and TRS-ActiveCare Select ACN) Medical Health plans. The services set forth in this document will be provided by ALIC (hereinafter "Aetna").

### Performance Objectives

Aetna believes that measuring the activities described below are important indicators of how well it services Teacher Retirement System of Texas (TRS-ActiveCare). Aetna is confident that the Plan Administration, Claim Administration and Member Services provided to TRS will meet their high standards of performance. To reinforce TRS-ActiveCare's confidence in Aetna's ability to administer their program, Aetna is offering guarantees in the following areas:

| Performance Category | Minimum Standard | Proposed Penalty |
|---|---|---|
| **Implementation** | | |
| • Final Implementation Plan | Final plan submitted to TRS by March 31, 2014 | $5,000 per day |
| **Account Management** | | |
| • Overall Account Management | Average evaluation score of [redacted] or higher | [redacted] |
| **Claim Administration** | | |
| • Turnaround Time | [redacted] of claims processed within [redacted] *calendar days* | |
| • Financial Accuracy | [redacted] | |
| • Payment Incidence Accuracy | 98.0% | |
| • Total Claim Accuracy | [redacted] | |
| **Member Satisfaction** | Positive response rate of 85% or higher | |
| **Member Services** | | |
| • Average Speed of Answer | 30 Seconds | |
| • Average Speed of Answer for IVR Opt. Out | 30 Seconds | |
| • Abandonment Rate | [redacted] | |
| **Network Access** | | |
| • Access Rate to Primary Care Physicians – Urban/Suburban | 98% will have access to at least 2 within 8 miles | $250,000 |
| • Access Rate to Primary Care Physicians – Rural | 96% will have access to at least 1 within 15 miles | $250,000 |

## Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees

| Performance Category | Minimum Standard | Proposed Penalty |
|---|---|---|
| • Access Rate to Pediatricians – Urban/Suburban | 98% will have access to at least 2 within 8 miles | $250,000 |
| • Access Rate to Pediatricians – Rural | 96% will have access to at least 1 within [redacted] miles | $250,000 |
| • Access Rate to OB/GYNs – Urban/Suburban | 98% will have access to at least 2 within 8 miles | $250,000 |
| • Access Rate to OB/GYNs – Rural | 96% will have access to 1 within [redacted] miles | $250,000 |
| • Access Rate to Hospitals – Urban/Suburban | 98% will have access to at least 1 within 10 miles | $250,000 |
| • Access Rate to Hospitals – Rural | 90% will have access to at least 1 within 20 miles | $250,000 |
| **Total** | | [redacted] |

### Guarantee Period

The guarantees described herein will be effective for a period of 12 months and will run from **September 1, 2014 through August 31, 2015** (hereinafter "guarantee period").

The performance guarantees detailed below will apply to the self-funded Aetna Choice POS II (CPII or TRS-ActiveCare 1-HD and TRS-ActiveCare 2) and Open Access Aetna Select (AS or TRS-ActiveCare Select and TRS-ActiveCare Select ACN) Medical plans administered under the Administrative Services Only Agreement ("Services Agreement"). These guarantees **do not** apply to non-Aetna benefits. In addition, our network access guarantees do not apply to non-Aetna networks.

If Aetna processes runoff claims upon termination of the Services Agreement, performance guarantees of Turnaround Time, Financial Accuracy, Payment Incidence Accuracy, and Total Claim Accuracy will not apply to such claims. Furthermore, performance guarantees described herein will not apply to the guarantee period claims if termination is prior to the end of the guarantee period. In addition, performance guarantees will not be reconciled and payouts will not occur until the full guarantee period administrative service fees have been paid. Failure to remit applicable service fees within the grace period may invalidate certain guarantees listed below.

## Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees

### Aggregate Maximum

The maximum penalty adjustment will be equal to [redacted] of actual base service fees collected, excluding program fees at risk in the Medical Management Guarantees. In no event will fees be adjusted by more than **50.0%**, excluding pass through fees charged to subcontractor WellSystems, Teladoc per member per month fees and fees typically charged through the claim wire, due to results of this guarantee and all other guarantees combined.

Administrative Service Fees at risk exclude commissions and charges collected outside of the monthly billed administrative services fees.

### Termination Provisions

Termination of the guarantee obligations shall become effective upon written notice by Aetna in the event of the occurrence of (i), (ii) or (iii) below:

i. a material change in the plan initiated by TRS-ActiveCare or by legislative action that impacts the claim adjudication process, member service functions or network management;

ii. failure of TRS-ActiveCare to meet its obligations to remit administrative service fees or fund the TRS bank account as stipulated in the General Conditions Addendum of the Services Agreement;

iii. failure of TRS-ActiveCare to meet their administrative responsibilities (e.g., a submission of incorrect or incomplete eligibility information).

No guarantees shall apply for a guarantee period during which the Services Agreement is terminated by TRS-ActiveCare or by Aetna.

### Refund Process

At the end of each guarantee period, Aetna will compile its Performance Guarantees results. If necessary, Aetna will provide a "lump sum" refund for any penalties incurred by Aetna.

## Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees

### Measurement Criteria

Aetna's internal quality results for the unit(s) processing TRS's claims will be used to determine guarantee compliance for any Financial Accuracy, Payment Incidence Accuracy, and/or Total Claim Accuracy Guarantees. The results for these guarantees will be calculated using industry accepted stratified audit methodologies.

### Implementation

### Final Implementation Plan Guarantee

**Guarantee:** Aetna guarantees to submit the final implementation plan to TRS-ActiveCare on or before March 31, 2014.

**Definition:** In order for the final implementation plan to be provided by the guaranteed deadline TRS-ActiveCare will agree to provide final program and service confirmation as well as agreements to all other related requirements by March 24, 2014 or sooner. Any changes made by TRS-ActiveCare beyond this point will delay the delivery of the implementation plan and nullify the guarantee.

**Penalty and Measurement Criteria:** Aetna will reduce its compensation by an amount equal to $5,000 of the guarantee period administrative service fees for each full or partial day that Final Implementation Plan is delivered beyond March 31, 2014. Aetna's implementation records will be used to measure the terms of this guarantee.

**Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees**

**Account Management**

**Overall Account Management Guarantee**

**Guarantee:** Aetna will guarantee that the services (i.e., on-going financial, eligibility, drafting, and benefit administration and continued customer support) provided by the Field Office Account Management Staff during the guarantee period will be satisfactory to TRS-ActiveCare.

**Penalty and Measurement Criteria:** Via quarterly responses to the attached Account Management Evaluation Tool (provided at the end of this guarantee section) and this link **http://www.aetnasurveys.com/se.ashx?s=103ED34467D2D0E0**, TRS-ActiveCare agrees to make Aetna aware of possible sources of dissatisfaction throughout the guarantee period. TRS-ActiveCare's responses to the attached evaluation tool will evaluate account management services in the following categories: technical knowledge, accessibility of personnel, responsiveness of personnel, interpersonal skills, communication skills (written and oral) and overall assessment of the services provided to TRS-ActiveCare. Each category will be given a rating of 1 - 5 with 1 = lowest, 5 = highest. Aetna will tally the results from the report card(s) when received. The results of the survey(s) will be used to facilitate a discussion between TRS-ActiveCare and the Account Executive in our Hartford, CT field office regarding the results achieved and opportunities for improvement.

If all report cards based on the frequency of the guarantee are not completed and returned within 15 days after the end of the quarter, it will be assumed that the service provided to TRS-ActiveCare is satisfactory and the guarantee is met. If the score on the first report card and the report card(s) for the subsequent survey(s) average a [redacted] or higher, no credit is due. Satisfactory service would equal a score of [redacted] and would be based on the total average of 24 questions with a rating scale of 1 to 5. Should the score from the first report card and the average of the remaining report card(s) fall below a [redacted] (meaning that service levels have not improved), Aetna will make a mutually agreed upon reduction in compensation, subject to a maximum reduction of [redacted] of the guarantee period administrative service fees.

**Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees**

**Claim Administration**

**Turnaround Time**

**Guarantee:** Aetna will guarantee that the claim turnaround time during the guarantee period will not exceed [ ] *calendar* days for [ ] of the processed claims on a cumulative basis each year.

**Definition:** Aetna measures turnaround time from the claimant's viewpoint; that is, from the date the claim is received in the service center to the date that it is processed (paid, denied or pended). **Weekends and holidays are included in turnaround time.**

| |
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A computer generated turnaround time report for TRS-ActiveCare's specific claims will be provided on a quarterly basis.

**Financial Accuracy**

**Guarantee:** Aetna will guarantee that the guarantee period dollar accuracy of the claim payment dollars will be [ ] or higher.

**Definition:** Financial accuracy is measured using industry accepted stratified audit methodology. The results are calculated by calculating the financial accuracy for a subset of claims (a stratum) and then extrapolating the results based on the size of the population and combining with the extrapolated results of the other strata. Each overpayment and underpayment is considered an error; they do not offset each other. Includes both manual and auto adjudicated claims.

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**Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees**

Aetna's audit results for the unit processing TRS-ActiveCare's claims will be used. The results for these guarantees will be calculated using industry accepted stratified audit methodologies.

**Payment Incidence Accuracy**

**Guarantee:** We will guarantee that the guarantee period payment incidence accuracy will be 98.0% or higher.

**Definition:** Payment incidence accuracy is measured by industry accepted stratified audit methodology. Accuracy in each stratum (a subset of the claim population) is calculated by dividing the number of claims paid correctly by the total number of claims audited and then extrapolating the results based on the size of the population and combining with the extrapolated results of the other strata.

| |
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Aetna's audit results for the unit processing TRS-ActiveCare's claims will be used. The results for these guarantees will be calculated using industry accepted stratified audit methodologies.

**Total (Overall) Claim Accuracy**

**Guarantee**: Aetna will guarantee that the guarantee period overall accuracy of the claim payments will not be less than [ ]

**Definition**: Overall accuracy is measured using industry accepted stratified audit methodology. Accuracy in each stratum (a subset of the claim population) is calculated by dividing the number of claims processed correctly by the total number of claims audited, and then extrapolating the results based on the size of the population and combining with the extrapolated results of the other strata.

| |
|---|
| |

**Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees**

Aetna's audit results for the unit processing TRS-ActiveCare's claims will be used. The results for these guarantees will be calculated using industry accepted stratified audit methodologies.

**Member Satisfaction**

**Definition:** Aetna will guarantee a positive response rate of 85.0% or better on the TRS-ActiveCare member satisfaction survey. The TRS specific survey is based on a randomly selected sample of about 2,000 actively enrolled members aged 18-64. Surveys are mailed out on a continuous basis throughout the year. We would anticipate a response rate of between 15% and 20%.

**Member Services**

**Average Speed of Answer**

**Guarantee**: Aetna will guarantee that the average speed of answer for the phone skill(s) providing TRS-ActiveCare's member services will not exceed 30 seconds.

**Definition**: On an ongoing basis, Aetna measures telephone response time through monitoring equipment that produces a report on the average speed of answer. Average speed of answer is defined as the amount of time that elapses between the time a call is received into the telephone system and the time a representative responds to the call. The result expresses the sum of all waiting times for all calls answered by the queue divided by the number of incoming calls answered. ASA measures the average speed of answer for all callers answered. Interactive Voice Response (IVR) system calls are not included in the measurement of ASA.

**Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees**

**Average Speed of Answer for IVR Opt Out Guarantee:** Aetna will guarantee that the average speed of answer from when a member opts out of the IVR system to speak to a live representative will not exceed 30 seconds.

**Abandonment Rate**

**Guarantee:** Aetna will guarantee that the average rate of telephone abandonment for the phone skill(s) providing TRS-ActiveCare's member services will not exceed

**Definition:** On an ongoing basis, Aetna measures telephone response time through monitoring equipment that produces a report on the average abandonment rate. The abandonment rate measures the total number of calls abandoned divided by the number of calls accepted into the skill.

## Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees

### Network Access

**Access Rate of Primary Care Physicians – Urban/Suburban**

**Guarantee**: Aetna will maintain satisfactory levels of primary care physician (PCP), access as defined by Aetna's access targets for enrolled members residing within the defined service area.

**Definition:** 98% of TRS-ActiveCare's subscriber population will have network access based upon specified access standards. Subscriber access to physicians is measured using a radius report defining each subscriber's zip code according to the following recommended access criteria:

| Urban | Suburban |
|---|---|
| 2 PCPs within 8 miles | 2 PCPs within 8 miles |

Access is defined by the GeoAccess® definition of urban/suburban/rural criteria. This excludes Passive/Customer specific networks.

**Penalty and Measurement Criteria:** Aetna will reduce its compensation by $62,500 of the guarantee period administrative service fees for each full 1.0% that the urban/suburban PCP access fails to meet the terms of this guarantee. There will be a maximum reduction of **$250,000** of the guarantee period administrative service fees. For all enrolled members residing within the defined service area, an accessibility analysis report of PCPs access will be run after the enrollment has commenced utilizing actual enrollment in the specific Aetna network(s). Aetna will guarantee that 98% of TRS-ActiveCare's subscriber population has network access based upon the specified access standards.

**Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees**

**Access Rate of Primary Care Physicians – Rural**

**Guarantee**: Aetna will maintain satisfactory levels of primary care physician (PCP) access as defined by Aetna's access targets for enrolled members residing within the defined service area.

**Definition**: 96%of TRS-ActiveCare's subscriber population will have network access based upon specified access standards. Subscriber access to physicians is measured using a radius report defining each subscriber's zip code according to the following recommended access criteria:

| Rural |
|---|
| 1 PCPs within 15 miles |

Access is defined by the GeoAccess® definition of urban/suburban/rural criteria. This excludes the Rural PPO network and Passive/Customer specific networks.

**Penalty and Measurement Criteria:** Aetna will reduce its compensation by $62,500 of the guarantee period administrative service fees for each full 1.0% that the rural PCP access fails to meet the terms of this guarantee. There will be a maximum reduction of **$250,000** of the guarantee period administrative service fees. For all enrolled members residing within the defined service area, an accessibility analysis report of PCPs access will be run after the enrollment has commenced utilizing actual enrollment in the specific Aetna network(s). Aetna will guarantee that 96% of TRS-ActiveCare's subscriber population has network access based upon the specified access standards.

**Access Rate of Pediatricians – Urban/Suburban**

**Guarantee**: Aetna will maintain satisfactory levels of pediatrician, access as defined by Aetna's access targets for enrolled members residing within the defined service area.

**Definition**: 98% of TRS-ActiveCare's subscriber population will have network access based upon specified access standards. Subscriber access to physicians is measured using a radius report defining each subscriber's zip code according to the following recommended access criteria:

| Urban | Suburban |
|---|---|
| 2 Pediatricians within 8 miles | 2 Pediatricians within 8 miles |

**Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees**

Access is defined by the GeoAccess® definition of urban/suburban/rural criteria. This excludes Passive/Customer specific networks.

**Penalty and Measurement Criteria:** Aetna will reduce its compensation by $62,500 of the guarantee period administrative service fees for each full 1.0% that the urban/suburban pediatrician access fails to meet the terms of this guarantee. There will be a maximum reduction of **$250,000** of the guarantee period administrative service fees. For all enrolled members residing within the defined service area, an accessibility analysis report of - pediatricians access will be run after the enrollment has commenced utilizing actual enrollment in the specific Aetna network(s). Aetna will guarantee that 98% of TRS-ActiveCare's subscriber population has network access based upon the specified access standards.

**Access Rate of Pediatricians – Rural**

**Guarantee**: Aetna will maintain satisfactory levels of pediatrician access as defined by Aetna's access targets for enrolled members residing within the defined service area.

**Definition**: 96%of TRS-ActiveCare's subscriber population will have network access based upon specified access standards. Subscriber access to physicians is measured using a radius report defining each subscriber's zip code according to the following recommended access criteria:

| Rural |
| --- |
| 1 Pediatricians within [ ] miles |

Access is defined by the GeoAccess® definition of urban/suburban/rural criteria. This excludes the Rural PPO network and Passive/Customer specific networks. This guarantee assumes that zip codes which do not have a pediatrician in the Texas State Board of Medical Examiners physician listing will be considered as meeting the access criteria.

**Penalty and Measurement Criteria:** Aetna will reduce its compensation by $62,500 of the guarantee period administrative service fees for each full 1.0% that the rural pediatrician access fails to meet the terms of this guarantee. There will be a maximum reduction of **$250,000** of the guarantee period administrative service fees. For all enrolled members residing within the defined service area, an accessibility analysis report of pediatricians access will be run after the enrollment has commenced utilizing actual enrollment in the specific Aetna network(s). Aetna will guarantee that 96% of TRS-ActiveCare's subscriber population has network access based upon the specified access standards.

## Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees

### Access Rate of OB/GYNs – Urban/Suburban

**Guarantee**: Aetna will maintain satisfactory levels of OB/GYN, access as defined by Aetna's access targets for enrolled members residing within the defined service area.

**Definition**: 98% of TRS-ActiveCare's subscriber population will have network access based upon specified access standards. Subscriber access to physicians is measured using a radius report defining each subscriber's zip code according to the following recommended access criteria:

| Urban | Suburban |
|---|---|
| 2 OB/GYNs within 8 miles | 2 OB/GYNs within 8 miles |

Access is defined by the GeoAccess® definition of urban/suburban/rural criteria. This excludes Passive/Customer specific networks.

**Penalty and Measurement Criteria:** Aetna will reduce its compensation by $62,500 of the guarantee period administrative service fees for each full 1.0% that the urban/suburban OB/GYN access fails to meet the terms of this guarantee. There will be a maximum reduction of **$250,000** of the guarantee period administrative service fees. For all enrolled members residing within the defined service area, an accessibility analysis report of OB/GYN access will be run after the enrollment has commenced utilizing actual enrollment in the specific Aetna network(s). Aetna will guarantee that 98% of TRS-ActiveCare's subscriber population has network access based upon the specified access standards.

### Access Rate of OB/GYNs – Rural

**Guarantee**: Aetna will maintain satisfactory levels of OB/GYN access as defined by Aetna's access targets for enrolled members residing within the defined service area.

**Definition**: 96%of TRS-ActiveCare's subscriber population will have network access based upon specified access standards. Subscriber access to physicians is measured using a radius report defining each subscriber's zip code according to the following recommended access criteria:

| Rural |
|---|
| 1 OB/GYNs within ☐ miles |

**Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees**

Access is defined by the GeoAccess® definition of urban/suburban/rural criteria. This excludes the Rural PPO network and Passive/Customer specific networks. This guarantee assumes that zip codes which do not have a pediatrician in the Texas State Board of Medical Examiners physician listing will be considered as meeting the access criteria.

**Penalty and Measurement Criteria:** Aetna will reduce its compensation by $62,500 of the guarantee period administrative service fees for each full 1.0% that the rural OB/GYN access fails to meet the terms of this guarantee. There will be a maximum reduction of **$250,000** of the guarantee period administrative service fees. For all enrolled members residing within the defined service area, an accessibility analysis report of OB/GYN access will be run after the enrollment has commenced utilizing actual enrollment in the specific Aetna network(s). Aetna will guarantee that 96% of TRS-ActiveCare's subscriber population has network access based upon the specified access standards.

**Access Rate of Hospitals – Urban/Suburban**

**Guarantee**: Aetna will maintain satisfactory levels of inpatient hospital access as defined by Aetna's access targets for enrolled members residing within the defined service area.

**Definition**: 98% of TRS-ActiveCare's subscriber population will have network access based upon specified access standards. Subscriber access to hospitals is measured using a radius report defining each subscriber's zip code according to the following recommended access criteria:

| Urban | Suburban |
|---|---|
| 1 Hospital within 10 miles | 1 Hospital within 10 miles |

Access is defined by the GeoAccess® definition of urban/suburban/rural criteria. This excludes Passive/Customer specific networks.

**Penalty and Measurement Criteria:** Aetna will reduce its compensation by $62,500 of the guarantee period administrative service fees for each full 1.0% that the urban/suburban hospital access fails to meet the terms of this guarantee. There will be a maximum reduction of **$250,000** of the guarantee period administrative service fees. For all enrolled members residing within the defined service area, an accessibility analysis report of hospital access will be run after the enrollment has commenced utilizing actual enrollment in the specific Aetna network(s). Aetna will guarantee that 98% of TRS-ActiveCare's subscriber population has network access based upon the specified access standards.

**Updated Evidence-Based Medicine PG and Methodology - Aetna Medical Performance Guarantees**

**Access Rate of Hospitals – Rural**

**Guarantee**: Aetna will maintain satisfactory levels of hospital access as defined by Aetna's access targets for enrolled members residing within the defined service area.

**Definition**: 90%of TRS-ActiveCare's subscriber population will have network access based upon specified access standards. Subscriber access to hospitals is measured using a radius report defining each subscriber's zip code according to the following recommended access criteria:

| Rural |
| --- |
| 1 Hospital within 20 miles |

Access is defined by the GeoAccess® definition of urban/suburban/rural criteria. This excludes the Rural PPO network and Passive/Customer specific networks.

**Penalty and Measurement Criteria:** Aetna will reduce its compensation by $62,500 of the guarantee period administrative service fees for each full 1.0% that the rural hospital access fails to meet the terms of this guarantee. There will be a maximum reduction of **$250,000** of the guarantee period administrative service fees. For all enrolled members residing within the defined service area, an accessibility analysis report of hospital access will be run after the enrollment has commenced utilizing actual enrollment in the specific Aetna network(s). Aetna will guarantee that 90% of TRS-ActiveCare's subscriber population has network access based upon the specified access standards.

# Appendix III. b

# *Sample Account Management Performance Guarantee Survey Tool*

## A-18 Evidence-Based Medicine PG and Methodology- Account Management Evaluation Tool

**Account Management Evaluation Tool**

**Evaluation Period:_____ to _____**

*We would like to better understand how you view your relationship with Aetna. In responding to this survey, we ask you to look at the services received from your Account Management Team over the last three/six months. Your feedback will enable us to better meet your needs. Thank you for your participation.*

**Knowledge:** Indicate the extent to which you agree that your Account Management Team:

| | Strongly Agree 5 | Agree 4 | Neutral 3 | Disagree 2 | Strongly Disagree 1 | For any "Disagree" or "Strongly Disagree" responses, please provide specific comments in the area below |
|---|---|---|---|---|---|---|
| ▪ understands your plan of benefits | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ understands the business needs of your company | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ understands the service expectations of your company | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ displays knowledge regarding Aetna products and services | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ clearly explains report results | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |

Average Rating _____

## A-18 Evidence-Based Medicine PG and Methodology- Account Management Evaluation Tool

**Professionalism:** Indicate the extent to which you agree that your Account Management Team:

| | Strongly Agree 5 | Agree 4 | Neutral 3 | Disagree 2 | Strongly Disagree 1 | For any "Disagree" or "Strongly Disagree" responses, please provide specific comments in the area below |
|---|---|---|---|---|---|---|
| ▪ actively listens to and acknowledges your issues and concerns | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ provides appropriate verbal communication | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ provides appropriate written communication | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ works with you to develop a positive working relationship | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |

Average Rating _____

**Proactive Management:** Indicate the extent to which you agree that your Account Management Team:

| | Strongly Agree 5 | Agree 4 | Neutral 3 | Disagree 2 | Strongly Disagree 1 | For any "Disagree" or "Strongly Disagree" responses, please provide specific comments in the area below |
|---|---|---|---|---|---|---|
| ▪ monitors your account on an on-going basis | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ communicates potential problematic issues | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ provides viable alternatives to meet your business needs | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ manages system conversions and changes in plan design in an organized manner | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ sets realistic expectations regarding turn-around time | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ sets realistic expectations regarding cost | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |

Average Rating _____

## A-18 Evidence-Based Medicine PG and Methodology- Account Management Evaluation Tool

**Accessibility:** Indicate the extent to which you agree that your Account Management Team:

| | Strongly Agree 5 | Agree 4 | Neutral 3 | Disagree 2 | Strongly Disagree 1 | For any "Disagree" or "Strongly Disagree" responses, please provide specific comments in the area below |
|---|---|---|---|---|---|---|
| ▪ is available to you | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ allocates appropriate time when meeting with you | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ demonstrates flexibility with regard to schedule changes | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ provides/communicates alternate contacts in the event of their absence | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ advises you of schedule limitations | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| | | | | | Average Rating | _____ |

**Responsiveness:** Indicate the extent to which you agree that your Account Management Team:

| | Strongly Agree 5 | Agree 4 | Neutral 3 | Disagree 2 | Strongly Disagree 1 | For any "Disagree" or "Strongly Disagree" responses, please provide specific comments in the area below |
|---|---|---|---|---|---|---|
| ▪ responds to your inquiries in a timely manner | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ provides thorough responses to your inquiries | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ follows-through regarding outstanding issues/items | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| ▪ solicits the assistance of Aetna product experts when needed | ❒ | ❒ | ❒ | ❒ | ❒ | _____ |
| | | | | | Average Rating | _____ |
| | | | | | **Average Overall Rating** | _____ |

**A-18 Evidence-Based Medicine PG and Methodology- Account Management Evaluation Tool**

**Any other comments or suggested action steps:**

# Appendix IV

## Demonstrating Value Scorecard Guarantee

### General Performance Guarantee Provisions

Aetna Life Insurance Company, on behalf of itself and its affiliates ("Aetna") provides health benefits administration and other services (set forth in this document) for the self-funded Aetna Medical plans operated on behalf of Teacher Retirement System of Texas (TRS-ActiveCare).

### Performance Objectives

Aetna believes that measuring the activities described below is an important indicator of how well it services TRS-ActiveCare. To reinforce TRS-ActiveCare's confidence in Aetna's ability to administer their programs, Aetna is offering guarantees for our Care Management Programs, which include Aetna Health Connections℠-Disease Management / MedQuery® Patient Safety Program, Case Management/Utilization Management, Care Advocate Team, Member Satisfaction and Beginning Right℠ Maternity (hereinafter "the programs").

## Demonstrating Value Scorecard Guarantee

| | Minimum Standard | PSPM @ risk | Total @ risk |
|---|---|---|---|
| **AHC - DM** | | | |
| ▪ Return on Investment | | | |
| ▪ Implementation | | | |
| ▪ Management Reports | | | |
| ▪ Clinical & Utilization Outcome Reports | | | |
| ▪ Opt Out Rate | | | |
| ▪ Nurse Engagement Rate | | | |
| Clinical Outcome Improvement Rates | | | |
| ▪ Diabetic HbA1c testing | | | |
| ▪ Asthma-controller medications | | | |
| **Case Management/Utilization Management** | | | |
| ▪ Case Management ROI | | | |
| ▪ Precertification ROI | | | |
| ▪ Concurrent Review ROI | | | |
| ▪ Care Advicate Team Discharge Planning | | | |
| ▪ Care Advocate Team Case Management Plan | | | |
| ▪ Care Advocate Team Post Discharge Outbound Call | | | |
| ▪ Care Advocate Team Pre-admission Outreach | | | |
| ▪ Care Advocate Team High Claimant Screening Rate | | | |
| ▪ Care Advocate Team Touch Rate | | | |
| **Member Satisfaction Surveys** | | | |
| ▪ AHC DM; Beginning Right; IHL; CM | | | |
| **Beginning Right Maternity** | | | |
| ▪ Participation Rate | | | |
| ▪ Engagement Rate | | | |
| ▪ Post-partum Depression screening | | | |
| **Total** | | | |

Employees in above programs: 262,653

## Demonstrating Value Scorecard Guarantee

### Guarantee Period

The guarantee period shall be represented as a one-year guarantee for the implementation of the programs and the year immediately following the implementation such as September 1, 2014 through August 31, 2015 and then shall be on an annual basis thereafter, upon the mutual agreement of the parties. (hereinafter "guarantee period").

The performance guarantees shown below will apply to the incremental cost for each of the programs administered under the Administrative Services Only arrangement (through a "Services Agreement" or "Master Services Agreement", as the case may be, but each hereinafter referred to as "Services Agreement"). The incremental costs for each of the programs are represented in the amount at risk column on the scorecard attachment. These guarantees do not apply to non-Aetna benefits or networks.

Performance guarantees described herein will not apply if Service Agreement termination occurs prior to the end of the guarantee period. Performance Guarantees are subject to enrollment requirements outlined on the attached conditions, and assume Aetna is receiving weekly pharmacy feeds.

### Aggregate Maximum

Aetna will place at risk [ ] of the Care Management programs guarantee period administrative service fees. The Care Management guarantee period administrative service fees will be calculated at the end of the respective guarantee period and will be based on the total number of subscribers enrolled in the underlying medical plans that also offer the services of the programs for each guarantee period. In no event will the total program fees be adjusted by more than 50%, excluding pass through fees charged to subcontractor WellSystems, Teladoc per subscriber per month fees and fees typically charged through the claim wire, due to the results of this guarantee document and all other service-based performance guarantees combined.

## Demonstrating Value Scorecard Guarantee

### Financial Conditions

- If actual enrollment increases or decreases by 15%, Aetna retains the right to revise the performance guarantees.
- MedQuery is an essential component of Disease Management and must be included.
- This guarantee assumes that Aetna will receive weekly pharmacy data feeds.
- Members enrolled in the medical and pharmacy plans are also enrolled in Aetna Health Connections Disease Management and MedQuery programs.
- This guarantee assumes the average member age of enrolled Aetna medical plan members is 30 or older.
- This guarantee assumes that the member/subscriber ratio is at least within 15% of 1.71 for the Choice POS II and 1.64 for the Open Access Aetna Select.
- For customers utilizing an external vendor: This guarantee assumes that Aetna will receive a minimum of 12 months of prior carrier medical and pharmacy experience. The medical & pharmacy data will be loaded into Aetna systems and the CareEngine®.

### Refund Process

Aetna shall provide TRS-ActiveCare with its final results for the performance guarantees with the annual accounting after the end of the respective guarantee period as outlined in the Letter of Understanding. If the guarantees have not been met, at TRS-ActiveCare's sole discretion, Aetna shall (1) provide a cash payment to TRS-ActiveCare for the amount due as a result of Aetna's non-compliance within thirty (30) days of TRS-ActiveCare's receipt of such results or (2) reduce the following month(s)'s administrative fee payment by the amount due by TRS-ActiveCare.

### Termination Provisions

Termination of the guarantee obligations shall become effective upon written notice by Aetna in the event of the occurrence of (i), (ii) or (iii) below:

(i) a material change in the plan initiated by TRS-ActiveCare or by legislative action that impacts the claim adjudication process, member service functions, medical management, or network management;

(ii) failure of TRS-ActiveCare to meet its obligations to pay administrative service fees or fund claim payment wires under the Services Agreement;

(iii) failure of TRS-ActiveCare to meet their administrative responsibilities (e.g., a submission of incorrect or incomplete eligibility information).

No guarantees shall apply for a guarantee period during which the Services Agreement is terminated by TRS-ActiveCare or Aetna prior to the end of such guarantee period.

## Demonstrating Value Scorecard Guarantee

### Aetna Health Connections SM – Disease Management and MedQuery® Patient Safety Program

### Return on Investment

**Guarantee:** Aetna will guarantee that the savings associated with the Disease Management and MedQuery Programs will be equal to [ ] the Disease Management and MedQuery guarantee period administrative service fee of [ ] The guarantee will be reconciled annually using an appropriate combination of an avoided cost methodology for resolved Care Considerations and results from Aetna's most current Disease Management evaluation. TRS-ActiveCare-specific results will be used.

[ ]

### AHC-DM Implementation

**Guarantee:** Aetna is confident that TRS-ActiveCare will be pleased with our implementation of this program and therefore we are offering an implementation performance guarantee. Via timely responses to the attached Implementation Evaluation Tool (provided at the end of this guarantee section), TRS-ActiveCare agrees to make Aetna aware of possible sources of dissatisfaction throughout the implementation period. Each question will be given a rating of 1 to 5 with 1 as the lowest, and 5 as the highest. Aetna will tally the results from the evaluation tool when received. TRS-ActiveCare's responses to the attached evaluation tool will be used to facilitate a discussion between TRS-ActiveCare and the Account Executive in our Hartford, CT field office regarding the results achieved. Aetna guarantees it will achieve a score of [ ] or higher at the end of the implementation process.

**Penalty and Measurement Criteria:** Aetna will place [ ] of the guarantee period administrative service fees at risk for this metric.

## Demonstrating Value Scorecard Guarantee

### Management Reports

**Guarantee**: Aetna will provide TRS-ActiveCare with AHC-DM Quarterly Activity reports within [ ] days after the end of the reporting period.

**Penalty and Measurement Criteria:** Aetna will place [ ] of the guarantee period administrative service fees at risk for this metric.

### Clinical and Utilization Outcome Reports

**Guarantee**: Aetna will guarantee TRS-ActiveCare that Aetna Health Connections Disease Management Outcomes Quarterly Reports will be delivered to the customer within [ ] days after the close of the quarter. The report requires 12 months of incurred data with a 3 month lag. The calculation is based upon all acute inpatient admissions for Disease Management members with vascular conditions regardless of reason for the inpatient stay.

**Penalty and Measurement Criteria:** Aetna will place [ ] of the guarantee period administrative service fees at risk for this metric.

### AHC-DM Opt Out Rate

**Guarantee**: Aetna will guarantee an opt out rate of no more than [ ] in its AHC-DM program. Opt out is defined as:

$$\frac{\text{Members that opt out during a telephone call}}{\text{Total number of members identified for DM programs}}$$

AHC-DM Quarterly Activity Reports will be used to reconcile this guarantee annually. Results are calculated on a TRS-ActiveCare-specific basis.

### AHC-DM Nurse Engagement Rate

**Guarantee**: Aetna will guarantee an engagement rate of [ ] or better in its AHC-DM program. Engagement is defined as:

$$\frac{\text{Cumulative RN Engaged YTD *}}{\text{All members with outreach completed minus UTR **}}$$

## Demonstrating Value Scorecard Guarantee

* Includes unique cumulative members who participated in the highest level of intervention (nurse engagement) during the year
** Includes all unique cumulative members reached. (Calculation: Enrolled w/RN Engagement + Supportive Engagement)

The metric does not include Unable to Reach (UTR) members. AHC-DM Quarterly Activity Reports will be used to reconcile this guarantee annually. Results are calculated on a TRS-ActiveCare-specific basis.

## Clinical Outcome Compliance Improvement Rates

**Definition:** Aetna will guarantee to maintain and/or improve the compliance levels of clinical outcomes for members identified with certain conditions. The clinical guarantees assume that Aetna receives (12) months of prior carrier medical & pharmacy data to set a baseline for the guarantees. This medical & pharmacy data will be loaded into the Care Engine. Member claim data must be present for 10 months in the prior carrier data to be considered for the clinical guarantee metrics. The guaranteed targets for 2011 are as follows:

- Diabetic Members – Diabetic members receiving an HbA1c Test in the past 12 months.
    - All diabetic members participating in the AHC-DM program for a minimum of 6 months during the current guarantee period (10/1/2014-09/30/2015) will achieve a minimum [ ] percent improvement in the difference between the baseline compliance rate and the target compliance rate, up to [ ] target compliance level at which point the guarantee will be to maintain the target compliance.

- Asthmatic Members – Asthmatic members using appropriate controller medications in the past 12 months.
    - All nurse engaged asthmatic members participating in the AHC-DM program for a minimum of 6 months during the current guarantee period (10/1/2014-09/30/2015) will achieve a minimum [ ] percent improvement in the difference between the baseline compliance rate and the target compliance rate, up to a [ ] target compliance level at which point the guarantee will be to maintain the target compliance.

### Demonstrating Value Scorecard Guarantee

Reconciliation example:

Customer specific results will be used to reconcile all clinical outcome improvement guarantees annually using the AHC-DM Annual Clinical Outcomes report, when there are a minimum of thirty (30) members enrolled in the individual disease states of AHC-DM (typically achieved when the customer has 5,000 or more subscribers). Aetna book of business results will be used to reconcile all clinical outcome improvement guarantees annually using the AHC-DM Annual Clinical Outcomes report, when there are less than thirty (30) members enrolled in the individual disease states of AHC-DM (typically used for customers under 5,000 lives).

## Case Management & Utilization Management

### Case Management Return on Investment

**Guarantee**: Aetna will guarantee that the savings associated with case management will be equal to [ ]he case management guarantee period administrative service fee of [ ]Book of business results will be used to reconcile the guarantee annually using Aetna's most current annual Case Management ROI study.

**Penalty and Measurement Criteria:** Aetna will place [ ]of the guarantee period administrative service fees at risk for this guarantee.

### Precertification Return on Investment

**Guarantee**: Aetna will guarantee that the savings associated with precertification will be equal to [ ]the precertification guarantee period administrative service fee of [ ]Book of business results will be used to reconcile the guarantee annually using Aetna's latest full year National Precertification ROI report.

**Penalty and Measurement Criteria:** Aetna will place [ ]of the guarantee period administrative service fees at risk for this guarantee.

## Demonstrating Value Scorecard Guarantee

### Concurrent Review Return on Investment

**Guarantee**: Aetna will guarantee that the savings associated with concurrent review will be equal to [ ] the concurrent review guarantee period administrative service fee of [ ] Book of business results will be used to reconcile the guarantee annually using Aetna's most current annual Concurrent Review ROI study.

**Penalty and Measurement Criteria:** Aetna will place [ ] of the guarantee period administrative service fees at risk for this guarantee.

### Care Advocate Team Discharge Planning

**Guarantee**: Aetna will guarantee [ ] of cases targeted for discharge planning will have activity documented by patient management. TRS-ActiveCare-specific results will be used to reconcile the guarantees annually using the Discharge Planning Performance Guarantee report.

[ ]

### Care Advocate Team Case Management Plan

**Guarantee**: Aetna will guarantee [ ] of cases accepted for case management will have a documented case management plan within 14 business days of the start of the event. Plan members managed by other clinical areas (e.g., Beginning Right maternity) will be managed separately and not be included in this guarantee. TRS-ActiveCare-specific results will be used to reconcile the guarantees annually using the Case Management Performance Guarantee report.

[ ]

### Care Advocate Team Post Discharge Outbound Call Rate

**Guarantee:** Aetna will guarantee [ ] of members newly identified for Case Management outreach as a result of an inpatient hospital stay will have an outbound member call (attempt or success) documented within [ ]

## Demonstrating Value Scorecard Guarantee

business days following the member's documented discharge date. TRS-ActiveCare-specific results will be used to reconcile the guarantee annually using the Post Discharge Outbound Call Rate Performance Guarantee report.

## Care Advocate Team Preadmission Outreach Attempts

**Guarantee:** Aetna will guarantee two outreach attempts to [ ] of Plan members when notified 5 business days in advance. This guarantee excludes maternity, newborns, behavioral health, Coordination of Benefits (COB), Skilled Nursing Facility (SNF), transplants (NME), and rehabilitation claims. TRS-ActiveCare specific results will be used to reconcile the guarantee annually using the Quarterly AetInfo Reporting Templates.

## Care Advocate Team High Claimant Screening Rate

**Guarantee:** Aetna will guarantee [ ] of all unique members with hospital claims in excess of $75,000 will have at least one patient management intervention (except actions related solely to hospital care) along the continuum of care, as evidenced by case management screening, and/or enrollment in Aetna's Disease Management programs, and/or participation in a National Medical Excellence Program® (NME). TRS-ActiveCare-specific results will be used to reconcile the guarantee annually using the Medical Services Action Rate report.

## Demonstrating Value Scorecard Guarantee

### Care Advocate Team Touch Rate

**Guarantee:** Aetna will guarantee [ ] of all inpatient stays, excluding non high-risk maternity stays, will be touched by at least one Utilization Management program. TRS-ActiveCare-specific results will be used to reconcile the guarantee annually.

### Member Satisfaction Surveys

Aetna will guarantee an overall positive response rate of [ ] or better on medical management program surveys administered during the plan year. Member satisfaction surveys will be administered for each individual program and then averaged equally across the surveys to derive one overall member satisfaction survey result for 2014 (for instance, for a customer offering 3 surveys, each result would be blended equally 33.3%) to derive one overall member satisfaction survey result for 2014.

### Aetna Health Connections SM – Disease Management and MedQuery ® Patient Safety Program Member Satisfaction

**Guarantee**: Aetna will guarantee a blended positive response rate of [ ] or better on the TRS-ActiveCare-specific program surveys administered during the plan year. The survey is based on a statistically valid, randomly selected sample size of AHC-DM members aged 18 to 64.

### Beginning Right SM Maternity Management Program Member Satisfaction

**Guarantee**: Aetna will guarantee a blended positive response rate of [ ] or better on the TRS-ActiveCare-specific program surveys administered during the plan year. The survey is based on a statistically valid, randomly selected sample size of maternity management members aged 18 to 64.

### Informed Health® Line Program Member Satisfaction

**Guarantee**: Aetna will guarantee a blended positive response rate of [ ] or better on the TRS-ActiveCare-specific program surveys administered during the plan year. The survey is based on a statistically valid, randomly selected sample size of Informed Health Line members aged 18 to 64.

## Demonstrating Value Scorecard Guarantee

### Case Management Program Member Satisfaction

**Guarantee**: Aetna will guarantee a blended positive response rate of [ ] or better on the TRS-ActiveCare-specific program surveys administered during the plan year. The survey is based on a statistically valid, randomly selected sample size of case management members aged 18 to 64.

**Penalty and Measurement Criteria (for all member satisfaction surveys combined):** Member satisfaction surveys will be administered for each individual program and then averaged equally across the surveys to derive one overall member satisfaction survey result for 2014. If the combined result is less than [ ] Aetna will pay [ ] of the guarantee period administrative service fees back to the customer.

### Beginning Right℠ Maternity Program

### Participation Rate

**Guarantee:** Aetna will guarantee a participation rate of [ ] or better in its Beginning Right program. Participation is defined as:

$$\frac{\text{Participating Members *}}{\text{All members identified and confirmed as pregnant}}$$

* Cumulative unique members that are participating in the program. (Includes members enrolled in any level of the program: case managed, fulfillment only, and unable to reach.)

The numerator includes those members that are unable to reach via phone, as they will continue to receive program materials. The denominator includes all members that are confirmed as being pregnant. TRS-ActiveCare-specific results will be used to reconcile the guarantee annually using the Beginning Right Plan Sponsor report.

[ ]

## Demonstrating Value Scorecard Guarantee

### Engagement Rate

**Guarantee:** Aetna will guarantee an engagement rate of [ ]or better in its Beginning Right program. Engagement is defined as:

$$\frac{\text{Engaged Members *}}{\text{All members stratified for appropriate risk levels **}}$$

* The numerator includes all cumulative unique members that are actively working with a case manager (and received at least one clinical call within 30 days after identification) for the following stratification levels: 1. High Risk, 2. At Risk, and 3. Supportive.

** The denominator includes all members who have completed the enrollment process for the following stratification levels: 1. High Risk, 2. At Risk, and 3. Supportive.

The metric does not include unable-to-reach (UTR) members. In order to report customer specific results, there must be a minimum of ten (10) members engaged in the Beginning Right program. TRS-ActiveCare-specific results will be used to reconcile the guarantee annually using the Beginning Right Plan Sponsor report.

| |
|---|
| |

### Post-partum Depression Screening

**Guarantee:** Aetna will guarantee that [ ]of cases managed in the Beginning Right maternity program where members meet criteria for post partum outreach will have an outbound member call (success or attempt) completed for post-partum depression following delivery date. Book of business results will be used to reconcile the post-partum depression screening guarantee annually using the Depression Screening Metrics report.

| |
|---|
| |

# Appendix V. a

**Updated Aetna Medical Claim Target Guarantee**

Group or Location: Full Replacement
Expected enrollment: 262,653 subscribers

We are pleased to offer a Claim Savings Guarantee that supports our commitment to Teacher Retirement System of Texas (TRS-ActiveCare) and your members. The Claim Target Guarantee is offered in addition to the proposed Operational Guarantees and Clinical Guarantees outlined under separate cover in this proposal. This Claim Target Guarantee is not being offered in conjunction with the Discount Guarantee. TRS has the option of choosing either the Claim Target Guarantee or the Discount Guarantee. This guarantee assumes that the total enrollment in the Choice POS II (CPII or TRS-ActiveCare 1-HD and TRS-ActiveCare 2), Open Access Aetna Select (OA AS or TRS-ActiveCare Select) and Open Access Aetna Select ACN (OA AS ACN or TRS-ActiveCare Select ACN) plans will be 262,653 subscribers on a combined basis. If the enrolled group varies in size by more than 15% from the assumption the guarantee may be revised.

## Updated Aetna Medical Claim Target Guarantee

## Illustrative Claim Projection Development Year One – September 1, 2014 through August 31, 2015

We guarantee TRS-ActiveCare's Net Effective Trend for the first 12-month guarantee period from September 01, 2014 through August 31, 2015. Outlined below is an illustration of the calculation for the guarantee period, September 1, 2014 through August 31, 2015. Please reference attachment C2 for a detailed example of how this guarantee will be reconciled.

| | | |
|---|---|---|
| Base Year Medical Incurred Claims (per member per year) (a) | | TBD |
| Plan Value Factor (b) | X | TBD |
| Discount Relativities (c) | X | |
| Medical Management & Integration Savings Factor (d) | X | |
| Trend Factor (e) | X | |
| 9/1/14 - 8/31/15 Projected Claim (per member per year)* | = | TBD |
| Net Effective Trend (f) | | TBD |

(a) The Base Year Medical Incurred Claims will be a composite of the corresponding values for the TRS-ActiveCare 1-HD and TRS ActiveCare 2, TRS-ActiveCare Select and TRS-ActiveCare Select ACN, weighted by the actual membership in each plan. The Base Year Medical Incurred Claims will be:
- Finalized 6 months after the beginning of the guarantee period using the information provided by prior carriers.
- Adjusted for plan design factors for changes in plan design from baseline period to projection period
- Adjusted for demographic and geographic shifts.
- Adjusted to exclude all non-medical claims, including Pharmacy and Specialty Pharmacy Claims.

(b) The Plan Value Factor is equal to the product of the Benefit Change Factor, the Selection Factor and the Accountable Care Network (ACN) Savings Factor:

1) The Benefit Change Factor is a composite of the corresponding values for the TRS-ActiveCare 1-HD, TRS-ActiveCare 2, TRS-ActiveCare Select, and TRS-ActiveCare Select ACN, weighted by Base Year Medical Incurred Claims with values of 1.0000 for TRS-ActiveCare 1-HD and TRS-ActiveCare 2 and 0.9237 for TRS-ActiveCare Select and TRS-ActiveCare Select ACN. The Benefit Change Factors for each plan are guaranteed at the time of quotation. Should the plan design change from the assumed plan design at the time of quotation we will adjust the Benefit Change Factor.
2) The Selection Factor will account for the impacts of variation in morbidity, demographics, and utilization among new members electing the various plan options. This value will be the composite of the corresponding values for the TRS-ActiveCare 1-HD, TRS-ActiveCare 2, TRS-ActiveCare Select, and TRS-ActiveCare Select ACN, weighted by adjusted Base Year Medical Incurred Claims (reflecting the Benefit Change factor). This factor is not guaranteed at the time of quotation, but will be developed as follows (with New members joining the TRS Active plans as either new subscribers of currently eligible groups or from new groups joining TRS Active plans in the future, and Total referring to the number of members who elect these plans in the 9/14 enrollment period):
    - TRS-ActiveCare 1-HD and TRS-ActiveCare 2: 1+ [10% x (New CP2 Members / Total CP2 Members)]

## Updated Aetna Medical Claim Target Guarantee

- TRS-ActiveCare Select: 1 – [10% x (New OA AS Members / Total OA AS Members)]
- TRS-ActiveCare Select ACN: 1 – [10% x (New OA AS ACN Members / Total OA AS ACN Members)],

- The ACN Savings Factor of [redacted]s an illustration based on the assumptions outlined below and is not guaranteed at the time of quotation. The final ACN Savings Factor will be determined based upon final enrollment and claims. This factor will be weighted with the other product options by adjusted Base Year Medical Incurred Claims (reflecting the Benefit Change and Selection factors). For our illustrative factor the following assumptions were used.We have assumed that in networks where an ACN is available it will be the only Open Access Aetna Select option. The broader national network will only apply to networks where an ACN is not currently available.
- We have assumed ACNs will be active in Austin, Dallas, Houston, San Antonio
- We have assumed the following enrollments in the ACNs.
  - 945 subscribers enrolled in the Austin ACN
  - 9,563 subscribers enrolled in the Dallas ACN
  - 5,226 subscribers enrolled in the Houston ACN
  - 824 subscribers enrolled in the San Antonio ACN
- We have assumed the following claim weighting for the ACNs.

| ACN | Savings Factor | Claim Spend Weighting |
|---|---|---|
| Austin ACN | [redacted] | 13.10% |
| Dallas ACN | | 55.95% |
| Houston ACN | | 23.81% |
| San Antonio ACN | | 7.14% |
| **TOTAL** | | **100%** |

(c) The discount relativities are guaranteed at the time of quotation.

(d) The Medical Management Program Savings Factor accounts for the reduction in medical costs resulting from:

- The integration of our medical, radiology and behavioral health programs for Teacher Retirement System of Texas (TRS-ActiveCare) and the savings opportunity for pharmacy integration with the Pharmacy Benefits Manager (PBM). Aetna has developed the savings assuming we receive weekly pharmacy data for analysis. Our clinical and cost management programs, including MedQuery®, Aetna Health Connections℠ disease management program, Healthy Lifestyle Coaching Tobacco Free, Personal Health Record, Care Advocate Team, Beginning Right® Maternity Program, Concierge Member Services and claims payment practices inherent in our programs relative to those in place over the base year. This represents the additional value we offer in these programs compared to current vendors and programs.

(e) The trend factor is guaranteed at the time of quotation.

(f) The Net Effective Trend reflects the total savings of our products and programs

## Updated Aetna Medical Claim Target Guarantee

### Explanation of the Guarantee

We guarantee the process and the factors for developing the projected claims as noted. We will reconcile the Claim Target Guarantee annually. Any adjustments will be determined based on the table below. The maximum penalty adjustment will be equal to [redacted] and the maximum reward is [redacted] of actual collected base service fees, excluding program fees at risk in the Clinical Guarantees, fees passed through to subcontractor WellSystems, Teladoc per member per month fees and fees charged through the claim wire. In no event will fees be adjusted by more than 50%, excluding pass through fees and fees charged through the claim wire, of actual collected due to results of the claim-based performance guarantee and all other performance guarantees combined. Any reference to collected fees means those fees collected for the guarantee period as of the time of the final reconciliation of the guarantee.

| Actual Claims PMPY vs. Annual Projection | Fee Adjustment | Maximum Guarantee Period Adjustment |
|---|---|---|
| > 100% | [redacted] | |
| = 100% | No Adjustment | N/A |
| < 100% | [redacted] | |

### Structure of the Guarantee

The Claim Target Guarantee assumes the following:

- **The claim factor analysis is completed at quotation.** The claim projection is illustrative. The assessment of our performance will be based on the actual claim projection, which will be calculated once the incurred claims for the base period are known.
- **Base year claim projections are finalized 6 months after the beginning of the guarantee period**. When establishing the first year projected claims we require September 01, 2013 through August 31, 2014 incurred member level claims paid through March 31, 2015. In addition, base year claims will need to be broken out by the population which enrolls in the TRS-ActiveCare 1-HD, TRS-ActiveCare 2, TRS-ActiveCare Select and TRS-ActiveCare Select ACN offer.
- **Settlement of the guarantee will begin 6 months after the end of the guarantee period and will be completed within 90 days of Aetna receiving all of the required documents.** The settlement involves the development of the claim projection by multiplying the base year member level claims by the factors as outlined in the previous

section, Illustrative Claim Projection Development. The base year member level claims will be adjusted for plan design, demographic and geographic factors, and will exclude all non-medical claims, including pharmacy and specialty pharmacy claims. The claim projection will be compared to the actual annual claims (excluding all non-medical claims, including pharmacy and specialty pharmacy claims) to determine the outcome of the guarantee. 2014 projection-year claims will be based on claims incurred from September 1, 2013 to August 31, 2014 and paid through March, 2015.

**Data Requirements for the Guarantee**

The following information for last year's plan year (that is, the plan year just before the year covered by the guarantee) is required. Plan design and membership information is due by October 31, 2014. Claim information is due according to the schedule below. Include details only for the populations (members and products) covered by the guarantee.

- **Plan Design Information** (including plan design changes)

- **Membership Information (**including the following):

  For each month of the plan year prior to the year covered by the guarantee, a listing of members showing gender, date of birth, zip code, plan design, COBRA indicator

- **Claim Information –** Fee for Service Member Level Claims received in three extracts of the data, with the final extract to be used for the evaluation of the guarantee. Timeframes to be covered by the files are as follows:

| | Incurred Time Period | Paid Time Period | Date Due to Aetna |
|---|---|---|---|
| **Initial Extract of Data** | Sep 2013 through Aug 2014 | Sep 2013 through Aug 2014 | September 30, 2014 |
| **Second Extract of Data** | Sep 2013 through Aug 2014 | Sep 2013 through December 2014 | January 30, 2015 |
| **Final Extract of Data** | Sep 2013 through Aug 2014 | Sep 2013 through March 2015 | April 30, 2015 |

  - Dimensions to be provided in the date: Incurred Month, Paid Month, Plan Design, Medical/Drug Indicator
  - Measures to be included on the data: Paid Claims
  - Broken out by plan/product
  - Claims data is to be provided at the member level

**Updated Aetna Medical Claim Target Guarantee**

In addition, we must receive 24 months of prior carrier medical and pharmacy data in order to guarantee our Medical Management Savings Factor for our clinical programs. If this data is not provided, we reserve the right to adjust the Medical Management Savings Factor.

- **Claim Information - Large Claims** by plan for claims paid in excess of $150,000.

**Plan Design, Program and Engagement Requirements**

A holistic approach to benefit and program design and support is necessary in order to impact trend appropriately. The following are requirements in order for this claim target guarantee to be valid. If any of these aspects are not instituted, the claim target guarantee may be eliminated or its parameters revised.

**Programs**

- MedQuery®
- Aetna Health Connections℠ disease management
- Care Advocate Team
- Personal Health Record
- Beginning Right® Maternity Program
- Concierge Level Member Services

**Conditions for the Guarantee**

- This guarantee only applies to claims incurred from September 01, 2014 through August 31, 2015 for active members. COBRA, pre-65 and post-65 retirees, and disabled members are excluded.

- This guarantee assumes that the Texas PCMHs, Medical Clinic of North Texas, Village Health Partners, Platinum IPA, Village Family Practice and Memorial Hermann will be implemented.

- This guarantee assumes that 262,653 Active subscribers will enroll in Aetna medical plans. If the enrolled group varies in size by more than 15% from the assumption the guarantee may be revised.

**Updated Aetna Medical Claim Target Guarantee**

- The average member to subscriber ratio of the subscribers enrolling in the TRS-ActiveCare 1-HD and TRS-ActiveCare 2 plans is 1.71 and the average member to subscriber ratio of the subscribers enrolling in the TRS-ActiveCare Select and TRS-ActiveCare Select ACN plans is 1.64. We reserve the right to adjust our quotation if the average contract size of the enrolled population deviates by more than 15% from these factors.

- Aetna is assumed to be the full replacement vendor for medical and behavioral health coverage, and we receive pharmacy data (weekly) for analysis.

- We have assumed that we will receive 24 months of prior carrier medical and pharmacy data in order to ensure effective execution of our clinical programs beginning on the effective date of September 01, 2014.

- The guarantee may be revised if there is a 5% or greater change in the projected cost factors related to the combination of geography, age, and gender in any site with at least 100 subscribers enrolled or a 15% change in the total number of subscribers enrolled in each individual Aetna product or in aggregate, including the impact of new or terminating locations and/or groups. We reserve the right to adjust our guarantees if the site level enrollment for any specific network with more than 1,000 subscribers' changes by more than 15% from the originally anticipated enrollment shown in Exhibit II.

- All members covered by the guarantee are assumed to have only Aetna as the option for all products listed in the offer. Any changes to the product and service offerings could lead to the guarantee being revised or removed from consideration.

- The guarantee may be revised if there are any acquisitions or divestitures by TRS-ActiveCare.

- The TRS-ActiveCare 1-HD and TRS-ActiveCare 2 medical plans must maintain either a 90% in-network utilization level or non-participating fee schedule for this guarantee to remain in effect. The TRS-ActiveCare Select and TRS ActiveCare Select ACN medical plans will only have in-network benefit level coverage.

- We reserve the right to revise or remove the guarantee entirely or for a specific group whose current plan design, claims experience, average member enrollment and/or census cannot be evaluated by Aetna.

**Updated Aetna Medical Claim Target Guarantee**

- Any significant reduction in members in a specific geographic location may result in the guarantee being revised or removed.

- All non-medical claims, including Pharmacy and specialty Pharmacy claims are excluded from the total incurred claims of both the base year and the guarantee period.

- Claims per individual per year paid in excess of $150,000 are excluded from the total incurred claims of both the base year and the guarantee period.

- We have assumed that our subrogation services through a third-party vendor are provided.

- We reserve the right to make appropriate changes to this guarantee if there are any changes to the current or proposed benefit plans or if there is a change in government laws or regulations that have a quantifiable impact on claim costs.

- No guarantees shall apply for a guarantee period during which the Services Agreement is terminated by either Customer or by Aetna.

- We are relying on information from TRS-ActiveCare and its representatives in establishing the rates and terms of this guarantee. If any of this information is inaccurate and has an impact on the cost of the programs, we reserve the right to revise or remove the guarantee from consideration.

- TRS-ActiveCare must purchase Aetna Health Connections℠ disease management program.

- The maximum adjustment will be [redacted] of actual collected base service fees, excluding fees at risk in the Medical Management Guarantees, fees passed through to the subcontracted vendor WellSystems, Teladoc per member per month fees and fees charged through the claim wire for either this Claim Target Guarantee or the Discount Guarantee. This Claim Target Guarantee is not being offered in conjunction with the Discount Guarantee. TRS has the option of choosing either the Claim Target Guarantee or the Discount Guarantee. Additionally, in no event will fees be adjusted by more than 50%, excluding pass through fees and those charged through the claim wire, of actual collected base service fees due to the results of the Claim Target Guarantee and all other performance guarantees combined.

# Appendix V. b

## Appendix V. b

**Claim Target Guarantee**
September 1, 2014 through August 31, 2016, Mature

| Network Name | Network ID | # of Subscribers |
|---|---|---|
| AK - Fairbanks, AK MC/NAP | 2834 | 1 |
| AL - Montgomery, AL POSII | 2839 | 1 |
| AL - Southeast Alabama POSII | 2845 | 1 |
| AR - Arkansas (MC) | 1270 | 214 |
| AZ - Arizona (multi site) MC | 355 | 3 |
| CA - Los Angeles, CA (MC) | 209 | 7 |
| CA - Northern California (MC) | 346 | 2 |
| CA - San Diego (MC) AHP | 359 | 4 |
| CO - CO Cofinity OAMC/POSII | 3391 | 1 |
| CO - Colorado (MC) | 244 | 9 |
| FL - Miami-Dade/Broward, FL MC | 397 | 4 |
| FL - Orlando, FL (MC) | 449 | 4 |
| FL - PalmB/Martin/St. Lucie MC | 396 | 1 |
| FL - TampaBay/St.Petersburg MC | 399 | 1 |
| GA - Atlanta (MC) | 393 | 6 |
| GA - Savannah, GA (MC) | 624 | 2 |
| GA/SC - Augusta, GA / Aiken, SC | 623 | 1 |
| HI - Hawaii - MDX Hawaii POSII | 2806 | 2 |
| IA/IL - MidlandsChoice E.IA POSII | 2817 | 3 |
| ID/OR - SW Idaho-IPN/POSII | 2824 | 1 |
| IL/IN - Chicago (MC) | 243 | 3 |
| IL/MO - Central IL PHCS / CPII | 2865 | 1 |
| IN/IL - Indianapolis, IN (MC) | 1300 | 3 |
| KS - Central Kansas - HPK | 2885 | 1 |
| KS - CentralKansasPOSII-HPK | 2956 | 1 |
| KY/IN - Louisville (MC) | 433 | 1 |
| LA - Alexandria, LA | 3624 | 6 |
| LA - Baton Rouge (MC) | 601 | 1 |
| LA - Houma/Thibodaux, LA | 3627 | 2 |
| LA - Lafayette, LA | 3618 | 3 |
| LA - Lake Charles, LA | 3621 | 43 |
| LA - New Orleans (MC) | 249 | 3 |
| LA - Shreveport POSII | 2844 | 4 |
| LA - Shreveport/Monroe | 2635 | 34 |
| MA - Massachusetts | 339 | 1 |
| MD/DC/VA - Baltimore/Washington | 385 | 1 |
| MI - Eastern MI Aetna MC | 4630 | 2 |
| MI - Eastern MI Cofinity MC | 421 | 3 |
| MI - Southwest MI Aetna MC | 4639 | 3 |
| MN - Minnesota MC | 2719 | 1 |
| MO - Springfield MC | 2846 | 1 |
| MO/IL - St. Louis (MC) | 389 | 1 |
| MO/KS - Columbia, MO (MC) | 690 | 1 |
| MO/KS - Kansas City (MC) AHP | 2105 | 5 |
| MS/LA/AL - Jackson/Vicksburg (MC) | 1315 | 3 |

| | | |
|---|---|---|
| National - Rural PPO - Multiplan | 2820 | 52 |
| NC - Coastal Carolina | 3892 | 1 |
| NC/SC - Central North Carolina MC | 454 | 2 |
| NE/IA - MidlandsChoiceOmaha/CBMC | 1346 | 1 |
| NJ - New Jersey-Southern | 1450 | 1 |
| NM - Dona Ana NM PHCS / CPII | 2853 | 182 |
| NM - New Mexico Direct MC | 3989 | 10 |
| NY - New York (MC) | 357 | 4 |
| NY - Up State New York (MC) | 483 | 1 |
| OH - Northeast Ohio (MC) | 242 | 3 |
| OH/KY - Central Ohio (MC) | 582 | 1 |
| OH/KY/IN - Cincinnati/Dayton/NKY(MC) | 1559 | 1 |
| OK - Oklahoma City (MC) | 1324 | 93 |
| OK/KS - Tulsa (MC) | 546 | 111 |
| SC - Columbia, SC (MC) | 607 | 1 |
| TN - Knoxville, TN | 1762 | 1 |
| TN - Nashville (MC) | 395 | 6 |
| TN/KY/AR/MS - Memphis (MC) | 398 | 1 |
| TX - Abilene Networks | 2770 | 1978 |
| TX - Amarillo | 3025 | 3263 |
| TX - Austin (MC) | 552 | 13786 |
| TX - Brownwood | 2762 | 1473 |
| TX - Bryan College Station | 2756 | 1991 |
| TX - Calhoun/Victoria (MC) | 759 | 2529 |
| TX - Corpus Christi (MC) | 2117 | 4603 |
| TX - Dallas/Ft. Worth (MC) | 338 | 121120 |
| TX - East Texas | 4101 | 8629 |
| TX - El Paso (MC) | 1474 | 10050 |
| TX - Hill Country Network | 2767 | 2651 |
| TX - Houston (MC) | 248 | 57386 |
| TX - Karnes Network | 2776 | 2690 |
| TX - Laredo Networks | 2760 | 3161 |
| TX - LUBBOCK | 3027 | 4099 |
| TX - Midland-Odessa | 3030 | 1461 |
| TX - Rio Grande Valley (MC) | 2116 | 4436 |
| TX - San Angelo | 2926 | 2523 |
| TX - San Antonio (MC) | 545 | 8518 |
| TX - West Texas Network | 2907 | 1811 |
| TX - Wichita Falls | 3037 | 3616 |
| UT/WY - Utah Direct MC | 3461 | 4 |
| VT - Vermont-FirstHealth POSII | 3363 | 1 |
| WA - West Washington (Seattle) | 447 | 3 |
| WA/ID - East Washington (Spokane) | 437 | 1 |
| WI - SE Wisconsin (MC) | 506 | 1 |
| WI - Western WI MC | 2715 | 1 |

Total 262653

# Appendix V. c

## Medical Claim Target Guarantee – Table 1

The below is an example of how the proposed claim target will work, taking some assumptions into consideration. This is for illustrative purposes only and supports attachment C1.

| | Individual TRS-ActiveCare 1-HD and TRS-ActiveCare 2 Guarantee Factors | Individual TRS-ActiveCare Select Guarantee Factors | Individual TRS-ActiveCare ACN Select Guarantee Factors | Proposed Blended Total Factors |
|---|---|---|---|---|
| Illustrative Base Year Medical Incurred Claims (per member per year) (a) | $3,596 | $3,545 | $3,388 | $3,580 |
| Illustrative Plan Value Factor (b) | 1.0000 | 0.9237 | 0.9237 | 0.9935 |
| Discount Relativities | | | | |
| Medical Management & Integration Savings Factor | | | | |
| Illustrative Selection Factor (c) | | | | N/A |
| Illustrative ACN Savings Factor (d) | N/A | N/A | | N/A |
| Trend Factor | | | | |
| Illustrative 9/1/14 – 8/31/15 Projected Claims (per member per year) | | | | |
| Illustrative Net Effective Trend | | | | |

(a) For illustration purposes, we have assumed that the TRS-ActiveCare Select plan will attract the healthier and lower utilizing members. Therefore we have illustrated that base year claims for this population will be lower than the original blended base year claims for the total population. As a result the TRS-ActiveCare 1-HD and TRS-ActiveCare 2 base year claims will be higher than the original blended total for the total population. The actual base year claims for each population will be apportioned based on the member level information TRS provides using the approach illustrated in this example:

Base Year Claims for Original Full Target = **$3,580 PMPY** (including deaths/terms)

Base Year Claims for Continuing Members = $3,401 PMPY (excluding deaths/terms)

Base Year Claims for Continuing TRS-ActiveCare 1-HD and TRS-ActiveCare 2 Members = $3,416 PMPY

Base Year Claims for Continuing TRS-ActiveCare Select Non-ACN Members = $3,368 PMPY

Base Year Claims for Continuing TRS-ActiveCare Select ACN Members = $3,219 PMPY

Base Year Claims for Updated TRS-ActiveCare 1-HD and TRS-ActiveCare 2 Target = $3,580 x ($3,416 / $3,401) = **$3,596 PMPY**

Base Year Claims for Updated TRS-ActiveCare Select Non-ACN Target = $3,580 x ($3,368 / $3,401) = **$3,545 PMPY**

## Medical Claim Target Guarantee – Table 1

Base Year Claims for Updated TRS-ActiveCare Select ACN Target = $3,580 x ($3,219 / $3,401) = **$3,388 PMPY**

(b) In order to develop the blended plan value factor we will first calculate the individual factors and determine the weighted factors for each of the three components which will contribute to this blended factor, Benefit Change, Accountable Care Network (ACN) Savings and Selection. Please see the example below of how the illustrative factors were developed.

Benefit Change Savings Factor:

| Plan | Base PMPM Claims prior to this factor | Factor | Final PMPM Claims After this factor |
|---|---|---|---|
| TRS-ActiveCare 1-HD and 2 | $3,596 | 1.0000 | $3,596 |
| TRS-ActiveCare Select | $3,545 | 0.9237 | $3,275 |
| TRS-ActiveCare Select ACN | $3,388 | 0.9237 | $3,129 |
| **FINAL** | **$3,580** | **0.9903** | **$3,545** |

ACN Savings Factor:

| Plan | Base PMPM Claims prior to this factor | Factor | Final PMPM Claims After this factor |
|---|---|---|---|
| TRS-ActiveCare 1-HD and 2 | $3,596 | 1.0000 | $3,596 |
| TRS-ActiveCare Select | $3,275 | 1.0000 | $3,275 |
| TRS-ActiveCare Select ACN | $3,129 | 0.9171 | $2,870 |
| **FINAL** | **$3,545** | **0.9956** | **$3,529** |

Selection Factor:

| Plan | Base PMPM Claims prior to this factor | Factor | Final PMPM Claims After this factor |
|---|---|---|---|
| TRS-ActiveCare 1-HD and 2 | $3,596 | 1.0100 | $3,632 |
| TRS-ActiveCare Select | $3,275 | 0.9900 | $3,242 |
| TRS-ActiveCare Select ACN | $2,870 | 0.9900 | $2,841 |
| **FINAL** | **$3,529** | **1.0077** | **$3,557** |

Final Factor is developed using the equation: Plan Design Savings Factor x ACN Savings Factor x Selection Factor.
Example: 0.9903 x 0.9956 x 1.0077 = 0.9935

(c) For illustration purposes, we have assumed 10% of the TRS-ActiveCare 1-HD and TRS-ActiveCare 2 and TRS-ActiveCare Select populations will be new. The actual new enrollment into the TRS-ActiveCare 1-HD

## Medical Claim Target Guarantee – Table 1

and TRS-ActiveCare 2 and TRS-ActiveCare Select populations will be used to calculate these factors according to the following formulas:

TRS-ActiveCare 1-HD and TRS-ActiveCare 2: 1 + (10% x new hire and growth CPII members / total CPII members)

TRS-ActiveCare Select (Non-ACN): 1 – (10% x new hire and growth AS non-ACN members/ total AS non-ACN members)

TRS-ActiveCare Select (ACN): 1 – (10% x new hire and growth AS ACN members / total AS ACN members)

Example assuming 10% total population growth.

TRS-ActiveCare 1-HD and TRS-ActiveCare 2: 1+ (10% x 39,037 /390,371) = 1.0100

TRS-ActiveCare Select (Non-ACN): 1 – (10% x 3,162 / 31,615) = 0.9900

TRS-ActiveCare Select (ACN): 1- (10% x 2,714 / 27,145) = 0.9900

(d) Accountable Care Network Savings Factors for each ACN are guaranteed as displayed in the chart below. For illustration purposes, we have assumed a distribution of claims among the ACNs. This factor will be recalculated based on the actual distribution of claims among the ACNs.

| ACN | Savings Factor | Claim Spend Weighting |
|---|---|---|
| Austin ACN | | 13.10% |
| Dallas ACN | | 55.95% |
| Houston ACN | | 23.81% |
| San Antonio ACN | | 7.14% |
| **TOTAL** | | **100%** |

# Appendix VI

**WellSystems Guarantee**

**WELLSYSTEMS SERVICE LEVEL AGREEMENTS FOR TRS VIA AETNA**

Aetna has offered the following service level guarantee related to WellSystems eligibility performance. A total of [ ] up to [ ] of our first year service fees will be at risk to TRS based on implementation and ongoing performance, with reporting monthly and reconciliation quarterly. This guarantee will be based on actual enrollment.

**Refund Process**

At the end of each quarterly guarantee period, WellSystems will compile its Performance Guarantees results and report them to Aetna. Aetna will provide the quarterly reporting for these guarantees to TRS within 45 days of the close of the quarter. If necessary, Aetna will provide the appropriate credit to the administrative service fees paid by TRS once Aetna has received the fee reduction from WellSystems.

Any such reduction in fees will be credited to the monthly administrative fees. If there is a "Credit for non-performance" associated to the ongoing Well System Services PG's, Well Systems will reduce their billed fee to Aetna and Aetna in-turn will pass along the reduced billed amount to TRS for Well System services.

**Implementation Guarantee**

Aetna guarantees that WellSystems will provide TRS with a customized and fully functional enrollment platform, database and series of management reports related to enrollment, COBRA and billing no later than 45 days prior to the beginning of any enrollment activity related to the transition from BC/BS to Aetna. Additional components of the guarantee include:

- WellSystems will participate in the development of the implementation of the work plan and identify and confirm agreement to any specific requirements of TRS and critical dates;

- WellSystems will sponsor at our cost an independent assessment of our readiness 30 days prior to the beginning of any enrollment related activity. This will include functionality and capacity. TRS may select the entity to complete the testing and WellSystems will pay professional fees for that assessment up to $25,000.

- WellSystems will test all interfaces with trading partners (Enrollment companies used by ISDs, Aetna, HMOs, PBM and TRS' consultants) and provide a statement of readiness from each no later than 60 days prior to the beginning of any enrollment activity.

## WellSystems Guarantee

- WellSystems will conduct an electronic satisfaction survey of all ISD Business Managers 60 days following the beginning of the contract and will score an average of at least 4.0 of 5.0, with 1.0 being Poor and 5.0 being Extremely Satisfied. We will work with TRS on the wording of the survey and the areas to be surveyed.

We will place [redacted] up to [redacted] of our first year service fees for the first 12 months of the contract at risk for meeting the implementation guarantee. TRS may choose how to allocate the [redacted] among the criteria listed above. Failure to meet the criteria will result in a credit to the monthly fees. This credit will be applied once payment from WellSystems is received by Aetna.

## Ongoing Service Level Agreements (SLAs)

Ongoing SLAs will be reported on monthly basis and will be reconciled quarterly. Any reduction in fees will be credited to the monthly administrative fees. This credit will be applied once payment from WellSystems is received by Aetna.

| Area of Guarantee | Measure Description | Performance Credits for Non-Performance |
|---|---|---|
| EDI File Load Timing | All files will be edited, issues addressed and loaded within [redacted] of receipt. | Receipt to loading time will be tracked for each file received. The number of days will be calculated and averaged. Only file integrity issues will be handled differently, with loading time measured based on the date a new file is received to the date loaded.<br><br>If the average exceeds [redacted], a performance credit of [redacted] PSPM of quarterly service fees will apply for each 0.2 days above [redacted] |
| Regular Paper Enrollment Load | All "paper" enrollment changes, additions or deletions will be date stamped and loaded within [redacted] of receipt.<br><br>All "paper" enrollment transactions will be subject to a random 10% audit. A [redacted] data entry accuracy standard and [redacted] procedural accuracy standard shall be maintained. | Receipt to loading time will be tracked for each "paper" enrollment transaction received. The number of days will be calculated and averaged. Only missing information issues will be handled differently, with loading time measured based on the date complete information is received to the date loaded.<br><br>If the average exceeds [redacted] a performance credit of [redacted] PSPM of quarterly services fees will apply for each 0.2 days above [redacted] Audit |

## WellSystems Guarantee

| | | |
|---|---|---|
| | | results will be presented to Aetna. Quarterly service fees will be reduced by [redacted] PSPM for each 0.2% below data entry and procedural accuracy standards. |
| **Area of Guarantee** | **Measure Description** | **Performance Credits for Non-Performance** |
| Web Portal Transaction Review | All enrollment transactions handled through the web portal and subject to Enrollment Representative review will be processed within [redacted] of receipt. | Receipt in the portal approval queue to loading time will be tracked for each web enrollment transaction received. The number of days will be calculated and averaged. Only missing information issues will be handled differently, with loading time measured based on the date complete information is received to the date loaded.<br><br>If the average exceeds [redacted] day, a performance credit of [redacted] PSPM of quarterly service fees will apply for each 0.2 days above [redacted] |
| Outbound File Transmission | [redacted] of the outbound enrollment files prepared for trading partners will be sent within the timeframes specified by each partner. | This standard will apply unless file specifications are changed. For 15 days following such a change the standard will not apply.<br><br>A performance credit of [redacted] per file per day will be applied for any delays in file transfer. |
| Invoice Accuracy | [redacted] of all bills will be produced with accurate unit costs as communicated in writing by Aetna or TRS | The standard will apply provided Aetna or TRS provide written confirmation of unit costs at least 30 days prior to the unit costs being effective.<br><br>A performance credit of [redacted] per instance of billing inaccuracy will apply. |
| Billing Timeliness | [redacted] of invoices (electronic or hard copy) will be produced and distributed on the first working day of each month. | A performance credit of [redacted] per late bill will apply. |

# Appendix VII

## Guarantee Reconciliation and Reporting Schedule

GUARANTEE RECONCILIATION AND REPORTING

The below chart outlines when the guarantees will be reconciled with TRS as well as when reports will be provided.

| | Reconciliation | Reporting Delivered to TRS | | | |
|---|---|---|---|---|---|
| | | 1Q14 | 2Q14 | 3Q14 | 4Q/Annual |
| | Plan Year<br>Calendar Year | Sep,Oct,Nov<br>Oct,Nov,Dec | Dec,Jan,Feb<br>Jan,Feb,Mar | Mar,Apr,May<br>Apr,May,Jun | Jun,Jul,Aug<br>Jul,Aug,Sep |
| **Aetna Health Connections – Disease Management** | | Plan Quarter (PYQ or PY)<br>Calendar Year Quarter (CYQ or CY) | | | |
| Return on Investment | 3Q CY | 3rd CYQ | 4th CYQ | 1st CYQ | 3rd CYQ |
| Implementation | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| Management Reports | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Clinical & Utlization Outcome Reports | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Opt Out Rate | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Nurse Engagement Rate | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| **Clinical Outcome Improvement Rates** | | | | | |
| Diabetic HbA1z Testing | 3Q CY | 3rd CYQ | 4th CYQ | 1st CYQ | 3rd CYQ |
| Asthma-controller Medications | 3Q CY | 3rd CYQ | 4th CYQ | 1st CYQ | 3rd CYQ |
| **Case Management Utilization Management** | | | | | |
| Case Management ROI | 3Q CY | N/A | N/A | N/A | 3rd CYQ |
| Precertification ROI | 3Q CY | N/A | N/A | N/A | 3rd CYQ |
| Concurrent Review ROI | 3Q CY | N/A | N/A | N/A | 3rd CYQ |
| CAT Discharge Planning | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| CAT Case Management Plan | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| CAT Post Discharge Outbound Call | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| CAT Pre-Admission Outreach | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| CAT high Claimant Screening Rate | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| CAT Touch Rate | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| **Member Satisfaction Surveys** | | | | | |
| AHCDM; Beginning Right; IHL; CM | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| **Beginning Right Maternity** | | | | | |
| Participation Rate | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Engagement Rate | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Post-Partum Depression Screening | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| **Service Performance Guarantees** | | | | | |
| Final Implemenation Plan | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| Overall Account Management | 1st PYQ | N/A | N/A | N/A | 1st PYQ |

## Guarantee Reconciliation and Reporting Schedule

| | | | | | |
|---|---|---|---|---|---|
| Turnaround Time | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Financial Accuracy | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Payment Incidence Accuracy | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Total Claim Accuracy | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Member Satisfaction | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| **Member Services** | | | | | |
| Average Speed of Answer | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Average Speed of Answer for IVR Opt Out | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| Abandonment Rate | 1st PYQ | 2nd PYQ | 3rd PYQ | 4th PYQ | 1st PYQ |
| **Network Access** | | | | | |
| Access Rate to PCP – Urban/Sub | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| Access Rate to PCP – Rural | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| Access Rate to Pediatrician – Urban/Sub | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| Access Rate to Pediatrician – Rural | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| Access Rate to OB/GYNs – Urban/Sub | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| Access Rate to OB/GYNs – Rural | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| Access Rate to Hospital – Urban/Sub | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| Access Rat to Hospital – Rural | 1st PYQ | N/A | N/A | N/A | 1st PYQ |
| **Claim Target Guarantee** | | | | | |
| Claim Target Guarantee | 3Q CY | N/A | N/A | N/A | 3Q CY |

Any penalties associated with the above guarantees will be paid to TRS within 90 days of the guarantee reconciliation.

# Appendix VIII

Withheld pursuant to exemption

Withheld pursuant to exemption

Withheld pursuant to exemption

Withheld pursuant to exemption

# Appendix IX

Withheld pursuant to exemption

Withheld pursuant to exemption

Withheld pursuant to exemption

Withheld pursuant to exemption

# Appendix X

Withheld pursuant to exemption

Withheld pursuant to exemption

Withheld pursuant to exemption

# Appendix XI

Withheld pursuant to exemption

Withheld pursuant to exemption

Withheld pursuant to exemption

Withheld pursuant to exemption

**Exhibit A**

# Code of Ethics for Contractors

**Adopted: September 9, 1994**
**Revised: April 20, 2012**

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The Teacher Retirement System of Texas ("TRS") is charged by the Texas Constitution and state law with the administration and investment of pension assets held in trust for the exclusive benefit of active or retired TRS members and their beneficiaries; assets may not be diverted for other purposes. The TRS Board of Trustees is the trustee of all plan assets, responsible for the general administration and operation of TRS and authorized by law to adopt rules for TRS administration and Board business. The Board has similar responsibilities for the health benefits programs under the Texas Public School Retired Employees Group Benefits Act, the Texas School Employees Uniform Group Health Coverage Act, and other trusts or programs authorized by law to be administered by TRS. The Code of Ethics for Contractors ("Code") sets forth the ethical responsibilities and requirements of Contractors, as that term is defined in the Code, in performing services for TRS.

## I. Conflicts of Interest

A. Conflicts of Interest Defined.

(1) Conflict of Interest for Contractors (excluding Brokers). A conflict of interest exists for a Contractor (excluding a Broker) when the Contractor has a personal, commercial (including private commercial), or business relationship or interest, unrelated to the services that the Contractor performs for TRS, that could reasonably be expected to diminish the Contractor's independence of judgment in the performance of the Contractor's responsibilities to TRS.

For example, a person's independence of judgment reasonably could be diminished when he or she is in a position to take action or not take action with respect to TRS or its business and a reasonable person could expect that such act or failure to act on behalf of TRS is influenced by considerations of gain or benefit to the Contractor, a Trustee, an Employee or a third party, rather than motivated by the interests of TRS, its members, and beneficiaries. A conflict of interest shall not be deemed to exist solely because a Contractor is or has a relative who is a member, retiree, annuitant or beneficiary of TRS, provided the relative is not also an Employee.

For example, a Contractor may not participate in or advise or consult on a specific matter before TRS that involves a business, contract, property or investment in which the Contractor has a pecuniary interest if it is reasonably foreseeable that action or inaction by or on behalf of TRS on that matter would be likely to, directly or indirectly, confer a benefit on the Contractor by reason of the Contractor's interest in such business, contract, property or investment. The foregoing prohibition does not apply if

- The benefit is merely incidental to the Contractor's membership in a large class sharing a common class interest, such as the class of TRS members.
- The benefit is merely an increase in fees or the awarding of another contract to the Contractor for other business with TRS.

(2) Additional Conflicts of Interest for Brokers, Financial Advisors and Financial Services Providers. A conflict of interest exists for a Broker, Financial Advisor or a Financial Services Provider when the Broker, Financial Advisor or Financial Services Provider has one of the following:

- A direct or indirect pecuniary interest in any party to a transaction with TRS and the transaction is connected with any financial advice or service the Broker, such Financial Advisor, or Financial Services Provider provides to TRS or to a Trustee concerning TRS matters.
- A relationship (without regard to whether the relationship is direct, indirect, personal, private, commercial, or business) with one of the following:
  - Any party to a transaction with TRS, other than a relationship necessary to provide the Broker, Financial Advisor or such Financial Services Provider services to TRS;
  - An Employee; or
  - A Trustee

  if a reasonable person could expect the relationship to diminish the Broker, Financial Advisor, or Financial Services Provider independence of judgment in the performance of the Broker, Financial Advisor or Financial Services Provider responsibilities to TRS.

Notwithstanding the definition of a conflict in this subsection I.A.2, if a TRS Financial Advisor is asked to advise TRS in a transaction and the Financial Advisor or the Financial Advisor's affiliate holds or intends to hold or acquire a direct or indirect pecuniary interest in a limited partnership (or similar vehicle, including a co-investment or alternate or parallel investment vehicle) in which TRS is considering investing, the Financial Advisor will not be deemed, in future or past applications of this subsection, to have a disqualifying conflict of interest under this Code solely because of that pecuniary interest. The Financial Advisor must disclose such a pecuniary interest in writing to TRS as soon as practicable, but to the extent possible before performing any services for TRS related to the particular transaction. The General Counsel may review any such disclosures to analyze whether the Financial Advisor's exercise of judgment on behalf of TRS in performing advisory or consulting services is, or is likely to be, affected by the Financial Advisor's interest under the circumstances. The General Counsel may consider whether the disclosed interest aligns the Financial Advisor's interests with TRS' interest (or is at least not harmful or opposed to TRS' interests) in the transaction. If the General Counsel determines that no conflict of interest exists based on the Financial Advisor's disclosures, then, to the extent applicable, the Financial Advisor shall further disclose the interest in any written advice, prudence letter, or recommendation provided to TRS for the transaction.

B. Determination of a Potential Conflict of Interest. If a Contractor, Trustee, or Employee (to the extent a Trustee or an Employee is or reasonably should be aware of the circumstances) is uncertain whether a Contractor has or would have a conflict of interest under a particular set of circumstances then existing or reasonably anticipated to occur, the Contractor, Trustee, or Employee should promptly inform the General Counsel, who shall determine whether a conflict of interest exists under the circumstances presented. If the General Counsel determines that a conflict does not now exist but would exist upon the occurrence of the anticipated circumstances and they later do occur, the Contractor must file a disclosure statement on the occurrence of such events.

C. Disclosure. Contractors must promptly disclose conflicts in writing to the General Counsel by submitting a completed Conflict of Interest Disclosure Statement. A Contractor who files a Conflict

of Interest Disclosure Statement must refrain from giving advice or making decisions about any matters affected by the conflict of interest until the Contractor cures the conflict under Section I.D or obtains a waiver under Section I.E.

The General Counsel shall send a copy of all Conflict of Interest Disclosure Statements received to the Ethics Committee of the Board. If a person or entity with a duty to disclose conflicts reasonably believes that disclosure to the General Counsel would be ineffective, the person or entity shall disclose the conflict to the Ethics Committee of the Board by submitting a Conflict of Interest Disclosure Statement to the Chair of such committee, addressed to:

Chair of the Ethics Committee of the Board
c/o Executive Director of TRS
1000 Red River Street
Austin, Texas 78701-2698

Whether disclosure is made to the General Counsel or to the Ethics Committee of the Board, a Contractor shall provide a copy of the Conflict of Interest Disclosure Statement to the Employee assigned to monitor or manage the performance of the Contractor.

Brokers, Financial Advisors and Financial Services Providers must additionally file a Disclosure Statement for Brokers, Financial Advisors and Financial Services Providers as provided in Section III.B. This Disclosure Statement for Brokers, Financial Advisors and Financial Services Providers is not the same form as the Conflict of Interest Disclosure Statement referenced above.

D. Cure, Prevention, and Mitigation. A Contractor with a conflict of interest must disclose that conflict and cure (eliminate) it. A Contractor who cannot or does not want to eliminate the conflict of interest must terminate his or its relationship with TRS as promptly as responsibly and legally possible, or seek a waiver of the conflict under Section I.E.

Alternatively, if a Contractor or a Contractor's employee may prudently refrain or withdraw from taking action on a particular TRS matter in which a conflict or potential conflict exists, he or it may cure the conflict or prevent or mitigate the potential conflict in that manner provided that

- The person, persons, or entity may be and is or are effectively separated from influencing the action taken.
- The action may properly and prudently be taken by others without undue risk to the interests of TRS.
- The nature of the conflict is not such that the person, persons, or entity must regularly and consistently withdraw from decisions that are normally his, their, or its responsibility with respect to the services provided to TRS.

The General Counsel shall determine whether or not the Contractor's proposed cure of an existing conflict or a preventive or mitigating measure for a potential conflict is appropriate and sufficient under this Section. The General Counsel shall inform the Executive Director and the Chief Audit Executive of any such determination.

E. Waiver. The Chief Investment Officer or Executive Director may determine that a Broker, or Financial Services Provider does not need to take further actions to cure a conflict provided the disclosures by the Broker or Financial Services Provider are deemed sufficient under the circumstances to inform TRS of the nature and extent of any bias, and to form a judgment about the credibility or value of the analysis, research, recommendations or other services provided by the Broker or such Financial Services Provider. The Chief Investment Officer or Executive Director shall notify the Chief Audit Executive and the General Counsel of the relevant facts and determination. In such an event, the Broker or Financial Services Provider may continue to provide analysis or research or recommendations and perform services without taking further action to cure the disclosed conflict of interest.

For all other conflicts where a Contractor seeks a waiver, the Board, after consultation with the General Counsel, may expressly waive a conflict. The Board will decide whether to waive the prohibition against involvement in any matter affected by a disclosed conflict of interest at a meeting held in compliance with the Texas laws governing open meetings of the Board. To assist the Board in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships or interests that do not constitute material conflicts of interest. Any waiver granted by the Board, including the reasons supporting the waiver, must be included in the minutes of the meeting. Records of all waivers granted, including reasons supporting the Board's decision in each case, will be maintained by the Office of the General Counsel.

## II. Standards of Conduct

A. Professional Standards and Laws. Contractors must comply with all applicable professional standards and laws, including, without limitation, the following:

- Section 36.02 of the Texas Penal Code, which prohibits bribery.
- Section 36.09 of the Texas Penal Code, which prohibits the offering or conferring of benefits to public servants.
- Section 825.211 of the Texas Government Code, which prohibits applicable Contractors and certain relatives from participating in or being the beneficiary of, directly or indirectly, a loan, commitment to lend, a guarantee or endorsement to lend, or an investment by TRS or a contract to advise TRS or manage property or investments for TRS.
- Section 825.212 of the Texas Government Code.
- Chapter 2263 of the Texas Government Code.
- All applicable securities laws.
- Any applicable requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act and accompanying regulations as published. These laws mandate many of the requirements found in this Code.

B. Benefits. Contractors must avoid offering, conferring, soliciting, or accepting any benefit to or from Trustees, Employees, or Covered Contractors, except as otherwise allowed in Trustee and Employee ethics policies, incorporated herein by reference and available at http://www.trs.state.tx.us/. For example, a Contractor cannot provide a special discount on services to a TRS Trustee or Employee if the discount is based on the Contractor's relationship with TRS.

C. Individual Advisor. A Contractor may not be a representative of or be hired by an individual Trustee if, in either case, the Contractor's role with respect to the Trustee is to provide advice that could reasonably be expected to form the basis for a significant TRS decision made by the Trustee.

D. Personal Business Relationship. Contractors may not have a personal business relationship with a Trustee or Employee unless the Executive Director consents to the continuation of TRS's relationship with the Contractor after full disclosure. A personal business relationship exists when a Contractor and a Trustee or Employee operate a business together or co-invest in a business, other than through publicly traded securities. If a personal business relationship exists, a Contractor must promptly disclose the personal business relationship in writing to the Executive Director with a copy to the General Counsel. The Executive Director, after consultation with the General Counsel, will then determine whether to approve the continuation of TRS's relationship with the Contractor while the Trustee or Employee continues in his or her respective role for TRS. Alternatively, the Executive Director may require the Contractor, Trustee and/or Employee to be screened from TRS matters in which the personal business relationship may reasonably be expected to diminish the Contractor's independence of judgment in the performance of duties for TRS.

E. Employment of Former Trustee or Employee. Contractors may not employ a former Trustee or a former Executive Director for two years after termination of such former Trustee's TRS board service or such Executive Director's Employee relationship with TRS unless the former Trustee or Executive Director will not provide services to TRS or work on or have any involvement in TRS-related business of the Contractor. Further, Contractors may not employ any former Trustee or Employee, including the former Executive Director, at any time if the person's services to TRS, work, and involvement in TRS-related business of the Contractor would violate Government Code § 572.054(b) of the Texas "Revolving Door" statute. The prohibition on former Employees in the preceding sentence applies only to those former Employees who were compensated, as of the last date of TRS employment, at or above the minimum amount prescribed by the Texas General Appropriations Act for salary group A17, of the position classification salary schedule. The amount prescribed for fiscal year 2011 is $35,651. To the extent that it does not violate statutory law, the Executive Director can waive the application of this prohibition in a specific situation.

To the extent that it does not violate statutory law or that it would be in the best interest of TRS, the Executive Director can waive the application of this policy provision in a specific situation.

F. Confidential Information. A Contractor may not make unauthorized use or disclosure of confidential or sensitive information acquired as a result of the relationship with TRS. A Contractor receiving or having access to sensitive or confidential TRS information must use its best efforts to protect such TRS information and may use such information only for performing the services for which the Contractor is engaged and for legitimate TRS business purposes in accordance with the engagement agreement.

G. Use of Information for Advantage or Gain. A Contractor may not use information derived from a relationship with TRS in a manner that might reasonably be expected to affect the value of any investment or contemplated investment if such use would provide advantage or gain to the Contractor or any third party.

H. Bids. A Contractor may not be awarded a contract that is funded from the general revenue fund if (1) TRS paid the Contractor to participate in preparing the specifications for, or request for proposals related to, the contract or (2) the Contractor assisted TRS in the selection process to award the contract. For example, an actuary may advise TRS to obtain actuarial services for an issue and may serve as the actuary to provide the services to TRS under its existing contract, but the actuary may not participate in developing the specifications on which the contract is to be based. If the contract is not funded using money appropriated from the general revenue fund, TRS may still take these factors into consideration when awarding the contract.

I. Foreseeable Conflicts of Interest. Contractors may not take action personally or on behalf of TRS that would reasonably be likely to result in a foreseeable conflict of interest. If a Contractor believes that taking a particular action would be in the best interest of TRS but such action would foreseeably result in a conflict of interest for the Contractor, the Contractor must proceed under the conflict of interest provisions of Section I.

J. Controls. Contractors must observe the accounting and operating controls established by law and TRS policies, including restrictions and prohibitions on the use of TRS property for non-TRS purposes, including personal purposes.

K. Signed Acknowledgement. On the commencement of business with TRS (including but not limited to entering into a contract with TRS or being named as a Broker to the TRS Approved Broker List) and at any time this Code is revised by TRS, each Contractor must sign, date, and return to TRS a copy of this Code.

L. Reporting. Contractors shall complete all reporting requirements in accordance with TRS prescribed systems or processes, including any electronic reporting system implemented by TRS.

M. Covered Contractor Ethics. Any Covered Contractor is subject to the Employee ethics policy, incorporated herein by reference and available at http://www.trs.state.tx.us/.

## III. Periodic Disclosures

A. Annual Compliance Statement. On the commencement of business with TRS (including but not limited to entering into a contract with TRS or being named as a Broker to the TRS Approved Broker List) and at least once every twelve-month period, each Contractor must read and review any applicable policies and sign and date a Contractor Annual Ethics Compliance Statement and any other forms as required by TRS.

B. Disclosure Statement. In addition to the Annual Compliance Statement filed pursuant to the paragraph immediately above, all Brokers, Financial Advisors, and Financial Services Providers shall also file annually a Disclosure Statement for Brokers, Financial Advisors, and Financial Services Providers with the General Counsel **and** the State Auditor's Office. Also, all Brokers, Financial Advisors, and Financial Services Providers must promptly file a new or amended statement with the General Counsel and the State Auditor's Office when there is new information to report.

In filing this statement, the Broker, Financial Advisor, or Financial Services Provider will disclose in writing the following:

(1) Any relationship (without regard to whether the relationship is direct, indirect, personal, private, commercial, or business) the Broker, Financial Advisor or Financial Services Provider has with any party to a transaction with TRS, other than a relationship necessary to the advice or services that the Broker, Financial Advisor or Financial Services Provider performs for TRS, if a reasonable person could expect the relationship to diminish the Broker, Financial Advisor or Financial Services Provider independence of judgment in the performance of the Broker, Financial Advisor or Financial Services Provider responsibilities to TRS; and

(2) Any direct or indirect pecuniary interests in any party to a transaction with TRS if the transaction is connected with any financial advice or service the Broker, Financial Advisor, or Financial Services Provider provides to TRS or to a Trustee concerning TRS matters.

If no relationship or pecuniary interest described in (1) or (2) immediately above existed during the disclosure period, then the Broker, Financial Advisor or Financial Services Provider must affirmatively state that fact. The Disclosure Statement for Brokers, Financial Advisors, and Financial Services Providers must be filed not later than April 15 and will cover the previous calendar year (the reporting period).

C. Expenditure Report. Each Contractor must file annually an expenditure report on the prescribed TRS form, including itemized, reasonably detailed lists of expenditures of more than $50 per day made by or on behalf of the Contractor with respect to or for the benefit of each Trustee or Employee. Each Contractor shall comply with TRS rules governing the filing of and requirements for the expenditure reporting form promulgated by TRS.

## IV. Compliance and Enforcement

A. Enforcement. The Board will enforce this Code through the Executive Director who is responsible for its implementation with respect to Contractors. The Executive Director will inform the Board of any significant enforcement action taken by TRS concerning a violation of this Code by a Contractor. The Executive Director may approve a system or process through which Contractors may electronically submit to TRS the forms, disclosures, and statements required by this Code. Any such system must, to the Executive Director's satisfaction, require Contractors to submit all information required by this Code with sufficient guarantees of accuracy and authenticity. Implementation of any such system in no way alters or waives any requirement of filing any form, disclosure, or other information with any governmental body other than TRS.

B. Termination. The requirements of this Code applicable to Contractors will constitute a part of the contract or agreement with these parties. Violations of this Code by any Contractor are grounds for terminating the contract or relationship. **Any Contractor whose contract or business relationship with TRS is terminated by TRS because of a violation of this Code may not have another contract or relationship with TRS for a period of time up to ten years, as determined by the Executive Director or his designee, commencing from the date of the termination of the contract or relationship.** The Executive Director will maintain and serve as custodian for a list of the Contractors whose contract or relationship with TRS is terminated because they were found to be in violation of this Code. This listing shall include information regarding the length of time during which the Contractor may not have another contract or relationship with TRS.

C. Fiduciary Duties. Contractors who are Fiduciaries shall take appropriate action as co-fiduciaries in the event a violation of this Code involves a breach of fiduciary duties.

D. Report Violations. Contractors with knowledge of a violation of this Code, by themselves or others, must report promptly such violation to the General Counsel or to a member of the Ethics Committee of the Board. No retaliatory action will be taken for any such report made regarding others' violations if the report is made in good faith.

E. Internal Reporting and Enforcement. A Contractor shall be responsible for compliance with this Code by the Contractor and each of its employees and representatives working on TRS matters. Any disclosure or report required by this Code must be submitted to TRS by such entity rather than by individual employees and representatives. A Contractor is responsible for making a diligent inquiry of each of the Contractor's employees and representatives working on TRS matters before each submission and from time to time during engagement as a Contractor to determine if further submissions are required. The Contractor's inquiry shall include any employee or representative who worked on TRS matters during the reporting period, regardless of whether the employee or representative works on TRS matters at the reporting time, ceased working on TRS matters during that time or has since left employment with the Contractor. This inquiry obligation may be satisfied by an inquiry made near or at the time of a former employee's departure from a Contractor's employment.

I, the undersigned, acknowledge that I have read this Code and am familiar with the standards that govern the conduct of Contractors.

If the undersigned is executing this Code on behalf of an entity engaged by TRS as a Contractor, I further acknowledge that I have distributed this Code to those persons who work for or represent the Contractor on TRS matters. They have read this Code and are familiar with the standards that govern the conduct of Contractors.

Further, the Contractor shall distribute this Code (i) immediately to any other person with the Contractor who begins working on or representing the Contractor on TRS matters and (ii) once a year to all persons with the Contractor who work on or represent the Contractor on TRS matters.

Signature

Michael S. Copeck

Printed Name

Assistant Vice President and Actuary

Title

Aetna Life Insurance Company

Contractor Entity Name

October 1, 2013

Date

* While Aetna agrees philosophically with the TRS Code of Ethics, all Aetna employees, including suppliers at the time of hire and then annually thereafter, are required to complete comprehensive business conduct and integrity training. This training program includes acknowledgement compliance to Aetna's Code of Conduct and related privacy and information security policies. Aetna's Code of Conduct can be viewed at: http:www.aetna.com/investors-aetna/assets/documents/code-of-conduct/pdf

## Appendix A

## Definitions

In this Code the following definitions apply unless the context requires otherwise:

(1) **"Agent."** An entity or person, engaged as an independent contractor, performing material or significant duties on behalf of TRS as its representative. For purposes of this Code, the term "Agent" does not include a Broker, Consultant, Financial Advisor or Financial Services Provider. However, if an Agent also falls within the definition of a Broker, the entity or person will be considered a Broker under this Code. If an Agent also falls within the definition of a Consultant, the entity or person is considered a Consultant under this Code. If an Agent also falls within the definition of a Financial Advisor or Financial Services Provider, the entity or person is considered a Financial Advisor or Financial Services Provider, respectively, for all purposes. If questions exist regarding who constitutes an Agent, the Executive Director or his designee shall make that determination.

(2) **"Board."** The Board of Trustees of TRS.

(3) **"Broker."** Any entity or person (i) who is named from time to time on the TRS Approved Broker List and (ii) who provides TRS assistance in the buying or selling of stocks, bonds, commodities, options, and other securities, including related analysis or research. For example, on a security, company, industry, or sector. For purposes of reporting compliance, the term "Broker" includes an entity or person who appeared on the TRS Approved Broker List during any portion of the period of time covered by a particular report, even if that entity or person is no longer named on the TRS Approved Broker List. Broker does not include an Agent, Consultant, Financial Advisor or Financial Services Provider. However, if a Broker also falls within the definition of a Consultant, the entity or person is considered a Broker. If a Broker acts in more than one capacity for TRS such that the definition of Financial Advisor hereafter also applies, then as to those additional duties or services performed in the other capacity, the entity or person is considered a Financial Advisor. If questions exist regarding who constitutes a Broker, the Executive Director or his designee shall make that determination.

(4) **"Consultant."** An entity or person, other than an Employee or Trustee, (i) who provides advice to TRS intended to affect or form a basis for significant TRS decisions, including but not limited to an actuary or insurance and health care plan advisor or (ii) who provides advice to TRS and may reasonably be expected to receive for its services more than $10,000 in compensation from TRS during a fiscal year (September 1 to August 31). Consultant does not include a Broker, Financial Advisor or a Financial Services Provider. However, if a Consultant also falls within the definition of a Financial Advisor or Financial Services Provider, the entity or person is considered a Financial Advisor or Financial Services Provider, respectively, for all purposes. If questions exist regarding who constitutes a Consultant, the Executive Director or his designee shall make that determination.

(5) **"Contractors."** A collective term used to signify inclusion of all groups. For example, Agents, Brokers, Consultants, Financial Advisors, and Financial Services Providers, as each separate term is defined herein.

(6) **"Covered Contractor."** A Contractor who works on location at TRS or a worker assigned by or paid, directly or indirectly, by the Contractor to work at TRS.

(7) **"Employee."** A person who works for TRS in an employer-employee relationship and not in an independent contractor capacity, and includes the Executive Director and Chief Investment Officer of TRS.

(8) **"Executive Director."** The individual appointed as the executive director pursuant to Section 825.202 of the Texas Government Code.

(9) **"Fiduciary."** For purposes of this Code, a Contractor identified or appointed by contract or otherwise designated by TRS as a TRS fiduciary. If questions exist regarding who constitutes a Fiduciary for purposes of this Code, the Executive Director or his designee shall make that determination.

(10) **"Financial Advisor."** A person or entity, other than an Employee, Trustee or Broker, who provides financial management or advice to TRS or to a Trustee intended to affect or form a basis for significant financial, investment, or fund management decisions by TRS, and whose primary role is to provide such management or advice, including but not limited to (i) financial advisors, (ii) financial consultants, (iii) investment counselors, (iv) money or investment managers, (v) custodian banks and security lending agents, (vi) Strategic Partners, and (vii) external managers retained pursuant to agency agreements.

Financial Advisor is not intended to include a Broker. However, if the Broker acts in more than one capacity for TRS such that the definition of "Financial Advisor" immediately above also applies, then as to those additional duties or services performed in the other capacity, the person or entity is considered a Financial Advisor.

If questions exist regarding who constitutes a Financial Advisor, the Executive Director or his designee shall make that determination.

Notwithstanding the above, the following persons or entities are not considered Financial Advisors: (i) attorneys and law firms, (ii) companies that provide actuary services that impact investment strategies, (iii) companies that only provide financial information or software by subscription or license agreement, (iv) companies that provide software and services to transmit data between or among TRS operating systems, (v) the medical board, and (vi) health care consultants.

(11) **"Financial Services Provider."** A person or entity, other than an Employee, Trustee, or Broker and who does not meet the definition of a Financial Advisor above, who provides financial services to TRS in connection with the management or investment of TRS trust funds and who may reasonably expect to receive for its services more than $10,000 in compensation from TRS during a fiscal year (September 1 to August 31).

Financial Services Provider is not intended to include a Broker.

If questions exist regarding who constitutes a Financial Services Provider, the Executive Director or his designee shall make that determination.

Notwithstanding the above, the following persons or entities are not considered Financial Services Providers: (i) attorneys and law firms, (ii) companies that provide actuary services that impact investment strategies, (iii) companies that only provide financial information or software by subscription or license agreement, (iv) companies that provide software and services to transmit data between or among TRS operating systems, (v) the medical board, and (vi) health care consultants.

(12) **"General Counsel."** The Employee of TRS serving in the position of chief legal advisor for TRS.

(13) **"Strategic Partner."** The institutions that are advisors that provide services under relationships designated by TRS as Strategic Partners.

(14) **"TRS."** The Teacher Retirement System of Texas.

(15) **"Trustee."** A member of the Board of TRS.

**Exhibit B**

# HIPAA BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement ("BAA"), under the Health Insurance Portability and Accountability Act of 1996, Public Law No. 104-191 ("HIPAA"), is effective September 1, 2014, by and between the Texas Public School Retired Employees Group Benefits Program and the Texas School Employees Uniform Group Health Coverage Program (together, the "Programs"), the Teacher Retirement System of Texas, acting in its capacity as trustee of the Programs,. and Aetna Life Insurance Company ("Business Associate"), regarding Business Associate's obligations as a business associate of the Programs for purposes of complying with HIPAA, the HIPAA Rules, and HITECH.

WITNESSETH

WHEREAS, the Programs and Business Associate have entered into a contractual agreement to provide services for TRS-Care effective September 1, 2010 (the "TRS-Care Agreement"), and have entered into a contractual agreement to provide services for TRS-ActiveCare effective September 1, 2014 (the "TRS-ActiveCare Agreement"), (together, sometimes referred to as the "Agreement") under which Business Associate contracted to provide certain functions, activities, or services (collectively "Services") to the Programs, and in the continued performance of these Services may create, receive, Use, Disclose, or have access to Protected Health Information from or on behalf of the Programs;

WHEREAS, the parties agree that this BAA shall be attached to the Agreement and incorporated therein for all purposes as if restated in full;

WHEREAS, this BAA is intended to ensure that Business Associate will establish and implement appropriate safeguards (including certain administrative and security requirements) for the Protected Health Information the Business Associate (and all of its agents, contractors, and Subcontractors that create or receive Protected Health Information in connection with Services to the Programs) may create, receive, Use, Disclose, or have access to in connection with Services by Business Associate to the Programs;

NOW THEREFORE, in consideration of the parties' continuing obligations under the Agreement, in compliance with HIPAA, the HIPAA Rules, and HITECH, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree to the provisions of this BAA in order to address the statutory obligations imposed upon them and to protect the interests of the parties.

## I. DEFINITIONS

The following terms used in this BAA shall have the same meaning as those terms in the HIPAA Rules: Breach, Data Aggregation, Designated Record Set, Disclose or Disclosure, Health Care Operations, Minimum Necessary, Notice of Privacy Practices, Required by Law, Secretary, Security Incident, Subcontractor, Unsecured Protected Health Information, and Use. Terms used but not otherwise defined in this BAA shall have the same meaning as those terms in the HIPAA Rules.

A. Business Associate. "Business Associate" shall generally have the same meaning as the term "business associate" at 45 C.F.R. §160.103, and in reference to the party to this agreement, shall mean Aetna Life Insurance Company.

B. Covered Entity. "Covered Entity" shall generally have the same meaning as the term "covered entity" at 45 C.F.R. §160.103, and in reference to the party to this agreement, shall mean the Programs and the Teacher Retirement System of Texas, acting in its capacity as trustee of the Programs.

C. HHS. "HHS" shall mean U. S. Department of Health and Human Services.

D. HIPAA Rules. "HIPAA Rules" shall mean the Privacy, Security, Breach Notification, and Enforcement Rules at 45 C.F.R. Parts 160 and 164.

E. HITECH. "HITECH" shall mean the Health Information Technology for Economic and Clinical Health Act (enacted as part of the American Recovery and Reinvestment Act of 2009), including Sections 164.308, 164.310, 164.312, and 164.316 of Title 45 of the Code of Federal Regulations.

F. Individual. "Individual" shall have the same meaning as the term "individual" in the HIPAA Rules and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. §164.502(g).

G. Privacy Rule. "Privacy Rule" shall mean the Standards of Privacy of Individually Identifiable Health Information at 45 C.F.R. Parts 160 and 164, Subparts A and E, et seq., as amended from time to time.

H. Programs. "Programs" shall mean the Texas Public School Retired Employees Group Benefits Program (also known as TRS-Care) and the Texas School Employees Uniform Group Health Coverage Program (also known as TRS-ActiveCare).

I. Protected Health Information. "Protected Health Information" or "PHI" shall have the same meaning as the term "protected health information" has in the HIPAA Rules, limited to the information created or received by Business Associate (as well as its agents, contractors, or Subcontractors) from or on behalf of Covered Entity.

J. Security. "Security" shall have the same meaning as the term "security" at 45 C.F.R. §164.304.

K. Security Rule. "Security Rule" shall mean those provisions found in 45 C.F.R. Part 164, Subpart C (45 C.F.R. §164.302 - §164.318), as amended from time to time.

## II. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE

A. Business Associate shall comply with HIPAA (including but not limited to the HIPAA Rules), HIPAA regulations, the requirements of HITECH, rules adopted by the Secretary regarding Breaches of Unsecured Protected Health Information, and all applicable state and federal security and privacy laws. In so doing, Business Associate shall adopt privacy and security policies and procedures that are consistent with the requirements of the HIPAA Rules and HITECH, as applicable to Business Associate.

B. Business Associate shall not Use or Disclose Protected Health Information other than as permitted or required by this BAA or as permitted under law or Required by Law. Subject to Section II. A. immediately above, and Section IV. C, below, Business Associate shall follow any written instructions received from Covered Entity with respect to restricting the Uses and Disclosures of Protected Health information. Business Associate shall ensure that the Protected Health Information is not Used or Disclosed in a manner that would violate the restriction, unless otherwise directed by Covered Entity.

C. Business Associate shall implement, maintain and use appropriate safeguards (*e.g.*, administrative safeguards, physical safeguards, and technical safeguards) that (i) reasonably and appropriately protect the confidentiality, integrity and availability of Protected Health Information as required by the HIPAA Rules and (ii) comply with Subpart C of 45 C.F.R. Part 164 with respect to electronic Protected Health Information. Business Associate shall prevent Use or Disclosure of Protected Health Information other than as provided for by the HIPAA Rules, Subpart C of 45 C.F.R. Part 164, and this BAA. Business Associate covenants that such safeguards shall include, without limitation, implementing written policies and procedures in compliance with HIPAA, the HIPAA Rules, and HITECH, conducting a security risk assessment, conducting risk assessments concerning possible Breaches, and training its employees who will have access to Protected Health Information with respect to the policies and procedures required by HIPAA, the HIPAA Rules, and HITECH.

D. Business Associate shall report to Covered Entity any Use or Disclosure of Protected Health Information by Business Associate (as well as its agents, contractors, or Subcontractors that create or receive Protected Health Information in connection with Services to the Programs) that is not provided for by the HIPAA Rules or by this BAA, including Breaches of Unsecured Protected Health Information as required at 45 C.F.R. §164.410, and shall report to Covered Entity any Security Incident of which Business Associate becomes aware; except that, for purposes of this Security Incident reporting obligation, the term "Security Incident" shall not include inconsequential incidents that occur on a daily basis, such as scans, "pings" or other unsuccessful attempts to penetrate computer networks or servers containing electronic PHI maintained by Business Associate.

E. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a Use or Disclosure of Protected Health Information by Business Associate (as well as by its agents, contractors, or Subcontractors that create or receive Protected Health Information in connection with Services to the Programs) in violation of this BAA or of any Security Incident of which it becomes aware.

F. Business Associate agrees to ensure that any agency and any agent, contractor, or Subcontractor of Business Associate that creates, receives, maintains, or transmits Protected Health Information in connection with Services to the Programs agrees to the same restrictions, conditions, and requirements that apply through this BAA to Business Associate with respect to Protected Health Information.

G. In accordance with the HIPAA Rules, Business Associate shall provide reasonable access to Protected Health Information in a designated Record set to an Individual in order to meet the requirements under 45 C.F.R. §164.524.

H. Business Associate agrees to make any amendment(s) to Protected Health Information in a Designated Record Set that the Covered Entity directs or agrees to pursuant to 45 C.F.R. §164.526 at the request of Covered Entity or an Individual in a reasonable time and manner, or take other measures as necessary to satisfy Covered Entity's obligations under 45 C.F.R. §164.526.

I. For purposes of the Secretary determining Covered Entity's compliance with the HIPAA Rules or this BAA, Business Associate agrees to make internal practices, books, and records, including policies and procedures and Protected Health Information, relating to the Use and Disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of Covered Entity, available to Covered Entity or to the Secretary (or its agents) in a reasonable time and manner or a time and manner designated by the Covered Entity or the Secretary.

J. Business Associate shall document and maintain such Disclosures of Protected Health Information and information related to such Disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of Disclosures of Protected Health Information in accordance with 45 C.F.R. §164.528.

K. At Covered Entity's request, Business Associate shall provide to an Individual, in a reasonable time and manner, information collected in accordance with subsection J of this section to respond to a request by an Individual for an accounting of Disclosures of Protected Health Information in accordance with 45 C.F.R. §164.528.

L. When necessary to accommodate an Individual's reasonable requests for confidential communications, Business Associate shall communicate with an Individual regarding his/her Protected Health information only in the alternative manner or at the alternative location instructed by Covered Entity or the Individual.

M. At Covered Entity's request, Business Associate shall make available Protected Health Information in its possession or under its control in Designated Record Sets for amendment, and shall incorporate any amendments to Protected Health Information in accordance with the requirements of the HIPAA Rules and any instructions provided by Covered Entity.

N. If Business Associate accesses, maintains, retains, modifies, records, stores, destroys, or otherwise holds, Uses, or Discloses Unsecured Protected Health Information, it shall notify Covered Entity without unreasonable delay after a determination has been made that an incident has occurred that may require notification, but in no case later than five (5) business days after the determination in the case of electronic Unsecured Protected Health Information relating to the Covered Entity and ten (10) business days after the determination in the case of Breaches of hardcopy Unsecured Protected Health Information belonging to the Covered Entity. Business Associate will provide as much information as is available at the given point in the investigation, as follows: (1) the identification of each Individual whose Unsecured Protected Health Information has been, or is reasonably believed by Business Associate to have been accessed, acquired or Disclosed during such Breach; (2) a brief description of what happened, including the date of the Breach and discovery of the Breach; (3) a description of the type of Unsecured Protected Health Information that was involved in the Breach; (4) a description of the investigation into and risk assessment concerning the Breach, mitigation of harm to the Individual(s), and protection against further Breaches; (5) the results of any and all investigations and risk assessments performed by Business Associate related to the Breach; and (6) contact information of the most knowledgeable individual with the Business Associate (or with its agents, contractors, or Subcontractors that create or receive Protected Health Information in connection with Services to the Programs) for Covered Entity to contact relating to the Breach and its investigation into and risk assessment concerning the Breach. The Business Associate shall bear all financial costs associated with a Breach arising out of or relating to the performance of, or failure to perform, negligence, willful misconduct or breach of obligations under this BAA by Business Associate and/or its agents, contractors, partners, employees, Subcontractors, consultants, or assignees, except to the extent such Breach is due to the gross negligence or willful misconduct of the Covered Entity. Upon request by Covered Entity, but only upon such request, as to Breaches caused by Business Associate (or by its agents, contractors, or Subcontractors that create or receive Protected Health Information in connection with Services to the Programs), Business Associate will communicate with an Individual concerning a Breach that involves the Individual and, when necessary, will communicate with the Department of Health and Human Services and the media. Within ten (10) business

days of receiving all the information necessary to make its decision, the Covered Entity will inform the Business Associate of its decision as to whether notification is required and whether it is requesting Business Associate to perform the member notification.

O. Business Associate represents that if applicable, it has policies and procedures in place designed to detect, prevent and mitigate the risk of identity theft to comply with the Federal Trade Commission's Identity Theft Prevention Red Flags Rule (16 C.F.R. §681.2).

P. Business Associate shall obtain and shall maintain or cause to be maintained during the term of this BAA sufficient insurance coverage as shall be necessary to insure Business Associate against any claim or claims for damages based on a violation of HIPAA, the HIPAA Rules, HITECH, any applicable law or regulation concerning the privacy of patient information and claims arising under this BAA, and such insurance coverage shall apply to all services provided by Business Associate pursuant to this BAA. Such insurance shall be in the form of occurrence-based coverage. A copy of such policy or certificate evidencing the policy shall be provided to Covered Entity upon written notice.

Business Associate's indemnity found in Section 6 (C) of the TRS-Care Agreement and Business Associate's indemnity found in Section 6 (C) of the TRS-ActiveCare Agreement shall apply to the actions of Business Associate in providing services to the Covered Entity, and pursuant to Section 6 (G) of the TRS-Care Agreement and Section 6 (G) of the TRS-ActiveCare Agreement, to the actions of any organization, of Business Associate's own choosing, under a contract with Business Associate to provide services to the Covered Entity.

Q. In the event that Business Associate transmits or receives any Covered Electronic Transaction on behalf of Covered Entity, it shall comply with all applicable provisions of the Standards for Electronic Transactions Rule to the extent Required by Law.

R. Covered Entity and Business Associate recognize and agree that in some instances Business Associate may have compliance obligations as a health care provider under the HIPAA Rules and nothing herein shall prohibit, restrict, or otherwise limit compliance with any such obligations by Business Associate under the HIPAA Rules.

S. To the extent Business Associate is to carry out one or more of Covered Entity's obligation(s) under Subpart E of 45 C.F.R. Part 164, Business Associate shall comply with the requirements of Subpart E that apply to Covered Entity in the performance of such obligation(s).

## III. PERMITTED USES AND DISCLOSURES BY BUSINESS ASSOCIATE

A. Except as otherwise allowed in this BAA, Business Associate agrees to and may create, receive, Use or Disclose Protected Health Information only to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in the Agreement to which this BAA is an exhibit, provided that any Use or Disclosure of Protected Health Information would not violate (i) the HIPAA Rules if done by Covered Entity or (ii) the Minimum Necessary standards Required by Law.

B. Business Associate may Disclose Protected Health Information when such Disclosure is Required by Law.

C. Business Associate may Use Protected Health Information as Required by Law or to report violations of law to appropriate federal and state authorities, consistent with 45 C.F.R. §164.502 (j)(i).

D. Business Associate may Use Protected Health Information for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate.

E. Business Associate is authorized to use Protected Health Information to de-identify the information in accordance with 45 C.F.R. §164.514(a)-(c).

## IV. OBLIGATIONS OF COVERED ENTITY

A. Covered Entity shall notify Business Associate of any limitation(s) in its Notice of Privacy Practices of Covered Entity in accordance with 45 C.F.R. §164.520, to the extent that such limitation(s) affect Business Associate's permitted Use or Disclosure of Protected Health Information.

B. Covered Entity shall notify Business Associate of any changes in, or revocation of, permission by an Individual to Use or Disclose Protected Health Information, to the extent that such changes affect Business Associate's permitted Use or Disclosure of Protected Health Information.

C. Covered Entity shall give Business Associate reasonable advance notice of any restriction to the Use or Disclosure of Protected Health Information that Covered Entity has under consideration pursuant to 45 C.F.R. §164.522, to the extent that such restriction affects Business Associate's permitted Use or Disclosure of Protected Health Information. Business Associate will promptly advise Covered Entity of any impact the proposed restriction will have upon the activities of the Business Associate. Covered Entity and Business Associate will seek in good faith to address any issues arising from the proposed restriction prior to its implementation.

## V. IMPERMISSIBLE REQUESTS BY COVERED ENTITY

Covered Entity shall not request Business Associate to Use or Disclose Protected Health Information in any manner that would not be permissible under the HIPAA Rules if done by Covered Entity.

## VI. TERM AND TERMINATION

A. Term. The term of this BAA shall be effective as of September 1, 2014. Unless terminated for cause, this BAA shall remain in effect until both the TRS-Care Agreement and the TRS-ActiveCare Agreement have been terminated, including any extensions, amendments and renewals of the TRS-Care Agreement and the TRS-ActiveCare Agreement. Upon the termination of both the TRS-Care Agreement and the TRS-ActiveCare Agreement, this BAA shall terminate when all of the Protected Health Information provided by Covered Entity to Business Associate (and to all of its agents, contractors, and Subcontractors that create or receive Protected Health Information in connection with Services to the Programs), or created or received by Business Associate (and all of its agents, contractors, and Subcontractors that create or receive Protected Health Information in connection with Services to the Programs) on behalf of Covered Entity, is destroyed or returned to Covered Entity. The Parties agree that, to the extent it is infeasible to return or destroy the Protected Health Information as provided in subsection C. of this section, the protections of this BAA are extended to such information in accordance with the termination provisions of subsection C. of this section.

B. Termination for Cause. Upon Covered Entity's knowledge of a material breach of this BAA, HIPAA, the HIPAA Rules, HIPAA regulations and/or HITECH by Business Associate (or its agents, employees, contractors, and Subcontractors), Covered Entity shall either:

1. on the one hand, provide an opportunity for Business Associate to cure the breach or end the violation, or, on the other hand, terminate this BAA if Business Associate does not cure the breach or end the violation within the time specified by Covered Entity; or

2. immediately terminate this BAA if Business Associate has breached a material term of this BAA and cure is not possible; or

3. if neither termination nor cure is feasible, report the violation to the Secretary. The parties agree that if Covered Entity terminates this BAA pursuant to this section, it shall also terminate all provisions of the Agreement that relate to Business Associate's Use or Disclosure of Protected Health information and Covered Entity shall have the discretion to terminate the Agreement in its entirety and pursue all remedies available under the Agreement.

C. Effect of Termination.

1. To the extent that returning or destroying the Protected Health Information is not feasible due to: (1) state or federal regulatory requirements applicable to Business Associate, its agents, contractors, or Subcontractors, or (2) the record retention policies of Business Associate, its agents, contractors, or Subcontractors, Business Associate, its agents, contractors, and Subcontractors will extend the protections of this BAA to the Protected Health Information and will limit further Uses and Disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate, its agents, contractors, and Subcontractors maintain the Protected Health Information.

2. Business Associate, its agents, contractors, and Subcontractors shall retain only that Protected Health Information which is necessary to comply with (1) state or federal regulatory requirements applicable to Business Associate, its agents, contractors, or Subcontractors, or (2) the record retention policies of Business Associate, its agents, contractors, or Subcontractors.

3. Business Associate, its agents, contractors, and Subcontractors shall continue to use appropriate safeguards and comply with Subpart C of 45 C.F.R. Part 164 with respect to electronic Protected Health Information to prevent Use or Disclosure of the Protected Health Information, other that as provided for in this section, for as long as Business Associate, its agents, contractors, and Subcontractors retain the Protected Health Information.

4. Business Associate, its agents, contractors, and Subcontractors shall return to Covered Entity (or if agreed to by Covered Entity, destroy) the Protected Health Information retained by Business Associate, its agents, contractors, or Subcontractors when it is no longer needed by Business Associate, its agents, contractors, or Subcontractors.

## VII. MISCELLANEOUS

A. A reference in this BAA to a section in the HIPAA Rules means the section as in effect or as amended.

B. Covered Entity and Business Associate agree to take such action as is necessary to amend this BAA from time to time as required for Covered Entity to comply with the provisions of HIPAA, the HIPAA Rules, HITECH, and any other applicable law.

C. The terms of the HIPAA Rules may be expressly amended from time to time by HHS, or as a result of interpretations by HHS, a court, or another regulatory agency with authority over the parties. In such an event, the parties will work together in good faith to determine the impact on the parties' obligations and whether the specific event requires the need to amend this BAA.

D. Modification of the terms of this BAA shall not be effective or binding upon the parties unless and until such modification is committed to writing and executed by the parties hereto.

E. Any ambiguity in this BAA shall be interpreted and resolved to permit compliance with HIPAA, the HIPAA Rules, and HITECH.

F. In the event of a conflict or inconsistency between the terms of this BAA and the Agreement, the provisions of this BAA shall prevail.

G. In the event of an inconsistency between the terms of this BAA and the mandatory terms of the HIPAA Rules, the mandatory terms of the HIPAA Rules shall prevail. Where the terms of this BAA are different from those included in the HIPAA Rules but the terms of the HIPAA Rules are permissive, the terms of this BAA shall control.

H. Business Associate is solely responsible for all decisions made by Business Associate, its agents, contractors, and Subcontractors that create or receive Protected Health Information in connection with Services to the Programs, regarding the safeguarding of Protected Health Information. Notwithstanding, this section does not relieve any agent, contractor or Subcontractor of any responsibility or liability in connection with their respective actions and omissions.

I. Should any provision of this BAA be found unenforceable, it shall be deemed severable and the balance of the BAA shall continue in full force and effect as if the unenforceable provision had never been made a part hereof.

J. This BAA does not create or confer any rights or remedies onto third parties.

K. This BAA, including such portions as are incorporated by reference herein, constitutes the entire BAA by, between and among the parties, and such parties acknowledge by their signature hereto that they do not rely upon any representations or undertakings by any person or party, past or future, not expressly set forth in writing herein.

L. This BAA shall be binding upon the parties hereto, and their respective legal representatives, trustees, receivers, successors and permitted assigns.

M. To the extent not preempted by federal law, this BAA and the rights and obligations of the parties hereunder shall in all respects be governed by, and construed in accordance with the laws of the State of Texas, including all matters of construction, validity and performance.

N. All notices and communications required or permitted to be given hereunder shall be sent by certified or regular mail, addressed to the other parties at their respective address as shown on the signature page, or at such other address as such party shall from time to time designate in writing to the other parties, and shall be effective from the date of mailing.

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INTENTIONALLY BEEN LEFT BLANK

O. The provisions of Sections II.A., II. B., II. C., II. D., II. E., II. G., II. H., II. I., II. J., II. K., II. N., II. P., II. S., and VI. shall survive termination of this BAA.

**IN WITNESS WHEREOF**, the parties have executed this Business Associate Agreement on the date indicated below.

**Aetna Life Insurance Company**

By: Tami Polsonetti

Printed Name: Tami Polsonetti

Title: Sales Director, Public and Labor Sector

Date: September 23, 2014

**The Texas Public School Retired Employees Group Benefits Program and the Texas School Employees Uniform Group Health Coverage Program**

By: Ken Welch
for Brian K. Guthrie

Title: Executive Director of the Teacher Retirement System of Texas, acting as trustee of the Texas Public School Retired Employees Group Benefits Program and of the Texas School Employees Uniform Group Health Coverage Program

Date: 9/24/14

**Teacher Retirement System of Texas**

By: Ken Welch
for Brian K. Guthrie

Title: Executive Director

Date: 9/24/14

# Exhibit C

I, Judith H. Jones, Vice President and Corporate Secretary of Aetna Life Insurance Company (the "Company"), do hereby certify that:

(A) VOTED: That each of the following officers:

Chairman
Vice Chairman
President
Executive Vice President
Group Executive
Senior Vice President
Vice President
Controller
General Counsel
Corporate Secretary
Assistant Vice President
Assistant Corporate Secretary

(1) are hereby severally authorized to sign in the Company's name:

(a) insurance contracts of every type and description which this Company is authorized to write;
(b) agreements relating to the purchase, sale, or exchange of securities including any consents and modifications given or made under such agreements;
(c) conveyances and leases of real estate or any interest therein including any modifications thereof;
(d) assignments and releases of mortgages and other liens, claims or demands;
(e) any other written instrument which they are authorized to approve in the normal course of Company business; and
(f) any other written instrument when specifically authorized by the Board of Directors, the Chairman, the Vice Chairman or the President;

and are further severally authorized (i) to delegate all or any part of the foregoing authority to one or more officers, employees or agents of this Company, provided that each such delegation is in writing and a copy thereof is filed in the Office of the Corporate Secretary, or (ii) to designate any attorney at law representing this Company on a matter under their direction, to so sign this Company's name; and

(2) are hereby severally authorized to possess this Company's duplicate seals and to affix the same to items (a) through (f) above; and are further severally authorized to designate, in a writing filed in the Office of the Corporate Secretary, any officer, employee or agent of this Company to possess and to so affix this Company's duplicate seals.

(B) I further certify that Tami Polsonetti, has been authorized pursuant to the aforementioned vote and the Delegation of Signature Authority dated September 16, 2011, ("Delegation"), to sign on behalf of the Company, certain documents as outlined in such Delegation and that the Delegation remains in full force and effect.

Dated at Hartford, Connecticut, on August 29, 2014.

Judith H. Jones
Vice President and Corporate Secretary

(COMPANY NAME, AUTHORITY TO SIGN)

ALICincumbPolsonetti.docx

# SIGNATURE AUTHORITY DELEGATION FORM
# AETNA LIFE INSURANCE COMPANY

**To** Corporate Secretary

**Date** September 16, 2011

**Subject** Delegation of Signature Authority

By virtue of the authority granted to me by a vote of the Board of Directors of Aetna Life Insurance Company (the "Company") dated November 20, 1987, as amended by the Board on March 29, 1991, I hereby delegate to Tami Polsonetti, an employee of the Company under my direction, the authority to sign in the Company's name the following types of documents, including amendments thereto, relating to the Company's healthcare business:

- Letters outlining changes to premium rates, liability limit factors, and administrative service fee factors
- Retrospective Premium Agreements
- Terminal Retrospective Premium Agreements
- Underwriting Exceptions Retrospective Premium Agreements
- Deficit Recovery Agreements
- Fee or Performance Guarantee Letters
- Intent to Bid/Request for Proposal (RFP) responses

This delegation is effective immediately, shall remain in effect until revoked or superseded, and shall apply to any amendment to the above referenced Board of Directors vote.

AETNA LIFE INSURANCE COMPANY

By _____
Cain A. Hayes
Vice President

Filed with the Corporate Secretary of the Company on February 13, 2012.

_____
Assistant Corporate Secretary

# Exhibit D

While the RFP and the Proposal are incorporated into and made a part of this Contract, due to their size, individual copies of these two documents are not separately attached hereto.

# Agreement Letter Regarding Release of Confidential Health Data by Aetna

Dear Valued Customer:

We are pleased to provide administrative services to TRS, acting in its capacity as trustee of TRS-ActiveCare ("you" or "your"), concerning the self-funded health benefits plans (the "Plan(s)") offered under TRS-ActiveCare. In the course of this business relationship, you may from time to time request Aetna Life Insurance Company and/or its affiliates (collectively, "Aetna") to release to a third party certain information (the "Information") concerning the benefits delivered to individuals covered under one of the Plan(s). Because the Information may contain confidential member health data, Aetna requires that you sign this letter before we release the Information to a third party. If you are requesting that Aetna release Information directly to a third party, Aetna will require the third party to sign a separate agreement.

By signing below, and in consideration of Aetna's agreement to disclose the Information and any other good and valid consideration, you agree that you will request Aetna to release to a third party only the minimum amount of Information necessary to administer the Plan(s). You also represent that you have informed enrollees that Information may be disclosed to third parties in connection with plan administration in a manner which satisfies applicable law. You acknowledge that the Information should be treated as confidential and you agree: (1) except as otherwise permitted by law, the Information will be used solely for the purpose of administering the Plan(s); (2) to comply with all applicable federal and state laws restricting access, use, or disclosure or redisclosure of the Information, including, without limitation, the "plan sponsor disclosure" rules of the HIPAA Privacy Regulations (45 C.F.R. 164.504(f)), as applicable (effective April 14, 2003); and (3) to require that any and all third parties to whom Aetna discloses the Information at your request comply with these obligations.

Finally, you agree that this agreement will apply to any Information disclosed by Aetna to a third party at your direction, even after termination of the relationship between you and Aetna under the Administrative Services Contract between Aetna and TRS-ActiveCare which is effective on September 1, 2014. This agreement may be modified or terminated only if you and Aetna specifically agree to such modification or termination in writing.

Thank you for your cooperation in this matter.

Diane F. McCammon
Chief Privacy Officer
Aetna Life Insurance Company

By signing below, I represent that I am authorized to sign this agreement on behalf of the Teacher Retirement System of Texas, acting in its capacity as trustee of TRS-ActiveCare.

Signature

Director, Health and Insurance Benefits Dept.
Title

Bob Jordan
Name (Printed)

August 18, 2014
Date

866325
Customer Number

## INSTRUCTIONS TO DISCLOSE PROTECTED HEALTH INFORMATION

### 1. Plan Sponsor Information

| | |
|---|---|
| Name of Plan Sponsor | TRS, acting in its capacity as trustee of TRS-ActiveCare |
| Address | 1000 Red River Street, Austin, TX 78701-2698 |
| Contact | Bob Jordan |
| Phone/Fax | 512-542-6735 |
| Email Address | Bob.Jordan@trs.state.tx.us |

### 2. Aetna Account Team

| | |
|---|---|
| Name of AE/AM | Patricia Del Rio |
| Address | 4400 NW Loop 410, Suite 400, San Antonio, TX 78229 |
| Phone/Fax | 210-515-2450. Fax 860-975-1778 |
| Email Address | delriopa@aetna.com |

### 3. Third Party Recipient Information

| | |
|---|---|
| Name of Recipient | CVSCaremark |
| Address | 15847 Blue Sky Rd<br>Selma Texas, 78154 |
| Contact | Adriana Salazar-Garza |
| Phone/Fax | **Office 210-651-1761\| Fax 480-862-1375l** |
| Email Address | **adriana.salazar@caremark.com** |

### 4. Description/Duration of Disclosure

| | |
|---|---|
| Start Date | 09/01/2014 |
| Purpose | Eligibility and claims data for TRS-ActiveCare 2 & Select Plan Participants; Eligibility, claims data and financial accumulator information for TRS-ActiveCare 1-HD Plan Participants. |
| Description of Protected Health Information to be released | Member, name, ID/SSN, address, Financial-Deductible and Coinsurance Accumulators and diagnosis. |

**Plan Sponsor Authorization**

I, the undersigned, hereby give authorization for Aetna to release Protected Health Information, identified in Section 4 above, to Third Party Recipient.

Print Name Bob Jordan

Signature _____

Title Director, TRS Health & Insurance Benefits Dept.

Date 8/19/2014