

Chet Burrell
President and Chief Executive Officer



CareFirst BlueCross BlueShield
1501 S. Clinton Street, 17th Floor
Baltimore, MD 21224-5744
Tel: 410-605-2558
Fax: 410-781-7606
chet.burrell@carefirst.com

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Nelson J. Sabatini, Chairman
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Dear Nelson,

I write as a follow up to the discussion that occurred at the HSCRC meeting last week regarding the CareFirst Common Model. I would like to thank you and the Commission for your willingness to consider our request for State support of the Common Model as a step toward Phase 2 of the Maryland All Payer Model.

While we found the discussion to be supportive, we also found it to be tentative and conditional as well as inclined towards limits and controls that could push the Model away from its core footing. The process that was outlined from here seems to us to lead to an extended time for review and negotiation with an uncertain outcome.

This creates for us a substantial doubt as to whether there is a sufficient basis to proceed with CareFirst's own funding as a bridge to a credible future funding source and role for the Model.

While it is clear that we and the State (HSCRC) share similar goals, we have very different views on how best to achieve them. We believe that one of the most powerful engines of productive change in the health care system must come from outside hospitals while the State apparently believes that change must come almost exclusively through them. This is evidenced by the enormous financial support provided to the hospitals by the HSCRC for transformation efforts (i.e., over \$500 million in cumulative infrastructure funding added in rates). In contrast, the Common Model – at its current size – would have required very little in funding – the equivalent of approximately 0.1 percent of rates.

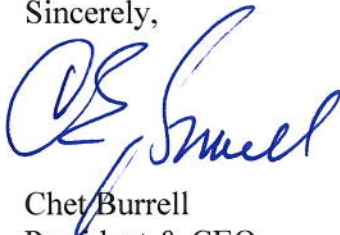
For these reasons, we have reluctantly come to the conclusion that it is best for us to surrender our hope of extending the Common Model to the Medicare program. This will free us to pursue, in an undistracted way, the imperatives we face in meeting the demands and needs of the private, commercial marketplace we serve through our PCMH Program and its various supports. It will free the State to pursue its interests as well. For our part, the challenges before us have been greatly magnified by the results of the presidential election which will, once again, bring tectonic changes to the landscape we must traverse from here.

Accordingly, we have this week begun an orderly termination of the Common Model for the Medicare population by year end. We have also begun work with CMS to effectuate the destruction of or return of the extensive data feeds we have developed to accept, store and use CMS data for Medicare beneficiaries in the Common Model.

Again, I wish to thank you for bringing this issue up for consideration at last week's meeting. It enabled us to see more clearly the path ahead as Phase 2 approaches. Our search for funding culminates over a year's effort on our part to gain actionable support from the State and CMS for the Common Model. We believe we now know enough to take the action we outline above.

We wish you and the Commission well in your efforts to meet the tests you face for Medicare, Medicaid and Dual Eligibles as we turn our full attention to meeting the very considerable challenges we face in the private, commercial market that is about to undergo another precipitous and wrenching set of large scale changes.

Sincerely,



Chet Burrell
President & CEO

Cc: Patrick Conway, M.D., CMS, Deputy Administrator for Innovation & Quality
and CMS Chief Medical Officer
Stephen Cha, M.D., CMS, Director
Van Mitchell, State of Maryland, Secretary of Health & Mental Hygiene
Howard Haft, M.D., State of Maryland, Deputy Secretary for Public Health Services
Donna Kinzer, HSCRC Executive Director
Joseph Antos, HSCRC Commissioner
Victoria Bayless, HSCRC Commissioner
George Bone, HSCRC Commissioner
John Colmers, HSCRC Commissioner
Jack Keane, HSCRC Commissioner
Herbert Wong, HSCRC Commissioner