



FOR IMMEDIATE RELEASE
October 26, 2007

CONTACT: Lynne Randolph
(916) 445-7442

DMHC gains agreement from Blue Cross to stop use of unfair negotiating tactics with hospitals and health care providers
Concern about dwindling access to health care cited by state regulator

(Sacramento) – The California Department of Managed Health Care (DMHC) has gained agreement from Blue Cross of California to stop requiring the use of a burdensome confidentiality agreement in contract negotiations with a health care provider, such as a hospital or medical group. The DMHC has determined that the requirement is illegal as an unfair and unreasonable contract, because it limits and conditions the selection and use of a provider’s legal counsel in negotiations of new contracts. Additionally, the definition of confidentiality is overbroad and the agreement does not impose the same requirements on Blue Cross that it does on providers.

“This ‘take-it-or-leave-it’ approach would push more hospitals to the financial brink or severely limit access to health care for thousands of Californians, if they were forced to leave the Blue Cross network,” said Cindy Ehnes, Director of the DMHC. “We’re pleased that Blue Cross has voluntarily agreed to stop requiring this type of one-sided agreement and will continue to negotiate with providers on an even playing field.”

State law, under the Knox-Keene Act, which governs health plan operations in California, requires that contracts between health plans and providers be fair and reasonable. The DMHC exercises its authority in contracting issues to ensure that when a contract between existing providers and a health plan ends, affected consumers receive timely notice of their rights, clear information about which providers they can use, and continuous, ready access to quality care both during and after a transition to a new provider.

-more-

Department of Managed Health Care

October 26, 2007

Page 2 of 2

The DMHC was prepared to order Blue Cross to stop requiring the confidentiality agreement, if Blue Cross had not voluntarily complied. The DMHC's conclusions were reached upon learning that Blue Cross threatened not to contract with providers for two years if they refused to sign the agreement.

The DMHC has received complaints from providers, and some indicated that they might leave the Blue Cross network if forced to sign. Blue Cross has reported to the DMHC that there are 20 hospitals with contracts terminating between now and January 31, 2008, potentially disrupting the health care of more than nearly 700,000 Californians.

These hospitals include the state-sponsored contract with Centinela Freeman Hospital Systems in Los Angeles and the five Scripps hospitals in San Diego -- one of the two main hospital systems in the county. Losing both of these systems from the Blue Cross network, for example, would force nearly 125,000 southern Californians to seek care at alternate hospitals.

If allowed to continue, the confidentiality agreements could force hospitals to either accept terms that might not give them the best reimbursement rate possible, or to terminate their contracts altogether, both of which could have a devastating impact on southern California, which has already seen the closure of 50 hospitals since 1996 and 14 emergency rooms in the last five years.

The California Department of Managed Health Care is the only stand-alone watchdog agency in the nation, touching the lives of nearly 21 million enrollees. The DMHC has assisted more than 800,000 Californians through its 24-hour Help Center by resolving HMO problems while educating consumers on health care rights and responsibilities, and working closely with health plans to ensure a solvent and stable managed health care system.

###

ARNOLD SCHWARZENEGGER
GOVERNOR

BUSINESS,
TRANSPORTATION
AND HOUSING
AGENCY

DEPARTMENT OF MANAGED HEALTH CARE

980 9th Street
Suite 500
Sacramento, CA 95814-2725
916-324-8176 Voice
916-322-9430 Fax

320 West 4th Street
Suite 880
Los Angeles, CA 90013-1105
213-620-2744 Voice
213-576-7183 Fax

www.hmohelp.ca.gov
1-888-HMO-2219

