



FOR IMMEDIATE RELEASE

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ASHEVILLE, N.C. (July 5, 2017) – Today, Mission Health announced it has delivered notice of intent to terminate its contracts with Blue Cross and Blue Shield of North Carolina (BCBSNC) if ongoing negotiations fail to reach an agreement. The notice establishes a specific deadline for new contracts to be in place by midnight October 4, 2017, or Mission Health and its facilities and physicians will be out of BCBSNC’s network effective October 5, 2017.

This decision was not made lightly. Contracts with health insurance companies—like BCBSNC—greatly impact a health system’s long-term financial and operational sustainability. Even more so with BCBSNC, which is the state’s largest health plan with 72 percent market share leaving little room for error. Given the pending shift to Insurance-Company run Medicaid in North Carolina and the extraordinary Affordable Care Act repeal and replace discussions occurring in Washington, Mission Health must carefully evaluate its business relationship with BCBSNC to ensure the health system can continue providing affordable, high-quality care and remain financially viable for the long term.

To provide adequate time for collaboration with BCBSNC in reaching a new agreement, Mission Health began contract discussions nearly six months ago. Unfortunately, the health system isn’t any closer today to a contract resolution than when negotiations started. “BCBSNC’s latest proposal imposes effective payment rate reductions to our health system at a time when modest annual increases are more important than they have ever been,” said Charles Ayscue, Senior Vice President, Finance and Chief Financial Officer at Mission Health. “Even if we earn every dollar of pay for performance incentives offered by BCBSNC, we could at best get back to zero for three straight years. It’s simply impossible to keep up with rising medical supply, pharmaceutical, and other operating costs, let alone provide future wage increases to our fantastic team members without appropriate annual adjustments to our payment rates from BCBSNC in the coming years.”

Based on the complete lack of progress thus far, Mission Health provided BCBSNC a formal notice of intent to terminate its agreements, effective October 5, 2017. This notice means new agreements must be reached by midnight on October 4, 2017, in order for Mission Health to remain in the BCBSNC network. This was the most prudent decision for Mission Health and the patients the health system serves for a few key reasons, according to Ayscue:

1. Mission Health is uniquely positioned as the region’s only safety net provider for all of western North Carolina. Our responsibilities go far beyond providing healthcare services

to residents of this community, and we take that very seriously. A contract that puts Mission at risk, puts the entire community at risk.

2. We have always been committed to strong financial stewardship. Mission Health is already significantly more efficient than most health systems in the state and nation, and yet we have taken the difficult steps of ongoing, aggressive cost reductions. These have included making the extraordinarily difficult decisions to shrink our labor force and close specific service lines. Between 2014 and 2018, Mission Health will have eliminated more than \$240 million in costs, including \$70 million in reductions in FY2017 alone. Adding BCBSNC's effective payment reductions to this already arduous task is simply not possible.
3. Importantly, our notice of intent to terminate our contracts should not be a barrier, but rather bring needed focus to our discussions. It creates a deadline for resolution; at present, there is no incentive for BCBSNC to agree to adjust our payment rates because failure to do so would result in a contract renewals with a perpetual zero percent increase. Providing notice of our intent to terminate is a routine course of business between an insurance company and a provider during negotiations. However, if we are unable to come to an agreement with BCBSNC by October 5, 2017, BCBSNC members will no longer have in-network access to Mission Health.

"The next few weeks may tell about BCBSNC's intentions during the negotiations. Mission Health has agreed in principle to most of BCBSNC's terms except for payment rates. We have embraced BCBSNC's performance-based measures that pay us for quality and improved outcomes. We are committed to pay-for-performance because it means improved quality and efficiencies for our patients," Ayscue said. "However, it is also true that these arrangements must be built on a foundation of fair payment rates from BCBSNC and a recognition that Mission already outperforms most health systems nationwide. No other health system has ever been named a Top 15 Health System as we have between 2012-2017."

Mission Health values its long-standing relationship with BCBSNC, and is committed to continuing good-faith negotiations to reach a new agreement. Mission Health will keep the community updated regularly on how the negotiations are progressing and how in-network access to Mission Health services may be impacted in the future.

ABOUT MISSION HEALTH

Mission Health, based in Asheville, North Carolina, is the state's sixth-largest health system. For the fifth time in the past six years, Mission Health has been named one of the nation's Top 15 Health Systems by Truven Health Analytics, an IBM Company and part of IBM Watson Health in 2017. We are the only health system in North Carolina to achieve this recognition. Mission Health operates six hospitals, numerous outpatient and surgery centers, post-acute care provider CarePartners, long-term acute care provider Asheville Specialty Hospital, and the region's only dedicated Level II trauma center. With approximately 12,000 team members and 2,000 volunteers, Mission Health is dedicated to improving

the health and wellness of the people of western North Carolina. For more information, please visit mission-health.org or [@MissionHealthNC](https://twitter.com/MissionHealthNC).