Empire BlueCross BlueShield and Stellaris have been negotiating for the past six months to renew a contract scheduled to expire on March 31, 2010. We have been unable to agree on terms that would balance our members' need for broad provider access and affordable healthcare.

Since an agreement has not been reached, effective April 1, 2010, the following Stellaris facilities will no longer belong to Empire's hospital network: White Plains Hospital, Northern Westchester Hospital, Phelps Memorial Hospital and Lawrence Hospital Center.

The issue at the center of the negotiation is Stellaris's demand for higher than market reimbursement rate increases. Though Stellaris earns a substantial profit on Empire's business and operates profitably overall, they continue to demand annual double digit rate increases during each year of the proposed period of the new agreement.

With hospitals costs being almost 50 percent of healthcare costs, the increase Stellaris is demanding would be directly reflected in increases in member premiums, medical expenses and cost share amounts.

Hospital costs to privately insured patients have risen dramatically in recent years. In fact, recent studies have confirmed that provider rate increases are one of the primary drivers of the overall increases in commercial healthcare spending. This continued cost escalation has a significant and serious impact on healthcare affordability and is not sustainable. Stellaris has a responsibility to help make healthcare in Westchester County more affordable by better managing their own costs and not just increasing yours.

Spiraling hospital costs are of growing concern nationally. A report released last month by Massachusetts Attorney General Martha Coakly: Investigation of Health Care Costs, Trends and Cost Drivers found that "brand name or niche hospitals," like Stellaris, "have the leverage to negotiate and to receive higher reimbursements than others," and that "provider pricing has been the key driver of rising health care costs."

Stellaris' has made no effort to justify this increase other than to say that what they want from Empire is what they get from other payers. They are ignoring the fact that their rates already provide them with market competitive reimbursement.

Large hospital systems, such as Stellaris, must be partners in promoting affordable, quality, healthcare and controlling costs. They can no longer simply pass on to commercial payers and their customers 100 percent of their cost increases for new or expanded services or reductions in Medicare and Medicaid funding.

Empire remains committed to the New York market and takes seriously its commitment to keep healthcare affordable. Empire has an exceptionally broad hospital network in the service areas where the Stellaris facilities are located and, in the case of contract expiration, we will continue to have a robust network of participating hospitals, physicians, radiology centers, ambulatory centers and other providers capable of providing healthcare services for our members at numerous convenient locations throughout Westchester County and the surrounding areas.

As always, emergency care and emergency admissions will continue to be covered at any non-participating hospital, including the Stellaris facilities.

It is our hope that negotiations will progress in the future and that our members will not experience a lengthy network disruption.