



January 27, 2012

Dear Valued Network Provider:

I'm writing to inform you about some exciting steps we are taking at Blue Shield of California as we plan for future business with our provider network, and how important your valuable participation is in making it successful.

As a healthcare leader, Blue Shield believes that being open to new ways of offering healthcare services is critical to fulfilling our mission to ensure Californians have access to high-quality health care at an affordable price.

Along with the rest of the market, our customers are demanding more choices at competitive prices. The evolving needs of employer groups and individual members are shaping the way we plan for future business, and your participation is a valued part of the quality we want to offer them.

You may have noticed some of the actions Blue Shield has taken recently that demonstrate our commitment to meeting the evolving health care needs of our customers. One example is our cutting-edge work in creating Accountable Care Organizations (ACOs) and the \$20 million in grants we awarded to provider organizations to be used for launching other ACO care models in their communities.

The enclosed Independent Physician and Provider Agreement (IPPA) represents another important step we have taken to stay current with market needs. The agreement is streamlined and it allows providers more flexibility to participate in new types of future networks and products at Blue Shield currently under development. Information for participation appears in section 2.7, and Exhibit B. For your convenience, we have also enclosed a *Questions and Answers* document with additional information

Your participation in our networks is one of the strong values we offer our customers, and we want you to participate in as many of our new and innovative networks and products as possible. **Please carefully review this agreement, sign and return it to us no later than February 17, 2012 in the self-addressed envelope we have enclosed.**

If you have any additional questions about the enclosed documents, please contact our Provider Services Department at (800) 258-3091 and chose the pound (#) option to speak to someone about the renewal contract.

Sincerely,

Juan Davila
Senior Vice President,
Network Management

Enclosures: IPPA, Q&A

T9511 (1/12)

Blue Shield PPO Provider Re-Contracting Initiative

Questions & Answers

1. I recently completed and submitted a new contract agreement with Blue Shield of California. Why should I sign a new one?

This Independent Physician and Provider Agreement (IPPA) includes language that meets additional regulatory requirements. It is also structured to provide consistency for our network providers.

Just as importantly, it includes new selections that allow more flexibility for participation in the types of networks we plan to offer in the future as we strive to meet our customers' evolving health care needs.

By selecting " "All Products" " in the IPPA, you will be considered for participation in all current and future innovative products and networks currently under development at Blue Shield.

2. What happens if I don't want to select participation in " "All Products" " ?"

Californians are looking for quality and value in health care services. Your network participation helps us offer those attributes to current and future Blue Shield members. That's why we encourage you to select participation in " All Products" .

We encourage you to participate in as many products as possible and to be part of the innovative plans we are making. We believe our plans for addressing current and future coverage and health care delivery models are consistent with the direction that business is moving in health care.

3. Tell me more about the advantages of participating in the new networks and products you plan to include in the future.

Our customers, including employers and individuals, are looking for affordable products that will make it easier for members to access care in a variety of circumstances and allow them to consistently see the doctors and other providers they have chosen without having to switch as often. This means providing products and networks that vary in composition and price but continue to offer high quality and value.

Our plans for providing a larger range of products and networks are responding directly to the needs we see in the market.

3., cont'd.

For example, if members are employed, they may choose from a certain range of products or have access to special networks designed to meet their specific employers' needs. If they leave employment, they may want to continue seeing their physicians but they may need to switch to a different, individually affordable product. The product may require a narrow network but it allows them and their families to continue seeing the same providers.

Providers who select participation in "All Products" will have the advantage of being available to their patients under the variety of circumstances members need in today's fluctuating market. That's why we are strongly encouraging our network providers to choose "All Products". It will allow us to consider them for participation in as many configurations as possible and may help them stay available to their current patients.

Please carefully review all of the information in *Exhibit B* in the IPPA prior to making your selection for participation.

4. If I don't want to participate in "All Products," do I have to individually select all the products in which I want to participate?

Please read *Exhibit A* carefully to ensure you clearly understand the participation choices.

Selecting "All Products" means you want to make yourself available to be considered for participation in any of the current and additional, future products and networks that have yet to be developed. Choosing this option helps us offer our members a variety of choices that allow them to stay within our large, high-quality network of providers. It is in your best interest to be considered for participation in as many networks as possible.

As stated in the contract, by checking the box to "Opt Out," you are agreeing to reimbursement for services as articulated in Section 3.1 of the Agreement, except for those in which you choose **not** to participate.

Below the "Opt Out" selection, you should only check additional boxes for any products in which you do not wish to participate.

5. Are all the rates changing?

As customary, you will be notified in advance of any rate changes, consistent with the terms of your agreement. At this time, other than for Medicare business, there are no changes in Blue Shield's provider allowances.

The rates for networks "A," "B," and "C" will be at a designated percentage of the standard fee schedule, as set forth in *Exhibit B*.

6. What if I choose not to select participation in “All Products” now? Can I later choose to selectively participate in only some of the new products or programs you will develop?

As industry needs and realities evolve, we believe you will find our efforts to create collaborative, practical business models amongst health care providers and leaders to be consistent with the realities of the business now, and in the future.

To reiterate the information we have stated above, we strongly encourage you to select participation in “All Products” now. If you choose to modify your choices in the future, you can change your participation level at that time, consistent with the terms of your agreement.

7. When is this new agreement effective?

The terms of effectiveness are set forth in *Section 7.1*. Upon full execution, the effective date of this contract will supersede any prior agreement.

8. What if I don't return this contract to Blue Shield?

As explained above, it is going to be increasingly important to be available for participation consideration in as many products and networks as possible to respond to the realities of the current and future market. Providers who do not choose to participate will miss out on the opportunities to participate in innovative products and network designs we are planning for the future.

Regardless of your choices of availability for certain products or networks, we are our network providers sign this new agreement and return it to Blue Shield in the self-addressed envelope we have enclosed. We will follow up with you if we don't receive the signed contract by **February 17, 2012**.

9. How can I get more information?

If you have any additional questions about the enclosed documents, please contact our Provider Services Department at (800) 258-3091 and chose the pound (#) option to speak to someone about the renewal contract.

#

T9511-E (1/12)