Blue Cross Blue Shield of Massachusetts Issues Statement on Contract Discussions with Tufts Medical Center and New England Quality Care Alliance

BOSTON — November 15, 2011 — The rising cost of health care is one of the biggest challenges facing our community today. We know that health care costs are making our businesses less competitive, squeezing the budgets of government at every level, and consuming too much of family incomes.

At Blue Cross Blue Shield of Massachusetts (BCBSMA), making quality health care affordable is our top priority. As the state's largest private health plan, we are committed to playing a leading role in developing meaningful and sustainable solutions to rising costs.

We've worked aggressively to lower our administrative spending, which accounts for approximately ten cents of each premium dollar. In fact, we expect our administrative spending in 2011 will be reduced to 2008 levels. However, in order to make care truly affordable, we need to control increases in the overall cost of medical care, which accounts for ninety percent of premiums.

We're working in a spirit of shared responsibility with physicians and hospitals to moderate health care costs. And we're beginning to show signs of real progress. For example, the rate of increase in premiums next year will be the lowest since 2005. This is good news, but we have more work to do.

One important way we have been able to moderate costs is by reaching more modest contract agreements with physicians and hospitals. Over the past two years, we have successfully completed contracts with 48 hospitals. In nearly every case, hospitals have been willing to accept increases in the prices we pay for their services of no more than three percent and some have agreed to meaningful price decreases. These agreements allow caregivers to continue to cover their reasonable costs, but also reflect the community's urgency to make care more affordable.

Unfortunately, Tufts Medical Center and its affiliated physicians group (known as the New England Quality Care Alliance or NEQCA) are unwilling to accept modest increases in the prices we pay for their services. Instead, they are seeking very large increases far in excess of what every other hospital has accepted over the past two years. In fact, if we gave other hospitals and physicians across the state the increases that Tufts Medical Center and NEQCA are seeking, it would translate into hundreds of millions of dollars in added costs that would increase premiums for individuals, families and employers.

Here are a few other important facts:

- Tufts Medical Center already earns a profit in excess of 15% when the hospital cares for a BCBSMA member.
- Tufts Medical Center is currently paid at rates that are comparable to other teaching hospitals in eastern Massachusetts.
- NEQCA physicians are already among the highest-paid in our professional provider network.

Tufts Medical Center and NEQCA have been long-term partners with BCBSMA and we value the services they have provided to our members. For this reason, we regret that they have made a decision to terminate their contract with us and no longer care for our members effective January 17, 2012. We remain committed to the negotiation process, but to be clear, any new agreement with Tufts Medical Center and NEQCA must reflect the community's appropriate impatience with the rising cost of health care.

We want our members to know that our highest priority will be to ensure that any member who receives care at Tufts Medical Center or from an affiliated physician will continue to have access to high-quality, affordable health care after January 17, 2012.

As part of that commitment, we have created a dedicated hotline (**1-888-404-9846**) and a special website (www.bluecrossma.com/MyCareChoices) to assist affected members.

Blue Cross Blue Shield of Massachusetts (www.bluecrossma.com) was founded 74 years ago and is now the largest private health plan in the state, providing coverage to nearly 3 million members. BCBSMA believes in working with physicians, hospitals, employers and the broader community to provide quality, affordable health care in Massachusetts. Blue Cross Blue Shield of Massachusetts is an independent licensee of the Blue Cross Blue Shield Association.

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