# BUDGET DETAIL AND PAYMENT PROVISIONS

## Invoicing and Payment

The maximum amount payable under this Agreement shall not exceed $205,000,000.00.

It is estimated that the funding for the contract will be approximately $38 million per year for the full term of the contract. The contract would include a one-time $15,000,000 contingency funding amount, which may only be spent upon prior Board approval and budget availability. Unspent contingency funding will roll over each year of the contract but may not exceed $15,000,000 for the duration of the contract. The total cost of contract will not exceed $205,000,000, including the contingency funding.

Funding is subject to annual budget approval by the Covered California Board of Directors. If full funding does not become available, Covered California may terminate or amend the contract to reflect reduced funding and reduced deliverables.

1. For services satisfactorily rendered, and upon receipt and approval of the invoice(s), Covered California agrees to pay the Contractor in arrears for said services at the rates listed on Exhibit B, Attachment 1 – Cost Proposal.

**Under this agreement, there will be no separate reimbursement for overtime.**

**Travel expenses shall be reimbursed in accordance with Exhibit E - Travel Reimbursement.**

Any, and all, travel shall only be reimbursed if justified in a pre-approved work order as necessary to provide the deliverables of this contract.

1. Unless otherwise instructed in writing by a Covered California Representative, Contractor shall submit monthly invoices for work performed to Covered California between the hours of 7:00 a.m. to 4:00 p.m. Pacific Time no later than the Monday through Thursday preceding the 9th of each calendar month to facilitate timely payments. Invoices shall be submitted by email not more frequently than monthly in arrears to:

MarketingInvoices@covered.ca.gov

If instructed, mail invoices to:

Covered California

Attn: Accounts Payable – Marketing

1601 Exposition Blvd.

Sacramento, CA 95815

Invoices shall:

1. Be prepared on agency/company letterhead. If invoices are not on agency/company letterhead, invoices must be signed by an authorized official, employee, or agent certifying that the expenditures claimed represent actual expenses for the service performed under this Agreement.
2. Bear the Agreement number, the Contractor’s name as shown on the Agreement, and the corresponding approved work order number(s).
3. Identify the billing or performance period, or both, covered by the invoice. If the performance period crosses Fiscal Years, the service charges must be separated into two invoices. Fiscal Years begin July 1 and end on June 30.
4. List media, social media and non-media expenses separately.
5. Itemize the costs for the billing or performance period, or both, in the same or greater level of detail as indicated in this Agreement. Only those costs and/or cost categories expressly identified as allowable in this Agreement may be reimbursed.
6. Be supported by a Budget/Spend Tracker. See Section G. below. All costs listed on the invoice require supporting documentation and must be accompanied by corresponding back-up documents, such as receipts, with details for each expense. Covered California will not approve and will dispute invoices that do not meet these requirements.
7. Invoices shall only be submitted for goods and services that are received, with exception of software subscriptions which can be billed one year in advance.

Any invoices submitted that do not meet the requirements of this Exhibit may be returned to the Contractor for re-processing, which will restart the prompt payment clock as referenced in Section I of this Exhibit. Invoices subject to a dispute for reasonable cause will not be processed for payment until the dispute is resolved to Covered California’s satisfaction. Disputed invoices are not subject to Government Code section 927 prompt payment requirements until the dispute is resolved. For the purposes of financial reporting and accurately reflecting liabilities and obligations, Contractor may be required to furnish, upon request, an estimate of services that have been rendered but not yet invoiced. This aims to ensure transparency and facilitate comprehensive financial planning and analysis.

Contractor shall:

* 1. Submit expenses with dollar amounts going out a maximum of two places past the decimal point.
	2. If applicable, supply a detailed freight receipt when freight is over $50.00.
	3. Pay credits to Covered California by check if a credit on an invoice is larger than the amount due.
		1. In the event media credits are issued, Contractor shall promptly notify Covered California of credits received or identified, within ten (10) business days from the date the Contractor becomes aware of such credit. This advance notice will aid in preliminary assessments and preparation of reallocation of these credits within the current fiscal year, when feasible. Formal processing of actual credits shall remain within normal billing and invoice expectations set forth in this Exhibit.
	4. Include percentages used to calculate any applicable expense, such as taxes, handling, and service fees.
	5. Separate taxable and non-taxable items into different invoices and include the tax percentage rates.
1. Covered California will make payments via the State Controller’s Office’s (SCO) paper warrant sent via regular mail. In the event of a missing warrant, Covered California will not reissue a payment until the State Treasurer’s Office and SCO has confirmed the original payment has been canceled.

## Progress Payment Withholds

1. In the aggregate, progress payments may not exceed 90 percent of the total Agreement amount, regardless of Agreement length.
2. Except as otherwise set forth above, Covered California may withhold ten percent (10%) from each invoice submitted for reimbursement for the following types of services:
	1. Services and costs associated with Contractor, subcontractor, vendor, or consultant performance that is ongoing or performed continuously throughout the term of the Agreement.
	2. Individual services associated with a specific Agreement deliverable that has not yet been received or completed in its entirety as determined by Covered California; and
	3. Individual or distinct tasks, work plans, or project activities that have not yet been completed in their entirety as determined by Covered California.
3. Release of Amounts Withheld: As individual or distinct tasks, services, work plans, or project activities are completed in their entirety by either Contractor, subcontractor, vendor, or consultant and any completed deliverables or reports are delivered to Covered California; then any funds so withheld shall be released to Contractor upon Covered California’s acceptance or written acknowledgement that all such items have been completed to the full satisfaction of Covered California.
4. Payment Requests Excluded from the Ten Percent (10%) Withhold: Ten percent (10%) payment withholds shall not be applied to reimbursements or periodic payment requests for direct costs associated with equipment purchases, media buys, operating expense items, and other procurements not directly associated with Contractor's personal performance.

## Triple Bid Requirement

Prior to subcontracting for goods or services valued at $50,000 or more, Contractor, as requested by Covered California, shall obtain at least three bids or justify a sole source award to be approved by Covered California prior to execution.

All TV production estimates shall be submitted with copies of competitive bids obtained and, if not using the lowest bid, a justification of why the lowest bid was not accepted shall be attached.

## Major Project Activities Payments

Upon Covered California’s approval of a work order requiring external expenses of more than $50,000 to be incurred by Contractor or its Subcontractors for major projects (research, production, etc.), Covered California’s Project Representative may (but is not required to) authorize payment on the work order to secure such services of up to 75% percent of the approved work order estimate, net of mark-up. Covered California retains sole discretion to approve all such payment requests submitted under this section. Major projects do not include media buys and, therefore, this section will not apply to media buys.

Upon request, Contractor must provide written justification of the proposed costs to Covered California’s Project Representative. Written justification must address the necessity of the proposed expenditures, and how such services fulfill the Scope of Work as set forth in Exhibit A. Notwithstanding anything in this Agreement to the contrary, Covered California may process invoices for these payments outside of the monthly invoicing schedule as set forth in this Exhibit. The remaining percentage of services not paid shall be paid as actual costs incurred. These payments will be subject to withholding and release of the final 10 percent in accordance with Section C of this Exhibit. For all actual expenses, Contractor must identify those expenses in monthly invoices and include supporting documentation as required. Overpayments will be handled pursuant to Section M of this Exhibit.

Upon request, Covered California may expedite progress payments for approved major projects invoices under this Section. Covered California will make a good faith effort to remit payments within fifteen (15) business days after receipt of an invoice. For all expedited payments, Contractor will deduct $75.00 from each expedited payment request as a fee for Covered California to process the transaction. Contractor will show the $75.00 deduction as a line item on each expedited payment request.

## Media Discounts

1. Contractor and any entity performing services under this Agreement or related subcontract will ensure that Covered California receives available discounts (volume or otherwise), rebates, promotional consideration, or similar credits applicable to purchases made by Contractor, its affiliates, subsidiaries, or a parent company (collectively “Contractor”) on behalf of Covered California and received by Contractor (the “Discounts”). Where Contractor receives any such Discounts based upon the total media purchased by Contractor for all or a combination of Contractor’s clients including Covered California, Covered California shall be entitled to its pro-rata share of such Discounts based upon the share of applicable media purchased by Contractor, net of any incremental administration charges agreed to in the contract budgets.
2. Contractor shall give Covered California the benefit of any Discounts, whether based upon volume, timing of payment, or otherwise, actually received by Contractor from media vendors, in each case, to the extent that Contractor has received funds from Covered California that have qualified to receive such Discounts.

## Budget/Spend Tracking Requirements

Contractor shall track and report budgets on a monthly basis as approved for work orders and billing amounts as listed on invoices. This budget/spend tracker should also provide a breakdown by the project categories specified in this Agreement. An electronic copy of the budget/spend tracker needs to be submitted along with the electronic copy of the monthly invoices for review and approval.

## Qualified Health Plan (QHP) Assessment Contingency Clause

If the collection of fees assessed from QHPs are collectively not sufficient to provide the funds for this program, Covered California shall have the option to either cancel this Agreement with no liability occurring to Covered California or offer an agreement amendment to the Contractor to reflect the reduced amount.

## Prompt Payment Clause

Payment will be made in accordance with, and within the time specified in, Government Code Chapter 4.5, commencing with section 927. The "Prompt Payment Clock," as referred to in this Agreement, commences from the time a complete and accurate invoice is received by the point of contact in Section A.3 above. To start the Prompt Payment Clock, the invoice and all related supporting documentation must be received during standard business operating hours, as outlined in Section A Invoicing and Payment above, item #3 of this Exhibit, excluding state-recognized holidays.

All calculations of due dates and late payment penalties, per the Prompt Payment Act, will be based on these requirements.

## Review

Covered California reserves the right to review service levels and billing procedures as they impact charges against this Agreement.

## Final Billing

Invoices for services must be received by Covered California within 30 days following each State fiscal year or 30 days following the end of the contract term, whichever comes first. The final invoice must include the statement “Final Billing.”

Covered California may, at its discretion, choose not to honor any delinquent invoice if Contractor fails to obtain prior written Covered California approval of an alternate invoice submission deadline. Written Covered California approval shall be sought from the Covered California Representative prior to the invoice submission deadline.

Contractor is hereby advised of its obligation to submit, with the final billing, a “Contractor Release (Exhibit F)” acknowledging submission of the final billing to Covered California and certifying the approximate percentage amount, if any, of recycled products used in performance of this Agreement.

On or before the date the final invoice is submitted for payment, every Designated Filer in the Contractor’s group must electronically file a Leaving Office Statement of Economic Interest (Form 700) with Covered California’s electronic filing system. The final invoice will not be considered complete or accurate until a Leaving Office Form 700 for all Designated Filers has been electronically filed. Further, a final invoice submitted without all of the required Form 700 filings will automatically be considered a “disputed” invoice. Disputed invoices are not subject to Government Code section 927 prompt payment requirements until the dispute is resolved.

## Expense Allowability/Fiscal Documentation

1. Invoices received by Contractor and submitted for payment to Covered California shall not be deemed evidence of allowable Agreement costs.
2. Contractor shall maintain sufficient documentation of all claimed expenses to allow Covered California to review and audit such expenses for compliance with this Agreement.
3. If Covered California declines an invoice because the invoice detail, fiscal records, or backup documentation is nonexistent or inadequate pursuant to generally accepted accounting principles, Covered California may withhold payment pending the submission of additional documents to justify the expense. Upon receipt of adequate documentation supporting a disallowed or questionable expense, Covered California will pay all or part of the invoice that is authorized under the Agreement. Disputed invoices are not subject to Government Code section 927 prompt payment requirements until the dispute is resolved.

Covered California retains sole discretion to determine what expenses are authorized under this Agreement.

1. Preauthorized work-related travel is a reimbursable expense as specified in Exhibit E: “Travel Reimbursement” information. Receipts must be maintained to support the claimed expenditures.
2. Unauthorized overpayments are subject to recovery by Covered California pursuant to Section M below.

## Recovery of Overpayments

1. Contractor agrees that overpayments under this Agreement, or as a result of an audit finding, or an audit finding that is appealed and upheld, will be recovered by Covered California through one of the following options:
	1. Contractor’s remittance to Covered California of the full amount of the overpayment within 30 calendar days following Contractor’s receipt of Covered California’s written request for repayment.
	2. A repayment schedule which is agreeable to both Covered California and Contractor.
2. Covered California reserves the right to select which option will be employed and Contractor will be notified by Covered California in writing of the claim procedure to be utilized.
3. Interest on the unpaid balance of the audit finding or debt will accrue at a rate equal to the monthly average of the rate received on investments in the Pooled Money Investment Fund commencing on the date that an audit or examination finding is mailed to Contractor, beginning 30 calendar days after Contractor’s receipt of Covered California’s demand for repayment.
4. If Contractor has filed a valid appeal regarding the report of audit findings, recovery of the overpayments will be deferred until a final administrative decision on the appeal has been reached. If Contractor loses the final administrative appeal, Contractor shall repay, to Covered California, the over-claimed or disallowed expenses, plus accrued interest. Interest accrues from Contractor’s first receipt of Covered California’s notice requesting reimbursement of questioned audit costs or disallowed expenses.

## Nonresident Tax Withholding

Payments to all nonresidents may be subject to withholding. Nonresident payees performing services in California or receiving rent, lease, or royalty payments from property (real or personal) located in California will have seven percent of their total payments withheld for state income taxes. However, no withholding is required if total payments to the payee are $1,500 or less for the calendar year.

1. **Firewalls with Health Issuers offering Qualified Health Plans (QHPs)**

Contractor shall provide policies and procedures to Covered California for approval to ensure Covered California’s media strategies, concepts, plans, or results are not shared with any Health Issuers offering QHPs or with Contractor staff assigned to a Health Issuer account without Covered California’s prior approval.