

April 23, 2007

Nitin S. Damle, MD, FACP
Governor, Rhode Island Chapter, ACP
481 Kingstown Road
Wakefield, RI 02879

Dear Dr. Damle:

Thank you for your April 10, 2006 letter regarding our plan to increase primary care physician (PCP) reimbursement. We are clearly in agreement that these increases are necessary to support and promote high quality health care in Rhode Island. I would like to take this opportunity to individually address the issues raised in your letter.

The reimbursement for primary care should reflect the importance of the issues outlined in this letter, such as coordination of care; chronic care management, challenges of diagnosis and treatment of complex medical problems and preventive medicine.

I agree with your statement one hundred percent. These responsibilities are fundamental to primary care, and are inherent in the evaluation & management services provided to your patients every day. That is why Blue Cross & Blue Shield of Rhode Island (BCBSRI) is setting PCPs apart from all other physicians through this initiative and recognizing their office evaluation and management services.

The above reimbursement level should be independent of the adoption of HIT, though the Chapter supports this initiative to increase adoption rates and subsequent quality and efficiency of care.

Respectfully, I disagree. All PCPs will receive an increase in reimbursement, independent of their adoption of HIT. But, I believe that Electronic Medical Records (EMRs) are essential to the future of health care. EMRs will not be optional some day. It is our responsibility to do everything we can to promote the use of EMRs in every PCP's office. We will live up to this responsibility by providing the highest level of reimbursement to those physicians that have adopted EMRs. I view this as aligning incentives with the appropriate actions.

Regional parity is essential to retention of established primary care physicians. The Chapter would recommend further rate increases be consistent with reimbursement in neighboring states after the three-year "catch up" period.

We have pledged to achieve regional parity for PCPs by the end of the three-year period. As I stated in my letter, however, this could put BCBSRI at a significant disadvantage to United Healthcare if they do not follow our lead. I hope after three years that we can continue to increase fees on par with those provided by neighboring states. But if BCBSRI is the only insurer in Rhode Island supporting primary care physicians, I know for a fact that it will not be possible for us to do more. Thus, our future activities must take into account what United Healthcare is paying you. While I am committed to doing the "right thing," it cannot put BCBSRI at severe competitive disadvantage.

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A change in the model of reimbursement to reflect the change in the delivery of care through the Advanced Medical Home.

The concept of the Advanced Medical Home is relatively new. I think building a model of reimbursement to support the Advanced Medical Home is a good idea, but it will take some time to develop to make sure we do it right. Together with the Office of the Health Insurance Commissioner's Primary Care Stakeholders Committee, BCBSRI is evaluating different ways to support the Advanced Medical Home concept. In the meantime, I thought it was important to address the immediate need of PCPs by increasing our fee schedule.

Extension of the payment increases to the Medicare BlueCHiP and RiteCare population.

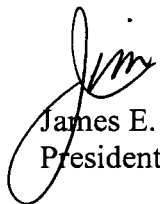
Because of the limited funding we receive for our BlueCHiP for Medicare and BlueCHiP for RiteCare population, it would not be financially responsible for us to extend the same level of fee increases to these products. However, starting April 1st of this year, we did increase evaluation and management fees for PCP specialties for both of these products over and above the fees extended to other physicians in our network.

Support the state effort to build a health information exchange.

The benefit provided by EMRs will be fully realized only if Rhode Island is able to implement the Health Information Exchange (HIE). As I said in my letter, BCBSRI will work with the Rhode Island Quality Institute on this, and we expect to fund a portion of the HIE despite the lack of any competitive advantage that will result, assuming that our financial circumstances so permit. I hope United Healthcare will fund its fair share as well.

Once again, thank you for you letter and for your participation in these discussions. I acknowledge that we are far from having a perfect model of reimbursement for PCPs, but I firmly believe that our plan over the next three years will bring us closer to that end.

Sincerely,



James E. Purcell
President and CEO

JEP/jt