

FACTS: Empire BlueCross BlueShield and East End Health Alliance Negotiations

Contract Status: On August 1, 2009, East End Health Alliance (EEHA) facilities (Southampton Hospital, Peconic Bay Medical Center and Eastern Long Island Hospital) went out-of-network for all Empire commercial plans. EEHA and Empire have since reached an agreement to keep the EEHA facilities in-network for Empire's Medicare (MediBlue) members.

- Empire Senior Medicare (MediBlue) members have access to in-network care for all services. All EEHA hospitals remain in-network for members of the Empire MediBlue plan.
- EEHA hospitals remain out of network for all commercial plans, including individual coverage, small group coverage, large employers, unions and other government sponsored commercial plans.

Limited impact to Eastern Long Island members based on Empire policies and special rules:

- As always, Empire will provide **full, in-network, coverage for emergency services and emergency admissions at all hospitals, including EEHA facilities**, regardless of contract participation status.
- In addition, for **members who reside further than 30 miles from an alternate facility**, Empire has established special rules that will enable members to access EEHA facilities on an in-network basis for critical medical needs and circumstances.
- All physicians currently part of Empire's physician network (regardless of hospital affiliation) **will be covered as in-network for any procedure or service that is provided in-office**, consistent with a member's benefit plan.
- The vast majority of health care services required by members will either be covered at EEHA facilities as in-network for critical medical needs or can be safely and effectively provided through other participating providers such as physician offices and the free-standing radiology, surgery and physical therapy centers that are conveniently located throughout Eastern Long Island. (See attached participating provider listing.)
- In addition, many members on Eastern Long Island already choose to use other Long Island and New York City Hospitals for elective and scheduled treatments. Of course, these members can continue to do so.
- Members and participating physicians have been informed of these policies and accommodations. Members can call a special Empire hotline, **800-495-9323**, to locate providers or ask questions about their coverage and status of negotiations.

Why have Empire and EEHA hospitals not yet reached agreement?

- **EEHA continues to demand an increase in rates that would exceed a 60% increase** over a 21 month period, reaching levels in excess of the reimbursement received by other similar hospitals on Long Island and throughout New York.
- **EEHA demands would immediately increase health insurance costs – on top of those increases already driven by high medical costs on Eastern Long Island.** With roughly 40 percent of health care costs being driven by hospital care, these proposed increases by EEHA would substantially impact the cost of health care on Eastern Long Island – significantly increasing out-of-pocket cost for members and their families.
- **EEHA's increase demand far exceeds normal hospital operating cost inflation.** During the most recent 12-month period available the Hospital Consumer Price Index rose 6.5%. For 2008, Hospital CPI rose 7.4 %.¹

¹ CPI Detailed Report, Data for August 2009 (page: 4, 95): <http://www.bls.gov/cpi/cpid0908.pdf>

- Despite receiving several offers from Empire reflecting additional, and significant, compromises over time, and third party involvement by the NY Department of Insurance, **EEHA has refused to offer any material compromise of their own.** EEHA's actions in this regard are consistent with the message it has delivered to various stakeholder groups in the community during the quiet period requested by the Department of Insurance that EEHA has no intention of negotiating.
- **Empire's most recent proposal involved of a multi-year agreement that included a substantial rate increase** as well as a one time payment that would allow EEHA to invest in programs and operational changes. Change is needed to address the excess capacity and lack of consolidation that are driving their costs higher than what Eastern Long Islanders should have to bear.
- **Based on EEHA's own cost reports, Empire's proposed reimbursement would allow EEHA to earn a sufficient profit on Empire business** to cover shortfalls from governmental business and make continued investments in their facilities and programs to serve the needs of the community.
- **During Empire's last contract negotiation with EEHA, Empire gave EEHA hospitals a market adjustment increase of well over 20 percent** during an 18-month period, assuring parity with rates paid to similar facilities.

OTHER PERTINENT POINTS

- **Hospital expenses make up over 40 percent Eastern Long Islanders health insurance premiums.** Any unreasonable increase has a substantial impact on the cost of health care coverage. In the midst of the most significant economic crisis our nation has faced since the depression, with health care costs at front and center of the discussion, Empire has an obligation to its customers to carefully scrutinize any request for a significant payment increase.
- **Independent research identifies medical costs in Eastern Long Island as already among the highest in the Nation.²**
- **Unlike smaller health insurers, Empire represents the interests of a cross section of Long Islanders,** including large numbers of customers funded directly through unions, large employers and government cooperative plans such as that offered by Suffolk County and State Empire plan. Empire has a duty for all its customers to be a good steward of their health care dollars. Any increase imposed by EEHA would be paid directly by these customers as well as their employees and families that are covered.
- **Increasing health care costs means that employers have less money for wage increases.** New Yorkers are not exempt.
- **Increased health care costs aren't what "someone else pays."** Every wage earner is directly impacted by increasing health care expense.
- **Hospital profitability is a function of both revenue and expense.** EEHA leadership refuses to discuss what they have done to improve effectiveness and lower cost since coming together as a system according to the State-sponsored Berger Commission Report which recommended the formation of this system. The recommendations included assuring access to emergency services and reduced costs through: (1) rationalized bed capacity, (2) minimizing duplication of services, (3) developing integrated health care delivery systems for the communities they collectively serve, (4) sharing best practices for patient care, and (5) taking advantage of economies of scale (e.g., joint purchasing and shared administrative services.)³. EEHA has an obligation to its communities to integrate its clinical and administrative services to promote efficiencies that creates a high-quality, economically sustainable health care delivery system.

² http://cecsweb.dartmouth.edu/atlas08/datatools/mce_s1.php

³ <http://www.nyhealthcarecommission.org/>