

Email on failing UC Care medical plan, from former UCOP budget director Michael Rancer to UCOP's Vice President of Human Resources Dwaine Duckett

From: Michael RANCER

Date: Wed, Jan 7, 2015

Subject: Failure of the UC Care health insurance plan

To: dwaine.duckett@ucop.edu

Cc: president@ucop.edu, nathan.brostrom@ucop.edu

Dear Dwaine -

Even though I retired 4 years ago, I trust you will remember our work together when I was UCOP Budget Director. Happily, the only budget I have to deal with now is my own. However, that received a tremendous shock today in the form of a letter from Blue Shield concerning a major change to the UC Care health insurance plan just 7 days into the new plan year. As you are the UC executive responsible for benefit plans, I am writing to register my thoughts on the Blue Shield change - a change which I am sure you are well aware of.

In the letter I received today, Blue Shield advises us that they have terminated their contract with **ALL** Sutter Health providers as of December 31 due to inability to negotiate contract terms. I don't know where you live, Dwaine, but here in the Oakland-Berkeley area, I would not be surprised if the vast majority of physicians are with Sutter Health. For my wife and me, 100% of our doctors are with Sutter Health, nearly all of them UC Care Select, and a few Blue Shield Preferred. Consequently, the choice we face is either to change every one of our physicians (assuming we can even find replacements in the Berkeley-Oakland area from what will now be a very short list of available providers) or face 50% copays for all our medical services. In some ways, perhaps, the hospital situation is even worse, as the two local hospitals we would use, Alta Bates and Summit, are Sutter Health facilities and therefore will also be subject to 50% copays.

I should add that I've already spoken to Blue Shield and they note that they are still negotiating with Sutter and that they will continue to cover Sutter providers through June 30 in the meantime. In other words, maybe we won't lose those providers if they can still reach agreement. But that's not really an adequate response to the situation, because in the meantime we are still at risk of losing all our providers if negotiations continue at impasse. And that, in turn, raises another problem, that of timing. Should we try to switch to new doctors now, only to learn on June 30 that Blue Shield and Sutter have come to terms? Or should we wait until the last minute, June 30, just in case the parties agree to a new contract, and then have to scramble at the last minute if they don't?

To be blunt, Dwaine, this is a huge failure on the part of you and your staff with regard to the UC Care plan and it's hard not to hold you personally responsible for this failure. I refer not to the contract issue between Blue Shield and Sutter, but in the design of the UC Care plan which was forced on us when you dropped Anthem Blue Cross, allegedly for cost reasons. Anthem was a far superior plan with far better coverage, less paperwork and less hassle even before Blue Shield's contract termination with Sutter. And so far as cost containment is concerned, I was stunned when I received my January pension summary and saw a **17% increase in health insurance premiums**, which eats up nearly two years of pension COLAs. Everything I read in the press suggests that overall, health insurance inflation has been well down into the single digits for the past couple years, so what's going on with Blue Shield?

To summarize to this point, we are 7 days into a new plan year, my insurance premiums are up by 17%, my copays are about to more than double if I keep the same doctors that I chose because they were contracted to UC Care, and my choice of doctors and hospitals is diminishing rapidly. With regard to the last point, by the way, let me add that suggesting East Bay residents use UCSF providers is largely a non-starter. With the quality of medical care available in the East Bay, it should not be necessary to traipse into San Francisco, fighting problems of traffic, parking and travel time, every time we need medical service. For us it's easily an hour each way to UCSF, as compared to 10 minutes to the providers around Alta Bates. People who are sick or otherwise not able to travel easily should not be condemned to lengthy trips on a regular basis. My wife, for example, is recovering from shoulder surgery, needs physical therapy twice a week, and cannot drive. UCSF is not the solution to her needs.

To this I would add that it points to a fundamental fallacy of the UC Care program, built as it is around UC medical centers. The concept is great - if you live near a UC medical center. But, as you probably know, Berkeley does not have one.

So what are you going to about this failure, Dwaine? And since that's not a rhetorical question, I will offer some suggestions.

First, UC needs to **require** Blue Shield to maintain its UC Care coverage with Sutter Health providers through the end of the calendar year, not just through June 30. When we stayed with UC Care during the November open enrollment, it was with the expectation that we would continue to have access to the same doctors with the same coverage as we enjoyed during 2014. Again, to be blunt, to be told in November that we would have access to the same level of plan coverage and then be told at the beginning of January that we would be losing all of our doctors and/or paying more than twice as much out-of-pocket is a situation that borders on fraud. And I do not use that term lightly. Whether the fraud was on the on part of UC, Blue Shield or both in collusion is irrelevant. The point is, we were promised a particular level of coverage for all of 2015, not just for whatever part of the year Blue Shield deems convenient.

Second, if Blue Shield refuses to extend coverage for the calendar year, UC should require Blue Shield to reduce premiums by something like 50%, to reflect the fact that going from a 20% (or \$20) copay to 50% represents a more than doubling of our out-of-pocket costs.

Third, if Blue Shield refuses to take either of the above actions, UC should reimburse employees and retirees who have UC Care for 50% of the premiums they are paying for this lousy excuse for health insurance in the era of the Affordable Care Act.

And finally, if you can't see your way to doing that, you should then offer those of us with UC Care a special open enrollment window allowing us to change to another plan that UC offers, because, with the loss of Sutter, we have the most expensive plan with the worst coverage. To force UC employees and retirees into that situation is a colossal failure on your part and makes you a direct party to the fraud that is being perpetrated on us.

No matter which course of action you take, you need to show leadership, energy and initiative. It is not acceptable for you to just sit to the side and let Blue Shield cheat UC people out of adequate health insurance coverage.

I look forward to your reply, but, even more so, I look forward to your action to correct this huge blunder.

Sincerely,

Michael Rancer