



For Immediate Release
August 6, 2004

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Department of Managed Health Care Approves Majority of Blue Shield Plan to Narrow CalPERS HMO Network

(Sacramento) -- A majority of the proposed Blue Shield plan to narrow its HMO network for CalPERS enrollees has been approved by the Department of Managed Health Care (DMHC). Included in the approval of Blue Shield's plan is the elimination of 13 Sutter Health hospitals in northern California, serving 51,000 enrollees. Approximately 34,000 current and retired public employees in the Sacramento area will be affected. Statewide, 55,400 enrollees in 15 counties will be affected.

"Our role has been to determine that access to health care will continue to be available to enrollees affected by Blue Shield and CalPERS' decision to eliminate hospitals from their current HMO network," said G. Lewis Chartrand, Chief Deputy Director of the DMHC.

Of the total hospitals requested for elimination in the Blue Shield proposal, DMHC will approve 25 hospitals and deny four of the 29 currently on the list. Previously, Blue Shield announced that 10 of the original 39 hospitals slated for elimination had agreed to remain in the network.

With Blue Shield cleared to eliminate current hospitals and provider groups, affected CalPERS members will have the choice to enroll in a Preferred Provider Organization (PPO) plan, seek a new primary care physician if they wish to remain in the Blue Shield HMO network or switch to the Kaiser HMO plan. Enrollees will need to make their decision during the upcoming Open Enrollment period beginning in October. Health plan changes will be effective Jan. 1, 2005.

Under current law, DMHC's review of the proposal is limited to determining sufficient access to hospitals and providers for enrollees in alternate health systems. The DMHC required that care for specific conditions such as pregnancy, terminal illness or chronic illness would be available with their current provider for up to 12 months during and after the change. Although cost savings is a main argument offered by CalPERS to narrow its Blue Shield network, it is not a legal consideration in the DMHC approval process.

(more)

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Department of Managed Health Care

August 6, 2004

Page 2 of 2

Blue Shield submitted its proposal to the DMHC on June 30. The review by DMHC staff showed that access for current Sutter patients in the Sacramento area through the Blue Shield HMO network would be available through alternate hospital systems, such as Catholic Healthcare West and UC Davis Medical Center. Individual providers in medical groups including Hill Physicians, Med Clinic, Golden State Physicians, Sierra Nevada IPA and Woodland Clinic have also been determined adequate to accommodate new enrollees. Emergency care will continue to be available for CalPERS members at Sutter facilities or any other hospital, as required by law.

Because Sutter Health did not wish to allow some of their hospitals to return to the HMO network without all of them, even in areas without alternate hospitals, several enrollee access protections will be required by the DMHC, including:

- Broader access to specialty care for Sutter enrollees through any non-Sutter medical group;
- Admission to Sutter hospitals in rural areas of Contra Costa and Merced counties for medically necessary services if no alternate exists;
- Referrals to Sutter specialists if access is not available through alternate providers; and
- Access to obstetrics for enrollees in the Fremont area.

In granting approval of the majority of Blue Shield's elimination of hospitals from its network, DMHC conducted an independent analysis of available doctors and hospitals in the affected areas. Public comment was invited during the review period and more than 320 pieces of correspondence were received and considered. Prior to Blue Shield's official filing with the DMHC, department staff offered to help mediate the dispute between CalPERS, Blue Shield and Sutter. This mediation did not take place because Sutter refused the offer.

For additional information, CalPERS members can log onto www.dmhc.ca.gov or call the HMO Help Center at 1-888-HMO-2219.

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**** Attached is a status list of hospitals affected by the Blue Shield decision.**

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