

WASCA Managed Care Update

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Members of the WASCA Board, including Rob Schwartz, William Portuese, MD, Wendy Taylor, Rob Quinton and Naya Kehayes met with Premera Blue Cross (Premera) Executives William Akers, VP, WA Health Care Delivery Systems, Roki Chauhan, MD, VP, Medical Services, Medical Director for Quality and John Partin, Director Western Washington Health Care Delivery Systems on January 13th. The purpose of the meeting, set up by William Portuese, MD, was to build a relationship with Premera executives in an effort to work together on behalf of ASCs across Washington State. WASCA delivered the message that WASCA's goal was to be available to Premera to answer questions regarding ASCs and to offer feedback regarding any payment system and policy changes that Premera is employing that will impact ASCs.

Rob Schwartz presented to Premera a summary of findings resulting from the Washington Quality Research Initiative (QRI) facilitated by WASCA. The study was positively received by Premera executives who expressed that Premera's objective is to work with cost effective quality providers in the market. They were interested in obtaining additional information pertaining to the QRI study and it was noted that this type of information was not readily available for ASCs in the past. Premera executives commented on how they use quality indicators for other providers with respect to contracting. The QRI study data presents payors with an opportunity to measure performance of ASCs which can ultimately have a favorable impact on contracting when favorable results are reported from the study. .

Naya Kehayes inquired about Premera's direction pertaining to APCs. Mr. Akers shared with the Board that Premera has made the decision to implement the APC system for ASCs. He stated that he could not provide a definitive date for implementation. Mr. Partin suggested that implementation was targeted for year end 2009. Naya Kehayes pointed out that due to CON requirements, Washington State has numerous single specialty ASCs, which create issues with payment systems due to the inability to diversify payments with respect to cost, in a single specialty environment and that it was important for Premera to understand the implications on these single specialty centers. Wendy Taylor suggested consideration of split conversion factors to address the impact that will occur from converting from groupers to APCs for GI and Pain Management. In addition, it was also pointed out by WASCA Board members that although APCs include the cost of prosthetics and implants that there continue to be cost issues and urged Premera to address this with cost thresholds when developing their new payment system for ASCs. Rob Quinton commented that he had enjoyed a strong partnership with Premera and was willing to work with them on implementation of the APC system at the facility level. WASCA also inquired about potential beta sites for the transition of the payment methodology. This has not been decided yet by Premera. Finally, Rob Schwartz offered to Premera executives that WASCA would be available to meet with Premera further regarding the development of their new payment system in an effort to

address questions and concerns that may arise from conversion to the APC methodology. Mr. Akers agreed to follow up with WASCA at the appropriate time.

Overall, WASCA Board members were pleased that Premera executives were willing to meet and have a constructive discussion. We were successful in initiating the establishment of a professional relationship with Premera. Rob Schwartz invited Premera to be involved at future WASCA educational conferences. Premera executives were willing to consider learning more.

The establishment of a professional relationship with Premera and other commercial payors is critical to the future of ASCs in Washington State. WASCA has made strides with State payors such as L&I, Uniform Medical Plan and Medicaid in prior years. In our efforts to expand our relationships with payors, WASCA's objective is to provide education to payors regarding ASCs; we are making ourselves available so we can provide input and comment on health plan policy initiatives, which affords WASCA the potential opportunity to be included in the decision making processes of payors. These relationships have historically proven to be very beneficial to WASCA members, as indicated by the impact we have had on recent changes in reimbursement systems that were made in 2008 by Washington State Government Payors. We strive to reach similar goals with major payors throughout the State.