

## *Self-Insured Plans*

October 18, 2010

Mr. Elliot Joseph  
President & C.E.O.  
Hartford Hospital  
80 Seymour Street  
Hartford, CT 06102

Dear Mr. Joseph:

The undersigned representatives of self-funded health plans write to share our views on the negotiations between Anthem Blue Cross and Blue Shield and the Hartford Hospital system. Collectively, self-funded health plans that use the Anthem network of providers paid over \$150 million in claims for medical services performed within your system last year. We are the entities that will be paying any agreed increase on a dollar-for-dollar basis. If Anthem and Hartford Hospital fail to reach agreement, we and our members may be exposed to inflated costs for out-of-network services; Hartford Hospital may lose patients who elect to transfer to “in-network” providers.

It appears that the centerpiece of Hartford Hospital’s argument for enhanced fees is its contention that it is underpaid relative to a self-selected peer group of elite institutions. The Hartford Hospital system has adopted a communications strategy that uses announcements of the approaching contract deadline to frighten its patients—and our members—into pressuring Anthem to accede to its demands.

What has been overlooked in these negotiations is the reality confronting self-funded health plans. In today’s economic climate there is no money in our budgets to pay anything like the double digit increases Hartford Hospital is seeking for 2010 and succeeding years. We the undersigned do not support and cannot live with such increases.

Hartford Hospital has not made a compelling case for a double digit rate increase since hospital care inflation has been 6.2 percent, physician care inflation has been 3.3 percent and overall inflation, as measured by CPI-U, has hovered at 1.1 percent over the past 12 months. From all appearances, these negotiations are an example of medical cost escalation. Our concern is that this year’s negotiations will set a pattern for double digit increases in future years without any corresponding measures for improvement of patient outcomes.

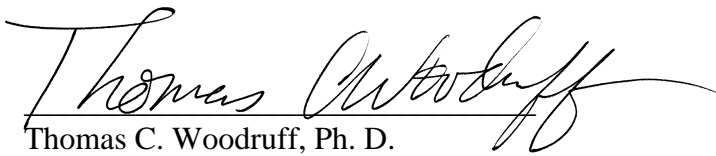
*Thomas C. Woodruff, Ph. D., Director Healthcare Policy & Benefit Services Division, Office of the State Comptroller · Melody Currey, Mayor, Town of East Hartford · Richard M. Pokorski, Benefits Administrator, City of Hartford · Jeff Bridges, Town Manager, Town of Wethersfield · Karen Lang, Pension & Benefits Manager, City of Waterbury · Attorney Robert M. Krzys on behalf of State Employees Bargaining Agent Coalition · Robert Tessier, Executive Director, The Connecticut Coalition of Taft-Hartley Health Funds, Inc. · Tom Frenaye, First Selectman, Town of Suffield · Matthew B. Galligan, Town Manager, Town of South Windsor · Peter Grase, President & CEO, Fuss & O’Neill, Inc. · Christine R. Pane, Executive Director, 1199 New England Health Care Employees Welfare Fund*

As self-funded plans, we must manage our limited healthcare dollars effectively and prudently. This does not include bowing to demands for increased payments that are unaccompanied by any commitment to improving the quality of care and patient outcomes. Another argument in your campaign for higher reimbursement rates is the excellence of your organization's services. We think you should prove it by taking the lead in exploring meaningful payment reform now. We seek your support in creating value-based and risk-sharing contracting mechanisms with Anthem and the other insurance companies that reward providers for improved clinical outcomes that reduce overall healthcare expenditures. We understand that Hartford Hospital refuses to even consider such changes in the context of the current negotiations.

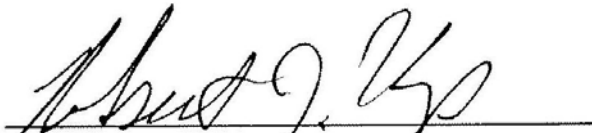
We cannot support anything more than single digit increases in each year of this agreement and think that the parties should take the next 90 days to agree on appropriate clinical outcome measures tied to reimbursements that will begin to reduce overall healthcare costs.

Although we are not directly involved with your negotiations, we remain committed to providing assistance to both parties to ensure that these facilities remain in Anthem's network of hospitals. We, along with the thousands of employees and families who have coverage under our self-funded plans, thank you for your consideration.

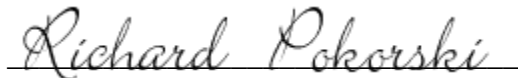
Very truly yours,



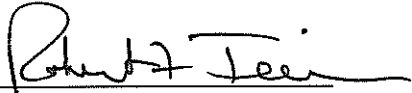
Thomas C. Woodruff, Ph. D.  
Director, Healthcare Policy & Benefit  
Services Division  
Office of the State Comptroller  
State of Connecticut



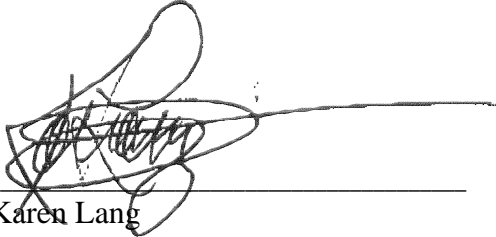
Robert M. Krzys, Attorney at Law  
Hartford, CT, on behalf of the State Employees  
Bargaining Agent Coalition



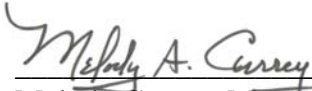
Richard M. Pokorski  
Benefits Administrator  
City of Hartford



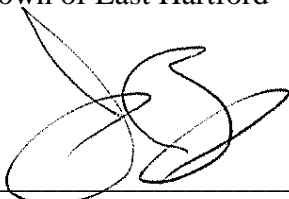
Robert Tessier, Executive Director  
The Connecticut Coalition of  
Taft-Hartley Health Funds, Inc.



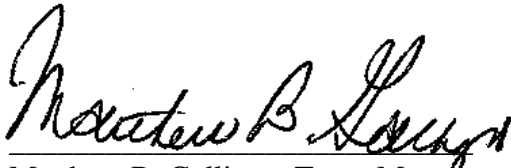
Karen Lang  
Pension & Benefits Manager  
City of Waterbury



Melody Currey, Mayor  
Town of East Hartford



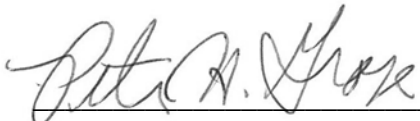
Jeff Bridges, Town Manager  
Town of Wethersfield




Matthew B. Galligan, Town Manager  
Town of South Windsor



Tom Frenaye, First Selectman  
Town of Suffield



Peter Grose, President & CEO  
Fuss & O'Neill, Inc.



Christine R. Pane, Executive Director  
1199 New England Health Care  
Employees Welfare Fund

CC: David Fusco