



George Kyriacou, President and CEO

Hanover Hospital and Capital BlueCross Update

Hanover Hospital is committed to serving the Greater Hanover Area as the provider of choice. To uphold this commitment and ensure the hospital's financial health, Hanover Hospital has developed several strategic initiatives including assessing and renegotiating its insurance company managed care contracts to ensure appropriate reimbursement. Over the past year, Hanover Hospital has evaluated and successfully renegotiated contracts with Aetna, Highmark and Health America in order to secure fair and consistent reimbursement from all insurance companies for the services it provides.

Unfortunately, Hanover Hospital has not been able to reach the same agreement with Capital BlueCross for fair and consistent reimbursement.

Hanover Hospital expressed to Capital BlueCross the following concerns regarding its current contract:

- Capital BlueCross pays the hospital an average of 35% less for the same services than all of the other major insurance companies including Aetna, Highmark, Health America and United.
- Each of those other companies is able to sell their health insurance products in this market, pay Hanover Hospital a fair rate and make a fair profit. Capital BlueCross could do as the others have done, but has chosen not to.
- Even by paying Hanover Hospital at the same level as the other major insurance companies, Capital BlueCross would still have a savings because Hanover Hospital's charges are lower than its competitors in York and Gettysburg for the very same services, and Capital BlueCross pays those hospitals significantly more than it pays Hanover Hospital.

Hanover Hospital has proposed both 2-year and 3-year plans that would bring Capital BlueCross to parity in its reimbursement. Hanover Hospital also extended an opportunity to Capital BlueCross to have a third party audit each of the organization's financials to objectively review the accuracy of our proposed reimbursement rates versus the rates that Capital BlueCross actually pays our direct competitors for the same services. Capital BlueCross has refused this independent audit.

Capital BlueCross has publicly stated that they do not accept Hanover Hospital's position that there should be parity among all payors. We disagree! In a community hospital environment, receiving appropriate and fair reimbursement is key to survival and being able to reinvest in our mission of serving the community.

At this time, because Capital BlueCross is unwilling to reimburse Hanover Hospital - even over a 3-year phased improvement timeline - at a rate equivalent to all other major insurance companies, Hanover Hospital's Board of Directors has decided to terminate its contract with Capital BlueCross effective July 1, 2012.

Hanover Hospital recognizes the impact this decision will have on the community and is preparing to provide assistance to both businesses and individuals, if they choose, to convert their Capital BlueCross contracts and policies to another provider. Hanover Hospital wants to offer its community enough time over the next two years to make these transitions so that there will be no disruption of coverage for the people it serves.

Hanover Hospital will continue to accept Capital BlueCross until June 30, 2012. After the end of our current contract, Hanover Hospital will not contract with Capital BlueCross for at least one year, beginning July 1, 2012 through June 30, 2013.

Hanover Hospital accepts the following health plans:

Administrators & Consultants, Health Care Communicators

Advantra (Health America Medicare)

Aetna

AmeriHealth Mercy Health Plan (Medical Assistance Managed Care)

Blue Cross/Blue Shield of Maryland/CareFirst

Capital BlueCross

Capital BlueCross PPO

Capital BlueCross Senior Blue

Capital BlueCross Senior Blue PPO

CIGNA HealthCare

Clear-Care Corporation

Countrywide Care of Health America

Coventry Healthcare (Health America)

Devon Health Partners

Educators Health Partners

Evercare (United Healthcare)

First Health Direct (Health America)

Gateway Health Plan (Medical Assistance Managed Care)

Geisinger Health Plan

Geisinger Health Plan Gold Choice

Great West Healthcare

Health Alliance

Health America

Health Assurance CCPPO (Health America)

Health Assurance PPO (Health America)

Health Pass of Health America

Highmark Blue Shield

Highmark Freedom Blue

Humana Choice PPO

Intergroup/Beech Street

Keystone Health Plan Central

MAMSI Life and Health

OneNet PPO, LLC (formerly Alliance – PPO of MAMSI)

Optimum Choice of MAMSI

Private Health Care Systems (PHCS)

SOUTH CENTRAL Preferred

Today's Option PPO (American Progressive)

Unison Health Plans

Unison aB (PA adultBasic Program)

Unison Kids (PA CHIP Program)

Unison Med PLUS (PA Medical Assistance Managed Care)

Unison Advantage (Medicare Advantage)

United Healthcare

United Healthcare Medicare Complete

USA Healthnet

