

## CONTRACT NOTIFICATION

### **PACIFICARE & SECURE HORIZONS** **Medicare & Commercial Contracts Term July 30, 2003** **PPO Contract Terms August 31st**

Over the past few months, it has become clear that the high rate of unemployment in Silicon Valley has had a major impact on the distribution of SCCIPA HMO enrollees. As younger, healthier members leave the area to find jobs, the overall health profile of SCCIPA members has become higher-risk and now requires more healthcare services and dollars.

As the only full-service provider network remaining after the Lifeguard dissolution and San Jose Medical Group bankruptcy, by default, SCCIPA bears a significant share of the adverse medical risk. We have been working with the health plans to provide SCCIPA with increased payments to reflect the change in the healthcare needs of our members. We strongly believe that we cannot afford to do business with plans where revenues do not cover the healthcare expenses of their members.

After several months of negotiations, we have reached favorable agreements with Health Net commercial/ Seniority Plus, CIGNA, Blue Shield and Aetna. We are in the final stages of talks with Blue Cross. These new contracts assure the long term viability of our medical group. Only PacifiCare/Secure Horizons has not acknowledged the changes in our membership and revenue requirements.

- July 30th is the termination date of the SCCIPA contract with Secure Horizons for Medicare members.
- July 30th is the termination date of the SCCIPA contract with PacifiCare for commercial HMO members.
- August 31st is the termination date of the SCCIPA PPO contract with PacifiCare.

To remain under your care, current PacifiCare and Secure Horizons members will need to select another health plan-- either Health Net commercial, Health Net Seniority Plus, CIGNA, Blue Shield, Aetna, Blue Cross CaliforniaCare or One Health Plan.

In cases like these, employers often respond to the needs of their employees with special mid-year Open Enrollments. The enclosed letters have been sent to all Secure Horizons and PacifiCare members. We ask you to help us inform your patients of all their healthcare options. We will do everything possible to keep you informed as we move forward.

#### **Direct Provider Contracts**

We believe that PacifiCare will try to contract directly with individual physicians to supplement their remaining local network.

Please consider your direct contracting decision carefully. If an 800-physician medical group with 17,500 health plan members cannot effectively contract with PacifiCare, how fairly would you be treated as an individual contractor?

You may find it useful to review the enclosed list of articles about PacifiCare from a recent web search.

Physicians who would like to ensure they are removed from any existing individual PacifiCare PPO contracts should send a letter to:

PacifiCare  
2300 Clayton Road #1000  
Concord, CA 94520

ATT: Michael Schlueter, Network Management

Physicians with questions should call Larry Bonham, MD at 1-650-358-5808.

**PLEASE SHARE THIS FAX WITH YOUR OFFICE MANAGER & STAFF**

Published by Santa Clara County IPA (800) 993-1993. M. Lawrence Bonham, MD, President & CEO; Randall Frakes, Exec. VP & COO.  
SCCIPA Board of Directors: Dayton Misfeldt, MD, Vice President; Mark Golod, MD, Secretary; Ellis Wecker, MD, Treasurer;  
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## Excerpts from Articles about PacifiCare

PacifiCare Press Release 4/30/03

### **PacifiCare Health Systems Announces 1st Quarter 2003 EPS of \$1.91**

First quarter year-over-year comparisons include:

- **72% increase in operating income**
- **169% increase in free cash flow**

PacifiCare Health Systems, Inc. (Nasdaq: [PHSY](#) - [News](#)), today announced that net income for the first quarter ended March 31, 2003 was \$70.8 million, or \$1.91 per diluted share. This compares with a loss of \$24.86 per share in the first quarter of 2002, which included a \$25.96 per share non-cash goodwill impairment charge representing the cumulative effect of a change in accounting principle related to the adoption of Financial Accounting Standard (FAS) 142, and a \$0.23 per share credit related to a settlement with the U.S. Office of Personnel Management. Excluding the effect of the one-time charge and credit, earnings for the first quarter last year were \$0.87 per diluted share. **The year-over-year increase in earnings was primarily due to commercial premium rate increases of 18%, stabilized health care cost trends and a favorable change in estimates of \$0.67 per share for prior period health care costs. The company's first quarter earnings excluding the change in prior period estimates was \$1.24.**

BusinessWeek Online 12/6/02

### **PacifiCare's Iffy Prognosis**

The giant HMO is a turnaround in progress...PacifiCare's third quarter net soared 157% to \$43.8 million, despite a 6% drop in revenues, to \$2.8 billion. The stock has jumped 20% to around \$29, since the Oct. 30 earnings announcement.

Office of the Attorney General, State of Texas 2/11/02

### **Attorney General sues Texas HMO**

Cornyn: "Physicians and providers have been left with many millions of dollars of unpaid claims; care for PacifiCare's members has been disrupted; many complaints have gone unaddressed..."

Sacramento Business Journal 2/23/01

### **State Swats slow-paying PacifiCare**

The state Department of Managed Care has slapped PacifiCare of California, which has more than 106,000 members in Greater Sacramento, with a cease-and-desist order for paying claims too slowly. It's believed to be the first enforcement action of its kind by state regulators against a health maintenance organization. ...PacifiCare didn't pay on time claims filed from January through November 2000—and it didn't pay interest on late claims, department records show.

Managed Care Week 5/22/00

### **PacifiCare of Texas, Inc. has fallen behind in payments to providers**

PacifiCare of Texas, Inc. has fallen behind in payments to providers under its new subsidiary Harris Methodist...(their) lawsuit charges that PacifiCare, under pressure to turn the plan around quickly to appease analysts and stockholders, developed a four-step plan to withhold physician payments.

PACIFIC PARTNERS MANAGEMENT SERVICES, INC.

June 3, 2003

## **An Important Message to SECURE HORIZONS Members From Your Physicians**

Dear Patient:

We are writing to you on behalf of your physicians who participate in Santa Clara County IPA. The purpose of this letter is to keep you advised about issues affecting your physician-patient relationship and your healthcare options.

**We are sorry to inform you that effective July 30, 2003, SCCIPA will no longer be contracting with your health plan, Secure Horizons®.** As a result of this change, in the near future, your SCCIPA Primary Care Physician (PCP) and Specialists will no longer provide medical services for Secure Horizons members.

We want you to know that there are several health plan choices available to you—

- Option 1:** You can select Health Net Seniority Plus® and keep your SCCIPA physicians. Seniority Plus is the only Medicare+Choice plan that will allow you to keep your current treatment options, your current PCP, and your current full Specialist panel.
- Option 2:** You can remain with Secure Horizons, using an assigned physician or selecting a physician from their remaining roster; OR
- Option 3:** You can select another Medicare+Choice health plan in the area.

For more information about your healthcare coverage options, these numbers may be of use—

Health Net Seniority Plus	1-800-577-8201
SCCIPA	1-800-977-7332
Secure Horizons	1-800-228-2144

**If you would like to keep your current SCCIPA physicians, select Health Net Seniority Plus.** SCCIPA will make every effort to facilitate your continuing care. We are providing you with these healthcare options because we are committed to provide excellent healthcare in private practice settings. We are proud to serve as your physicians.

Sincerely,

Your Santa Clara County IPA Physicians

PACIFIC PARTNERS MANAGEMENT SERVICES, INC.

June 3, 2003

## **An Important Message to PACIFICARE Members From Your Physicians**

We are writing to you on behalf of your physicians who participate in Santa Clara County IPA. The purpose of this letter is to keep you advised of issues affecting your physician-patient relationship and your healthcare options.

**We are sorry to inform you that effective July 30, 2003, SCCIPA will no longer contract with your health plan, PacifiCare®.** As a result of this change, in the near future, your SCCIPA Primary Care Physician (PCP) and Specialists will no longer provide medical services for PacifiCare members.

**Your SCCIPA physicians will continue to work with the following HMO plans—**

- Health Net
- CIGNA
- Blue Shield of California
- Aetna
- Blue Cross CaliforniaCare
- One Health Plan

We want you to know that there are health plan choices available to you, including the following:

- Option 1:** You can select another health plan offered to you by your employer.  
The six plans listed above are the only HMO plans that allow you to keep your SCCIPA physicians; **OR**
- Option 2:** You can remain with PacifiCare, using an assigned physician or selecting a physician from their remaining roster.

**Ask your Benefits Department about your current healthcare options. You may be able to switch to one of the six SCCIPA-contracting plans listed above through a special Open Enrollment.** With SCCIPA and any one of these plans, you can maintain your current treatment options, your current PCP, and your current full Specialist panel. SCCIPA will make every effort to facilitate your continuing care.

We are providing you with these healthcare options because we are committed to provide excellent healthcare in private practice settings. We are proud to serve as your physicians.

Sincerely,

Your Santa Clara County IPA Physicians