

# CARE NEW ENGLAND

BUTLER HOSPITAL • KENT HOSPITAL • WOMEN & INFANTS HOSPITAL  
CARE NEW ENGLAND HOME HEALTH • CNE WELLNESS CENTERS

November 2, 2010

Mr. J. Michael Vittoria  
President  
Rhode Island Business Group on Health  
PO Box 1523  
Providence, RI 02901-1523

Dear Michael:

I received your letter regarding our negotiations with United Healthcare and, given the importance of this issue, I wanted to respond carefully so you have the facts.

As the management of Care New England, Butler, Kent and Women & Infants Hospitals and the VNA of Care New England, we have a fiduciary responsibility to ensure the viability of these organizations and a patient care responsibility to provide high quality, cost effective care. United is an \$87 billion for-profit, publicly traded company based in Minnesota. Their contracting tactics and proposals reflect their true motivation, which is profit.

The issues involved in this negotiation are complicated and lend themselves better to discussion than to back and forth correspondence. In that context, I would like to suggest a meeting to explain what separates our position from United. In the meantime, I call your attention to the following which outlines our position and corrects several misrepresentations from United that were reflected in your letter.

First, let me say unequivocally that we have not asked for a 12% rate increase. To the contrary, we've asked for a single digit rate adjustment. This is needed to keep pace with the salary expenses for nursing, physician, medical, technical and service employee staffs; costs for medical liability insurance, medical supplies, drugs and equipment; and our need to operate at a modest margin to maintain our credit worthiness and to support reinvestment in our programs and facilities. Further, we have not only been willing to agree to several of the principles of pay for performance and administrative efficiency promulgated by the Office of the Health Insurance Commissioner, but we have advanced them as integral elements of our proposal to United.

We, too, are equally concerned about the double-digit premium increases passed on to employers by commercial insurance. We provide coverage to 13,000 employees and their dependents across the Care New England hospitals and home health family, and we face similar challenges to those you face.

United has worked hard to make the business community believe that premiums are merely a reflection of medical expenses - and hospital costs in particular. This ignores the obvious fact that United Healthcare nationally posted net income last year of \$4.8 billion and is on track to earn \$1.6 billion more. How does United do this? By spending less of the premium dollar it receives on medical care that patients need, both in commercial insurance and Medicare Advantage.

If this practice resulted in premium reductions for Rhode Island employers, that would be one thing. But United has already been approved for commercial premium increases next year between 8% and 12% by the Office of the Health Insurance Commissioner, plus an additional .6% to 1.1% increase United claims it needs to cover the cost of coverage required under health reform. Indeed, United justified these increases by claiming there would be higher hospital payment rates in 2011. Yet, in spite of these recently approved premium increases, United's proposal to us amounts to an overall reduction in our rates from the current contract.

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That fact is important enough that I want to be sure it's clear. United's offer would result in net reductions for the non-commercial products and minimal "bonus" payments that were contingent upon quality achievements for the commercial product. This overall position is a net reduction in rates for our hospitals and home health services, despite United's significant premium increases and its record profitability.

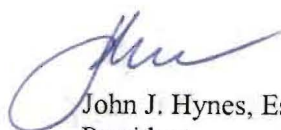
United is trying to sell you and other employers a one-sided position that places shareholder wealth over local premiums and provider payment rates. As an insurer, United is in the business of managing multiple revenue streams in return for providing various health insurance products. Focusing solely on the commercial product, as your letter reflects, ignores the fact that United made \$50 million locally on its Medicare Advantage product over the last three years. Once the Federal Government recognized its overpayments to insurance companies nationally and froze the premiums paid to United, United sought to maintain its margins by reducing payment rates to providers. United did not share those profits with local seniors or with providers. Yet United now seeks reductions when its profit is challenged. United voluntarily chooses to grow its non-commercial membership, and its substantial reserves are there to support this decision. Any resultant losses should come from the reserves, not reduced provider payment rates.

So, more from the business community, more for United and less for the state's hospitals and physicians does not equate to better health care for Rhode Islanders, it just means bigger profits for United corporate and bigger compensation packages for its executives. As premiums increase, your organization and other employers in our state certainly have a right to ask: where is that money going? Do not be misled, it is not coming to us or to physicians who serve this community. Where is that money going? Just look at United's financial statements and earnings reports.

Please be assured that we've tracked ourselves against national productivity benchmarks and have managed our costs well in recent years. Efficiency is important, and we all need to continue to bring down the cost of health care. But when a medical need arises, you know you would want the absolute best for your family. Plain and simple, quality care for patients and for this community still requires fair payment from insurance companies like United.

Our goal is to reach a fair, reasonable contract agreement with United - one that provides for a reasonable increase and that incorporates provisions that address most of Commissioner Koller's conditions. We ask your patience in allowing us to work out a reasonable contract renewal with United as we have in the past. We would welcome a meeting to clear up any remaining issues so that you can understand our position, and I would make available Domenic Delmonico, a senior vice president who is our chief negotiator, and Jack Sutherland, our chief financial officer. We can be reached at 274-1122, extension 8120.

Sincerely,



John J. Hynes, Esq.  
President

JJH:pap