



October 19, 2011

Dear Valued BCN Customer:

Beaumont Hospital has given notice to Blue Care Network that it would no longer participate in hospital networks serving BCN health plans effective Jan. 12, 2012, unless the Blues agree to a double-digit percentage increase in hospital payments. This large increase is intolerable.

For nearly a year, Blue Care Network and Blue Cross Blue Shield of Michigan have proactively engaged in talks with Beaumont Hospital about reimbursement. Beaumont has asked for a 20 percent increase in hospital reimbursement over two years for its hospitals. We could not accept this demand as our customers struggle with the cost of health care services that drive up claim costs and premiums.

The Blues proposed an increase to Beaumont that fairly covers the cost of medical services they provide to Blues members and delivers a fair financial margin (profit) to the hospital. Blue Cross also proposes a value-based incentive arrangement that rewards the hospital when it develops initiatives that provide quality care at a lower cost.

Our focus is to ensure that you and your employees have access to quality health care without excessive costs as we negotiate hospital contracts. We want our customers to receive the very best care with an eye on keeping that care as affordable as possible.

Here are some important points:

- Beaumont is required to give 90-days notice before leaving the BCN network. BCN members can continue to receive services at Beaumont as usual over the next 90 days (until Jan. 12, 2012).
- Blue Cross Blue Shield of Michigan PPO, Traditional and health savings account plans are **not** affected by Beaumont's actions. BCBSM Medicare Advantage plans also are not affected.
- BCN Medicare Advantage plans are **not** affected.
- The affected hospitals are Beaumont Royal Oak, Beaumont Troy and Beaumont Grosse Pointe. Although it affects these hospitals, it does not affect primary care physicians or specialists offices. Additionally, many BCN-participating physicians have privileges to practice at other high-quality hospitals other than Beaumont.
- BCN members can choose from many quality hospitals. BCN has an extensive hospital network with more than 144 hospitals across Michigan.

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- BCN members using Beaumont hospitals represent about 1.5 percent of total combined Blues membership.
- Services provided by Beaumont hospitals are available at other nearby hospitals that participate with Blue Care Network. BCN is working with physicians to make sure members are directed to nearby participating hospitals. BCN will only pay for elective services at Beaumont if they are pre-authorized by BCN. (This will be a small number of services as most elective services can be provided at other contracted hospitals). Emergency services will still be covered. Blue Care Network members will be responsible for paying Beaumont charges for non-emergency services unless the services are approved as an out-of-network service by BCN.

We are continuing talks and are hopeful they will result in a mutually satisfactory agreement. However, we also are finalizing plans to redirect BCN member care from Beaumont hospitals to other hospital locations should an agreement not be reached.

If you have questions, please contact your Blues sales representative or contracted agent. For Beaumont information updates, please visit mibcn.com/blueupdate.

Sincerely,



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