



Network Services

October 30, 2007

Joel Duhl
Executive Director
PCPIPA
P.O. Box 14245
Savannah, GA 31416

VIA: HAND DELIVERY

Re: Renegotiation of BCBSGa HMO and PPO Agreements

Dear Joel,

After a three month review of the Savannah Market Professional Fee Schedules, Blue Cross and Blue Shield of Georgia and Blue Cross Blue Shield Healthcare Plan (BCBSGa/BCBSHP) have finalized new professional market schedules to be implemented on February 1, 2008. Notices are being mailed this week in anticipation of the update.

During the review, we analyzed not only the providers and groups that are affiliated to market schedules, but those that are non-standard or specially negotiated. The PCPIPA Agreements fall into this category. As you know, the current PCPIPA Agreements were last negotiated in 2002. Since then, there have been many changes to BCBSGa's reimbursement philosophies. In addition, we now have items considered standard in the development of fee schedules. Some of which are as follows:

- Standard Drug Pricing Methodology
- Site of Service Differentials
- Statewide, standard HMO Physician In Office Lab List
- Case Rates for High Tech Imaging Services (MRI/CT/Dexa)

Upon completion of our review, we identified that the Savannah Market physician reimbursement was higher than that of any other regional market. In addition we have identified that there are areas within the current PCPIPA Agreements which need to be addressed. Therefore, it is our intent to renegotiate the Agreements. We have developed the attached HMO and PPO proposals for your review and consideration.


The Agreements include all BCBSGa/BCBSHP HMO and PPO product lines. The underlying HMO schedule has been revised to more adequately meet the needs of the providers. We have expanded the Over and Above Listing for HMO to include the new

Statewide Physician In office Lab List; however, the capitation tables remain consistent with the current capitation payments.

Joel, we believe that there is value in continuing our relationship with the IPA and we look forward to working with you to develop new arrangements that meet the needs of both of our organizations.

Our proposals are comprehensive; we reserve the right to modify the proposals in total based on individual changes requested by the PCPIPA. Our proposals will be valid until December 15th. We look forward to your response.

Sincerely,

A handwritten signature in black ink, appearing to read "Gene D. Rinehart". The signature is fluid and cursive, with the first name "Gene" being the most prominent.

Gene D. Rinehart
Director, Network Services