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Communications

02/08/2011 Update: Negotiations with St. Joseph's Hospital-Bellingham

Regence BlueShield has been in negotiations with PeaceHealth St. Joseph Medical Center (PHSJ) for 2011 reimbursement rates. While we remain committed to those negotiations and are hopeful that we will come to a mutually acceptable agreement in the next several weeks, according to the contract terms, the agreement is on track to terminate April 1, 2011. Because you represent members and employers in the region, I want to inform you of this potential termination now, so you will have time to plan should we not reach a resolution by the end of March.

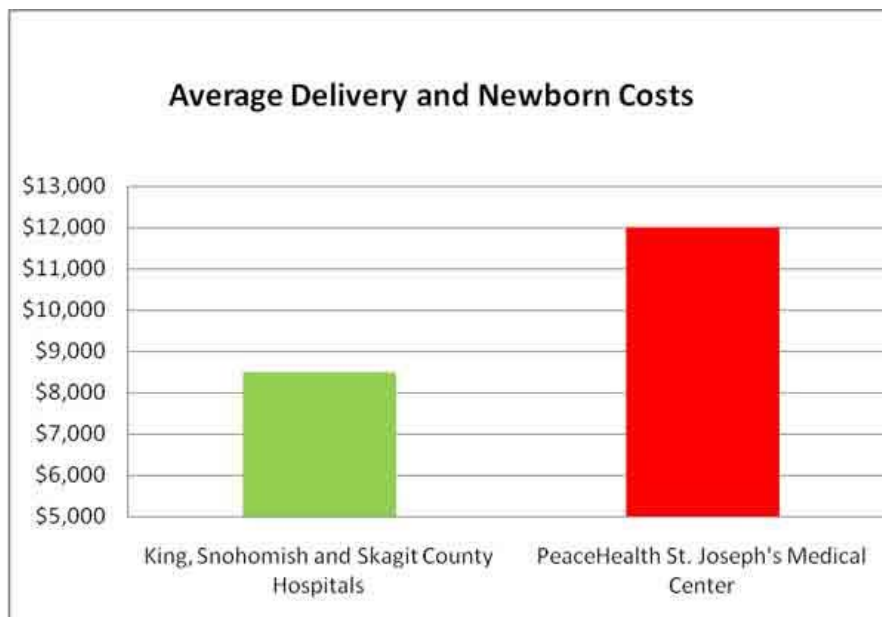
Both Regence and PHSJ have expressed a willingness to stay engaged over the next several weeks with the goal of achieving a viable contract for Regence members in Whatcom County, but we believe this particular situation warrants serious action. Despite numerous offers that are on par with increases provided to other Western Washington hospitals, PHSJ has failed to respond with a reasonable and fair counter-proposal, and we have reached an impasse.

While there is no question about the quality of care at PHSJ, there is a major disagreement about how much Regence members should have to pay for that care. The key issue is that PHSJ is asking Regence members for a 4 percent increase — about \$1.3 million, or about \$200 per family in the area — effective April 1, 2011; but then expects to automatically receive an additional increase on July 1, 2011. While Regence believes the April increase is reasonable, the hospital is either unable or unwilling to share the amount of the July 1 increase with us, and is essentially asking Regence members to write a blank check for care.

PHSJ is a financially sound, well-funded organization, and we aren't sure why they need this extra increase from Regence members on top of the cumulative 45 percent increases they've received over the past four years. However, we believe that agreeing to this demand would be irresponsible, given that employers across the region are scaling back health insurance coverage and reducing their workforce due to the skyrocketing cost of health care. Our members have been clear that they expect us to do all we can to ensure quality health care at a fair and reasonable price. Everyone has a role to play in reducing health care costs, and Regence is doing its part by holding down administrative costs to less than 10 percent.

The facts:

- PHSJ has received significant increases from Regence over the past four years, totaling more than 45 percent.
- Regence members already pay more for care at PHSJ than any other comparable facility in the state.
- The cost for Regence members to have a baby at PHSJ is 40 percent higher than the average cost of network hospitals in King, Snohomish and Skagit counties.
- PHSJ is asking for two increases in 2011, but won't disclose the amount of the second increase, effectively asking Regence members to sign a blank check for reimbursements in 2011.



Our goal is to balance the hospital's need for reimbursement rate increases with the need to keep health care costs affordable for our members. At the same time, we must also ensure our members have continuous, consistent access to the services they need.

We recognize the concern many of our members will have with this news. In the coming days, we will reach out to all of our affected members, providers and employers explaining the situation and what it means for them. While we hope to reach a successful resolution, we are already working to identify alternative providers and to work out coverage arrangements for special circumstances.

While we understand that the loss of the medical center and its affiliated medical group from the Regence provider network would be difficult for some of our members in the area, we believe we have an obligation to all of our members to do everything we can to keep costs under control. Skyrocketing medical costs drive premium rate increases for all of our members, and those increases are simply not sustainable.

We will continue to keep you apprised of this situation as we move forward. In the interim, please feel free to contact me with questions or concerns.