Suburban Hospital ALLIANCE OF NEW YORK STATE, LLC

Representing the advocacy interests of hospitals and health systems on Long Island and the Hudson Valley

December 4, 2015

Mr. Paul Francis
Deputy Secretary for Health and Human Services
Executive Chamber
New York State Capitol Building
Albany, NY 12224

Dear Mr. Francis:

On behalf of the 51 hospitals in the Hudson Valley and on Long Island, I write to express our members' grave concerns about the financial burden and disruption resulting from the state's abrupt decision to shut down the Health Republic insurance plan. While we understand that the state's most urgent priority was ensuring continuing coverage for Health Republic's members, there has been no direct communication from the state to providers about how to manage this transition or how the state intends to address unpaid claims.

We support the steps taken by the Department of Financial Services and the Department of Health to ensure that consumers who paid their premiums to Health Republic in good faith could access care in the Health Republic network through November 30 and beyond, for patients in the midst of ongoing treatment. Hospitals are acting in the best interests of their patients -- often above and beyond their contractual and statutory obligations – to ensure continuity of care.

However, consumers are not the only parties injured by the plan's collapse. The foundation of any negotiation between provider and health plan is that the State of New York has authorized the plan to do business in the state because it has determined the plan to have sufficient capital to meet its obligations. Health care providers contracted in good faith to provide services to Health Republic's members, based on the assumption that the plan's financial stability had been appropriately vetted. While there may be multiple contributing factors to Health Republic's collapse, it now is clear that this essential premise was faulty. Like consumers, providers are in need of more than whatever modest relief that may come from the Centers for Medicare and Medicaid Services (CMS). The State must develop a plan that addresses the amounts owed to providers.

Suburban hospitals and health systems are disproportionately impacted by the shutdown, as more than 68 percent of Health Republic's members reside in the nine counties north and east of New York City. We believe that the value of our members' outstanding claims is approaching $100 million, a number that will continue to grow until all former Health Republic members have completed their courses of treatment and have been transitioned into new plans and provider networks. That number does not include the significant impact on physicians and community practices. It also does not account for the additional lost revenue to providers if consumers opt for plans that offer lower reimbursement rates than Health Republic or forego care altogether.

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This further burdens an already distressed system. As you are well aware, even the most stable institutions have modest operating margins that may be erased by the Health Republic collapse. The failure to recover on outstanding claims will have significant consequences for those hospitals with more fragile finances.

Now that the State has completed its transition plan for Health Republic consumers, we urge you to address providers' questions and concerns directly. Specifically, we are seeking:

- Accurate information about Health Republic's financial condition, whether it has assets to pay any of its outstanding obligations, and how payment of claims will be prioritized;
- An understanding of the reported "restructuring" process being led by Alvarez & Marsal;
- Guidance on how to handle transitions to new plans for patients in ongoing treatment in the month of December; and
- Necessary reforms to prevent against future health plan collapses -- particularly among new entrants to the marketplace -- or at least mitigate the damage caused.

We understand that there have been discussions with the insurance industry about the establishment of a guarantee fund or other mechanisms to compensate providers in the event of a plan failure. However, regardless of the mechanism agreed upon, compensation for providers must be retrospective to the time Health Republic stopped paying claims and must include bills that continued to accrue after November 30.

Relief cannot come soon enough for the hospitals, health systems and other providers whose own financial stability is threatened by Health Republic's failure. Having already addressed consumers' concerns, we urge the State to act swiftly to protect health care providers. We welcome the opportunity to discuss this with you further and to work with you over the coming months.

Best regards,

Kevin W. Dahill
President and Chief Executive Officer