April 1, 2010

IMPORTANT INFORMATION
Contract Termination of Stellaris Health Network

Dear Member:

At Empire BlueCross BlueShield (“Empire”) we understand how important your health care and health care dollars are to you, and therefore would like to provide an update on our contract negotiations with Stellaris Health Network (“SHN’”). SHN is a hospital system in Westchester comprised of Lawrence Hospital, Northern Westchester Hospital, Phelps Memorial Hospital Center and White Plains Hospital. Contract negotiations with participating providers are a standard part of what we do every day to make quality affordable healthcare available to you.

Empire and SHN have been negotiating for the past six months to renew a contract set to expire on March 31, 2010. Unfortunately, we have been unable to reach an agreement. Therefore, as of April 1, 2010, SHN is no longer participating in Empire’s hospital network.

The issue at the center of the negotiation is SHN’s demand for higher than market reimbursement rates. Though SHN hospitals earn a substantial profit on Empire’s business, they continue to demand double digit rate increases for each year of the new agreement. With hospital costs being almost 50 percent of healthcare costs, the rate increase SHN is demanding would increases the amount you pay for your healthcare, whether through higher premiums, contributions to employer sponsored healthcare coverage or member cost sharing amounts. We remain committed to reaching an agreement on a new multi-year contract that provides fair reimbursement with reasonable annual increases. Regrettably, SHN does not appear to share that goal at this time.

As of April 1, 2010, you will only receive full in-network benefits for services rendered by SHN facilities on an emergency basis unless the services have been authorized in advance by Empire or you are in an ongoing course of treatment or in your second or third trimester of pregnancy, and SHN has agreed to provide such services according to the terms of the most recent agreement between SHN and Empire. For non-emergency services and except as otherwise noted above, you will receive either no benefits or reduced benefits, depending on your health benefits coverage. This letter includes a listing of alternative facilities and providers which remain participating in our network. Empire continues to have an exceptionally broad network of participating hospitals, physicians, radiology centers, ambulatory centers and other providers capable of providing the same healthcare services you may have received from SHN hospitals at numerous convenient locations throughout Westchester County and the surrounding areas. You will receive full in network coverage at these providers for all covered services.

We know you may have questions regarding this issue and we will maintain and update information, including Frequently Asked Questions and Continuation of Care Guidelines, on the home page of our website, www.empireblue.com. We understand that this impasse may indeed pose some inconvenience to our members and we will do whatever we can to support you and your family in this time of transition.

We want to assure you that we continue to work hard to reach an agreement with SHN to promote accessible, affordable, quality healthcare for you and your family. It is our job to be good stewards of your health care dollars. And it is SHN’s responsibility to help make healthcare in Westchester County more affordable by better managing their own costs and not just increasing yours.

Should you have any questions or concerns, please contact us at (800) 495-9323. Please remember also to visit our website at www.empireblue.com for updates.

Sincerely,

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Mark Wagar
President and CEO, Empire BlueCross BlueShield