

A FOREVER-ZERO AGREEMENT WITH BLUE CROSS JEOPARDIZES THE HEALTHCARE OF THOSE WE SERVE

Without contracts that treat us fairly, Blue Cross puts our future - and yours - in jeopardy.

BLUE CROSS FORCED THIS ISSUE.

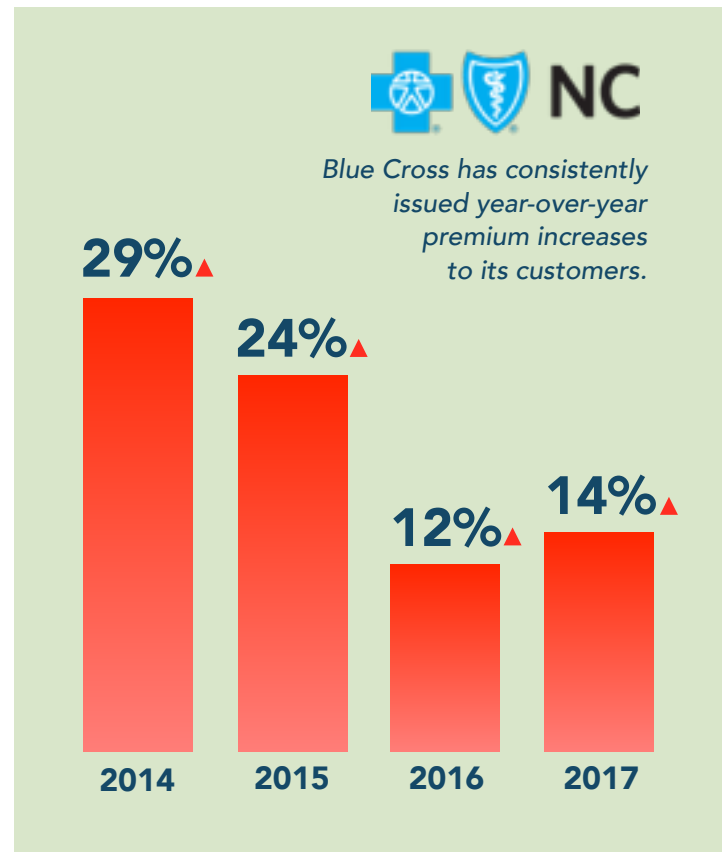
With 72% market share, Blue Cross is a powerful, intimidating force that exercises its power to get what it wants. Leveraging their power, Blue Cross has deliberately and methodically designed a process to eliminate the ability of health systems to receive fair rate increases.

First, they muscled healthcare providers into “forever” contracts that will automatically renew with 0% rate adjustments, forcing any health system to issue a notice of termination if they need to negotiate. To make sure that health systems won’t do that, Blue Cross regularly boasts that they “immediately stop talking to any provider who issues a notice of termination!” Finally, creating further harm to health systems and the communities they serve, should any health system even attempt to discuss fair payment, Blue Cross executives routinely threaten, “good luck getting your money when we pay the patient directly,” when you go out of network.

Just like you experience rising prices at home, the actual costs for providing high-quality care will continue to rise – drugs, medical supplies, wages – everything that goes into running one of the highest quality health systems in the nation. Blue Cross has backed Mission into a corner with an impossible choice – accept “forever-zero” contracts, close numerous programs and more, or fight a nearly impossible battle against the state’s dominant insurer who controls more than all of Mission Health’s margin. At the same time, Blue Cross continues to increase what it charges consumers and employers by large amounts every single year. But they won’t increase - by even a single penny - what they spend on care for their members in the future?

Blue Cross’ “forever-zero” auto-renew agreement would create an effective payment reduction of \$296 million over five years for Mission Health System, creating a massive financial shortfall we cannot overcome.¹

We issued a termination of our “forever-zero” adjustment and created a deadline for a new, fair contract that won’t put our future - or yours - in jeopardy, because it was our only choice. Just as it threatened, Blue Cross flexed its muscles, used its power and unleashed an advertising campaign to intimidate us as soon as we gave notice.



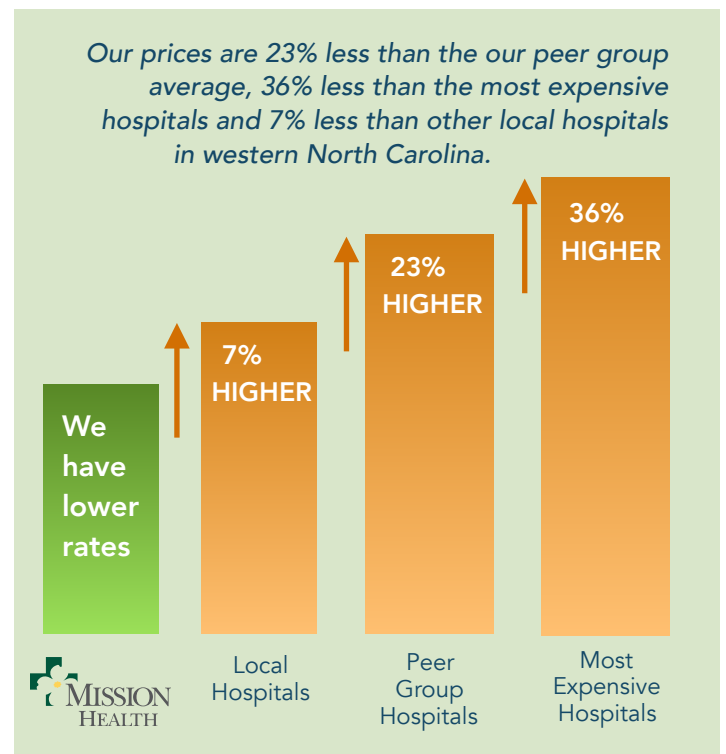
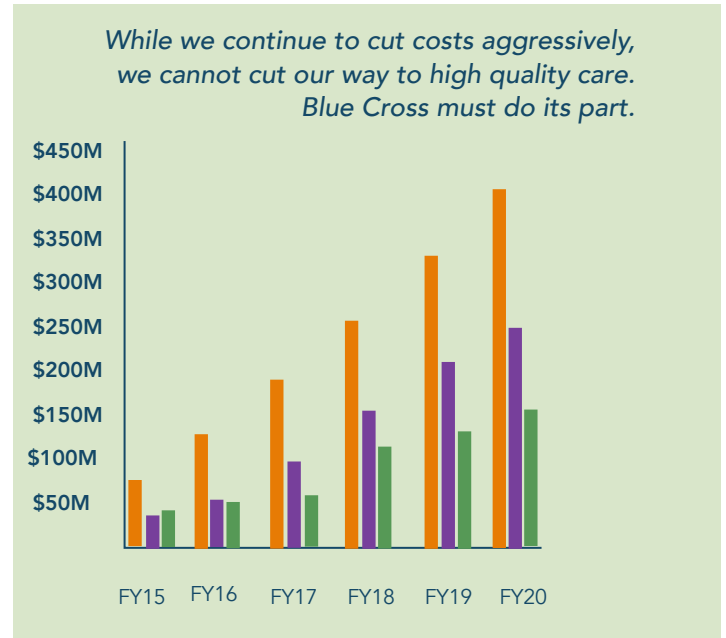
WE DELIVER HIGH QUALITY CARE. WE ARE AGGRESSIVELY TACKLING COSTS. NOW, WE NEED BLUE CROSS TO DO ITS PART.

Mission has been named one of the top-15 health systems in the U.S. for five of the last six years.² We have significantly lower rates of mortality, complications and readmissions than most hospitals nationwide. The quality of care we deliver isn't because we are paid more. In fact, our rates are significantly lower than our peers, as demonstrated on the State's pricing transparency website. Even so, we are aggressively reducing costs, with the elimination of more than \$240 million in annual costs between 2012 and 2018. Just this year, we cut \$70 million in costs and will eliminate another \$50 million next year and every single year going forward.

But we can't cut enough costs to continue our services, and we need help. We need a modest mid-single digit adjustment to Blue Cross' payment rates. Without it, we cannot continue to sustainably deliver the care that nearly a million North Carolina residents depend on.

Our existing agreement ends at midnight on October 4, 2017. Blue Cross patients can use our services with no change until then. If we do not have a new agreement in place, patients can still access our services under out-of-network payment arrangements. We very much want to work with Blue Cross to find a solution that works for both our organizations. We are ready 24 hours/day, 7 days/week to engage in dialogue, should they be willing. There is too much at stake, for all of us. Because we cannot, we will not stand down until we have a fair agreement. And no amount of advertising by Blue Cross will deter us from our mission to effectively serve you.

■ Inflation ■ Cost Reductions ■ Remaining Gap



Source: North Carolina Medical Care Commission Healthcare Cost Database

1: Blue Cross' payment reduction would compound year-over-year, combined with reduced government reimbursements, additional wage and benefit obligations, drug and supply inflation, unreimbursed charity care, and rural referral center

2: Truven Health Analytics / IBM Watson Health