



# CareFirst Sales Flash

**For Distribution to Brokers/General Producers/Full-Service Producers Only**  
**(Not intended for distribution to Groups and Members)**

Date: July 27, 2017  
Market: All

## CareFirst President and CEO Responds to Anne Arundel Medical Center's Proposal to Terminate Contract

In an attempt to negotiate additional rate increases for physician and hospital services it provides to CareFirst BlueCross BlueShield and CareFirst BlueChoice (CareFirst) members, Anne Arundel Medical Center (AAMC) recently issued a proposal for early termination of its current three-year contract with CareFirst.

In response to AAMC's termination proposal, CareFirst President and CEO addressed the community with an open letter outlining CareFirst's commitment to keep health care costs as affordable as possible, as well as its intent to negotiate for a favorable resolution between now and when the termination would become effective—October 1, 2017 for physician services—and January 1, 2018 for hospital services.

### For more information

CareFirst is diligently working toward a resolution with AAMC and will communicate more information, as soon as it becomes available.

Attached you will find materials you can share with your team or employer groups:

- An open letter from Chet Burrell, CareFirst President and CEO
- FAQs
- If you have Microsoft Outlook, you can use the email template we created with Chet's letter and the FAQs already attached. All you need to do is customize the salutation, add your phone number in the following sentence - *You may also contact me directly at {phone number}* with any questions, and add your name and title below *Sincerely*.

If you have additional questions on how CareFirst's contract with AAMC might directly affect your employer groups, please contact your broker sales representative.

Sincerely,

Brian D. Pieninck  
Chief Operating Officer

**Chet Burrell**  
President and Chief Executive Officer

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## An Open Letter

July 19, 2017

In the last several days, Anne Arundel Health Systems which includes the hospital and physician practices (AAMC) has announced that it intends to terminate its physician and hospital contracts with CareFirst BlueCross BlueShield over a dispute involving payment levels. AAMC and CareFirst have had un-interrupted contracts in place for many decades.

While it is common for payers and providers to have differences of opinion over reimbursement levels (providers want higher levels, payers want lower levels), it is highly uncommon for those differences to result in one of the two long standing parties to announce an early termination of an agreement.

As the region's largest health insurer, CareFirst represents the interests of many county and municipal government entities, school districts, State and federal employees and innumerable private businesses as well as individual members – all of whom struggle to balance budgets within extremely tight margins.

While CareFirst is committed to continuing negotiations with AAMC to reach an agreement that maintains our longstanding partnership, it is important to know that we will act on behalf of our accounts and members to do all we can to control their health care costs. AAMC's demands are excessive and would come directly out of the pockets of these customers and accounts.

To understand the current situation takes some explanation. We start with the fact that, taken collectively, AAMC demands would increase the costs to CareFirst accounts and members by over \$13 million a year representing nearly a 30% increase in professional fees. In CareFirst's view, these are not cost conscious, competitive or reasonable demands.

By way of background, AAMC negotiated and signed a three-year contract with CareFirst in early 2016. As part of the contract, AAMC agreed to allow CareFirst to make adjustments to standard professional fee levels during the contract period. This is a common feature of CareFirst agreements. We are now in the middle of that three-year agreement.

In the fall of 2016, CareFirst notified AAMC that per the contract, an adjustment would be made to specific service codes for radiology which would bring the payments for these services in line with the overall marketplace as well as Medicare reimbursement policies. AAMC has acknowledged that CareFirst has the right to make such adjustments. The adjustment in question affects a very small portion of AAMC's overall payments from CareFirst.

As part of its termination notice, AAMC also seeks to terminate participation in the CareFirst Patient Centered Medical Home (PCMH) Program which it has participated in since 2011. This region-wide and highly successful program enables participating primary care providers to earn bonuses on a yearly basis if certain quality and total cost targets are achieved. These bonuses go up and down depending on performance. They are earned year to year and not included in base fees.

Based on their historical success in this program, AAMC has earned millions of dollars in bonus payments for its PCMH Program performance. However, these bonuses for AAMC primary care providers – while still large – have declined in recent years due to AAMC’s strong, but somewhat lower overall performance relative to prior years. AAMC has characterized this decline as a “fee cut”. This is a mischaracterization. It is actually a lower bonus level while underlying fees have remained constant.

Disappointed by the reduction of performance bonuses earned and by the adjustment made in the radiology area, AAMC made certain demands of CareFirst. AAMC sought to:

- Increase its base primary care fees by 23%;
- Convert its opportunity to earn a PCMH bonus into a guaranteed payment regardless of performance;
- Increase its specialty physician fees by 35%; and,
- Increase its radiology fees by 16% on a retroactive basis back to the beginning of the contract period.

AAMC sought these increases despite a large and growing profit margin on its hospital operations that now exceeds 10 percent. By comparison, as a not-for-profit, CareFirst operates at a margin of less than 1%, collecting just enough premium and fees to pay for claims and expenses and set a little aside for the protection of members.

AAMC has said that it intends to terminate its physician agreement with CareFirst on October 1, 2017 and its hospital agreement on January 1, 2018, even though its hospital payment rates are not set by CareFirst but, rather, by the Maryland’s Health Services Cost Review Commission. Because these hospital rates are set by the Commission, the payment levels will continue even if AAMC were to terminate its agreement with CareFirst. This decision produces no financial benefit to AAMC, but does create severe disruption and concern for CareFirst members.

It is very likely that AAMC has taken these actions due to financial losses in their physician operations and in response to a decision by State regulators rejecting their recent requests for increases in AAMC hospital reimbursement levels.

In an era in which concerns over rising health care costs have become acute and in which the State of Maryland has been a leader in working to limit total health care cost growth per capita to the 3.5% range per year, CareFirst finds AAMC’s demands to be unjustified and out of line with market cost concerns, public policy goals, and the best interest of the customers and members who pay for these services.

We have always valued AAMC as a cost effective, high quality health care system. We think the demands they have made are not in keeping with their history and well-earned reputation in the Annapolis area and the State as whole.

For this reason, we are hopeful that a resolution will be found before AAMC’s self-imposed deadline and before service disruption to CareFirst members occurs. However, we do not see resolution occurring by acceding to dramatically increased AAMC fee payments for CareFirst members and accounts.

Sincerely,



Chet Burrell  
President & CEO

## Anne Arundel Medical Center (AAMC) Talking Points & FAQ's

### Background

In the last several days, Anne Arundel Medical Center (AAMC) has announced that it intends to terminate its physician and hospital contracts with CareFirst BlueCross BlueShield and CareFirst BlueChoice (CareFirst) over a dispute involving payment levels. AAMC and CareFirst have had un-interrupted contracts in place for many decades.

AAMC has said that it intends to terminate its physician agreement with CareFirst on October 1, 2017 and its hospital agreement on January 1, 2018.

We have always valued AAMC as a cost effective, high quality health care system. We think the demands they have made are not in keeping with their history and well-earned reputation in the Annapolis area and the State as whole.

For this reason, we are hopeful that a resolution will be found before AAMC's self-imposed deadline and before service disruption to CareFirst members occurs.

### Talking Points

It is our goal to ensure our members experience no impact to the care or coverage they receive from AAMC physicians and facilities and we will work with them to ensure that there is continuity in their care. CareFirst is diligently working toward a favorable resolution to avoid the contract termination.

Our mission as a not-for-profit company is to improve quality, increase access and reduce financial barriers to care. For this reason, we strive to deliver health care solutions that are tailored to meet the unique needs of our communities. This means, having powerful relationships with more members, employers, providers and partners in local communities across the country and around the globe.

At this time, while renegotiation of our contract with AAMC is underway, CareFirst members can still receive care from AAMC, including all of its medical group practices, imaging services, substance treatment center (Pathways) and outpatient facilities. One of our top priorities is to ensure our members experience no change or delay in the care they receive from AAMC and its providers.

## FAQ's

### ***General Contract Negotiation Questions***

#### **1. What does AAMC's announcement mean?**

AAMC has said it plans to terminate its contract with CareFirst – effective October 1, 2017, for physician services and January 1, 2018, for hospital services.

A termination could impact our individual members who buy coverage directly from CareFirst, as well as employees of businesses for whom CareFirst administers their medical benefits.

If the contract is terminated, CareFirst members who seek care from AAMC or its physicians may be subjected to out-of-network fees for care.

However, we hope it doesn't reach that point. We are diligently negotiating with AAMC on behalf of our members.

#### **2. Why have contract negotiations with AAMC reached this point?**

AAMC requested a renegotiation of its contract terms prior to the end of a previously agreed upon contract. (We are in the second year of a three-year contract.)

AAMC is seeking additional rate increases for physician and professional services that we think are too high.

We have not agreed to AAMC's proposed rate increases because it is our goal to try to keep health care costs as affordable as possible for our members.

#### **3. Is AAMC's contract termination final?**

No. Negotiations with AAMC are not over. It is just a proposal that AAMC made public.

We're still hoping to reach an agreement with AAMC that will ensure CareFirst members experience no change or delay in the care they receive from AAMC and its providers.

It's normal for a hospital system and health insurer to negotiate contracts and rates for medical services provided to patients.

It's also not uncommon for both sides to disagree on proposed rates during those negotiations.

However, these negotiations are typically worked out before they become public.

**4. When will negotiations between CareFirst and AAMC be finalized?**

We are working to find a resolution to this matter with AAMC and hope that we can resolve the matter quickly. However, we cannot agree to their request for what we believe are such high rate increases out of concern for the cost impact on the individuals and businesses that we serve.

**5. Does this impact all of Anne Arundel Medical Center (AAMC) practices and programs?**

Yes, all of AAMC's hospital services, diagnostic imaging services, outpatient practices, behavioral health services and community clinics would be impacted if the contract terminates, but not until October 1, 2017 for Anne Arundel Medical Group practices, Anne Arundel Diagnostics Imaging, Inc. and Pathways and January 1, 2018 for Anne Arundel Medical Center.

Members may still use these practices and programs, but should call the number on the back of their member ID card to find out if it will be covered at the in-network or out-of-network cost.

## ***General Member Questions***

**6. When will this change affect me?**

The proposed termination would take effect on October 1, 2017 for Anne Arundel Medical Group practices, Anne Arundel Diagnostics Imaging, Inc. and Pathways.

The termination would take effect on January 1, 2018 for Anne Arundel Medical Center.

**7. Why was this change announced on social media before CareFirst informed its members?**

Typically, negotiations like this are finalized before being made public. In this case, AAMC chose to publicize their proposal to terminate their existing contract with CareFirst in the midst of negotiations possibly to apply pressure to the situation.

It is unusual to renegotiate contract terms prior to the end of its previously agreed upon contract and make its proposal to end its contract public.

In response to the announcement, CareFirst is making every effort to keep its members and stakeholders informed as the negotiations develop.

## ***Member Insurance Coverage***

**8. If I have BlueCross BlueShield coverage from another state or am a member of the federal employee program (FEP) am I also affected?**

Yes. All of AAMC's hospital services, diagnostic imaging services, outpatient practices, behavioral health services and community clinics would be impacted but not until October 1, 2017 for Anne Arundel Medical Group practices, Anne Arundel Diagnostics Imaging, Inc. and Pathways and January 1, 2018 for Anne Arundel Medical Center.

Members may still use these practices and programs after these dates, but should call the number on the back of their member ID card to find out if the services will be covered and if so, whether they will be covered at the in-network or out-of-network benefit level.

**9. Will this impact me if I have Medicare?**

Not at this time. CareFirst's contract with Anne Arundel's physician groups may end effective October 1, 2017 and January 1, 2018 for hospital services. It is our hope that we will resolve our disagreement before these dates.

If you use AAMC providers or services after these dates and the contract termination goes into effect then you should call the number on the back of your member ID card to determine if the services will be covered at the in-network or out-of-network cost.

## ***Medical Services & Ongoing Care***

**10. What will happen to my medical history if I can no longer see my current provider?**

Nothing. You should request that your current provider transfer your files to your new provider, if you choose a new provider.

**11. I am scheduled for surgery at one of the medical groups. Will I need to reschedule?**

Not at this time. CareFirst's contract with AAMC's physician groups may end effective October 1, 2017 and January 1, 2018 for hospital services. It is our hope that we will resolve our disagreement before these dates.

Because insurance contracts vary there is no one answer. However, it is common for insurance carriers to provide for continuity of care, meaning you will likely have access to your provider beyond the termination date. If your appointments occur after these dates and the contract termination goes into effect then call the number on the back of your member ID card to find out specific information regarding your insurance contract.

**12. If I have an extended treatment plan (for example: cancer or weight-loss surgery patients) and am under the care of an AAMC provider or planning to be treated at AAMC, will the potential contract termination affect me?**

Not at this time. CareFirst's contract with Anne Arundel's physician groups may end effective October 1, 2017 and January 1, 2018 for hospital services. It is our hope that we will resolve our disagreement before these dates.

Because insurance contracts vary there is no one answer. However, it is common for insurance carriers to provide for continuity of care, meaning you will likely have access to your provider beyond the termination date. If your appointments occur after these dates and the contract termination goes into effect then call the number on the back of your member ID card to find out specific information regarding your insurance contract.

**13. If I am pregnant and under the care of an AAMC provider or planning to deliver at AAMC, will the potential contract termination affect me?**

Not at this time. CareFirst's contract with Anne Arundel's physician groups may end effective October 1, 2017 and January 1, 2018 for hospital services. It is our hope that we will resolve our disagreement before these dates.

Because insurance contracts vary there is no one answer. However, it is common for insurance carriers to provide for continuity of care, meaning you will likely have access to your provider beyond the termination date. If your appointments occur after these dates and the contract termination goes into effect then call the number on the back of your member ID card to find out specific information regarding your insurance contract.

**14. If I am scheduled to have bariatric surgery at AAMC after the contract termination, will I have to begin the entire bariatric surgery preparation process all over again?**

If the contract termination goes into effect and you choose to see a different provider for your treatment, it is possible that you will need to repeat some or all of the surgery preparation process under the supervision of your new provider.

**15. If I have a surgery, delivery, extended treatment plan or any other procedure or on-going treatment scheduled or underway at AAMC or by an AAMC provider, will the potential contract termination affect me?**

Not at this time. CareFirst's contract with Anne Arundel's physician groups may end effective October 1, 2017 and January 1, 2018 for hospital services. It is our hope that we will resolve our disagreement before these dates.

Because insurance contracts vary there is no one answer. However, it is common for insurance carriers to provide for continuity of care, meaning you will likely have access to your provider beyond the termination date. If your appointments occur after these dates and the contract termination goes into effect then call the number on the back of your member ID card to find out specific information regarding your insurance contract.

**16. Can CareFirst members still receive care at AAMC or from AAMC physicians?**

Yes, CareFirst members can still receive care from AAMC and its physicians as in-network providers up until September 30, 2017 for professional services and December 31, 2017 for hospital services.

At this time, AAMC's proposed termination does not change anything – coverage or cost -- for CareFirst members seeking care at AAMC or from any of its providers or outpatient medical centers.

We will continue to negotiate with AAMC and hope for a resolution that will not result in termination of our contract.

CareFirst will update its members if there is any change to the care they can receive from AAMC and its providers.

**17. Where should I go for care in an emergency?**

You may continue to use AAMC's emergency department or any other emergency department. Emergency department services are covered as in-network for all our members regardless of the provider or location.

**18. Will I need to find new facilities for imaging and diagnostic tests?**

Not at this time. CareFirst's contract with Anne Arundel's physician groups may end effective October 1, 2017 and January 1, 2018 for hospital services. It is our hope that we will resolve our disagreement before these dates.

Because insurance contracts vary there is no one answer. However, it is common for insurance carriers to provide for continuity of care, meaning you will likely have access to your provider beyond the termination date. If your appointments occur after these dates

and the contract termination goes into effect then call the number on the back of your member ID card to find out specific information regarding your insurance contract.

**19. How will members who have services authorized after October 1, 2017 be handled?**

Because insurance contracts vary there is no one answer. However, it is common for insurance carriers to provide for continuity of care, meaning you will likely have access to your provider beyond the termination date. If your appointments occur after these dates and the contract termination goes into effect then call the number on the back of your member ID card to find out specific information regarding your insurance contract.

## ***Finding New Providers***

**20. How do I know if my provider will be impacted by this change?**

If a provider who treated you and/or a covered family member during the past year no longer participates in the CareFirst network, you will be notified.

**21. What if there are no other providers in my area?**

Depending on your coverage you may be able to see an out-of-network provider at an in-network rate. If you find yourself in this situation, you should call the number on the back of your member ID card to determine if the provider will be covered at the in-network or out-of-network cost.

**22. Where can I find other providers in my area?**

You may use our online directory to find other providers who are part of our network. You can search for a medical, dental or vision provider by last name or type of provider and within a specified distance.

Through this search tool, you can also search for health care facilities, including hospitals, urgent care and labs. Or you may call the number on the back of your CareFirst member ID card.

## ***Payments***

**23. How much will I be charged if I continue to receive care at AAMC after the contract ends?**

Please call the number on the back of your CareFirst member ID card.

**24. How much will I be charged if I am taken to an AAMC facility by an ambulance?**

Because every plan is different, you should call the number on the back of your CareFirst member ID card.