

STATE OF NORTH CAROLINA

COUNTY OF WAKE

AMENDMENT NUMBER Nine
TO THE
ADMINISTRATIVE SERVICES AGREEMENT

THIS AMENDMENT ("Amendment") is made effective the 1st day of July , 2010, to the Administrative Services Agreement, dated the 28th day of February 2006, ("Agreement") by and between the North Carolina State Health Plan for Teachers and State Employees ("Plan") and Blue Cross and Blue Shield of North Carolina ("BCBSNC") (each, a "Party" and collectively, the "Parties").

WITNESSETH

THAT WHEREAS, the Parties have entered into the Agreement to provide claims processing and related services; and

WHEREAS, the Parties wish to specifically identify certain costs to be excluded in the calculation of Cost Plus;

NOW, THEREFORE, in consideration of the mutual agreement and conditions contained herein, the Parties agree as follows:

1. **Excluded Costs.** BCBSNC agrees to exclude the following costs from the calculation of Cost Plus, as defined in Exhibit A of the Agreement:
 - a. Lobbying;
 - b. Advertising;
 - c. Annual compensation for the ten Officers and Employees listed on the Supplemental Compensation Exhibit annually filed with the North Carolina Department of Insurance;
 - d. Annual Board of Trustees Planning Meeting;
 - e. Alcohol expenses outside of those allowed under BCBSNC policy;
 - f. Amusements, entertainment, diversions, and social activities expenses unless they are reasonable, prudent and necessary expenses and that reimbursements for such expenditures are consistent with proper business and accounting controls and are related to company-sponsored events to improve company loyalty, teamwork, or wellness;
 - g. Expenses related to financial bonds, unless specifically incurred on behalf of the Plan;

- h. Payment of debts, unless specifically incurred on behalf of the Plan (debts incurred on behalf of the Plan shall not include any debt for the sole benefit of individual State agencies or Plan members);
- i. Contributions, donations, and gifts, except those made on behalf of and at the request of the Plan;
- j. Food and travel expenses not related to the services provided under the Agreement;
- k. BCBSNC public relations projects not related to the services provided under the Agreement;
- l. External wellness or fitness center memberships (however, the use of BCBSNC's on-site facilities and other services included in employee benefits shall continue to be included in Cost Plus);
- m. Claims contingencies and reserves;
- n. Administrative contingencies and reserves, except those expressly benefiting the Plan;
- o. Legal expenses related to defense and prosecution of criminal proceedings, patent infringements, and other legal costs not related to the services provided under the Agreement;
- p. Depreciation and use allowances for items not related to the services provided under the Agreement;
- q. Equipment and other capital expenditures not related to the services provided under the Agreement;
- r. Fines and penalties, excluding prompt pay requirements, if incurred solely based on BCBSNC's actions that resulted in failure to comply with federal, state or local laws;
- s. Fund raising and related investment management costs not related to the services provided under the Agreement;
- t. Goods and services for personal use other than allowed by BCBSNC policy;
- u. Idle facilities and idle capacity not due to fluctuations in work flow, or not related to the services provided under the Agreement;
- v. Insurance coverage not related to the services provided under the Agreement;
- w. Interest/financing costs not related to the services provided under the Agreement;
- x. Meetings and conferences not related to services provided under the Agreement;
- y. Memberships, subscriptions, and professional activity costs, except as required by the job or related to the services provided under the Agreement;
- z. Training costs not related to the services provided under the Agreement; and
- aa. Costs for BCBSNC Foundation and BCBSNC Affiliates activities, unless the costs are directly attributable to the Plan's operations or allocable based on drivers with causal relationships between the activities

performed by the cost centers, and the products or services that benefitted from those activities.

2. **Unchanged Provisions.** The Parties acknowledge that the terms and conditions of this Amendment are incorporated by reference into the terms and conditions of the Agreement as though originally a part thereof, and to the extent that the terms and conditions of the Agreement are not negated or otherwise modified by this Amendment, such terms and conditions shall remain in full force and effect.
3. **Counterparts.** The Parties may execute this Amendment in counterparts, which shall, in the aggregate, when signed by both parties constitute one and the same instrument, and, thereafter, each counterpart shall be deemed an original instrument as against any Party who has signed it.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Amendment as of the date first above written.

The State Health Plan for Teachers and State Employees

By: Jack W. Walker
Jack W. Walker, Ph.D.

Title: Executive Administrator

Date: June 30, 2010

Witness: Lacey P. Barnes

Date: June 30, 2010

Blue Cross and Blue Shield of North Carolina

By: J. Bradley Wilson
J. Bradley Wilson

Title: President and Chief Executive Officer

Date: June 29, 2010

Witness: Debbie Wallace

Date: June 29, 2010