

January 2010

Dr. David Hannan
President
Medical Society State of New York
865 Merrick Avenue, PO Box 9007
Westbury, NY 11590

Dear Dr. Hannan:

As you and I have discussed, January 2010 marks the official end of the settlement agreement period between Excellus BlueCross BlueShield and the Medical Society of the State of New York. I am appreciative of the spirit of collaboration that has grown between our organizations during the settlement period and am very proud of the work that has been accomplished. Both Excellus BlueCross BlueShield, our physician partners, and the communities we serve have benefited from the programs and processes put in place during the settlement period. The agreement focused on process standardization, increased transparency and operational improvements, some of which are noted below.

Process Standardization

- Consistent claims submission periods
- 90 day written notice of material adverse changes
- Consistent overpayment recovery periods
- Consistent clinical editing

Increased Transparency

- Fee schedules on a confidential provider web site
- Access to clinical editing rationale on the web site
- Preauthorization standardization with requirements posted on the web site

Operational Improvements

- Electronic Funds Transfer (EFT) functionality for physicians
- Prompt pay parameters for complete claims of 15 days for electronic and 30 days for paper claims

These improvements have become integrated with our business processes, and as such, we intend to continue all settlement provisions, except as noted below, beyond the official end of the settlement period, although not contractually obligated to do so. We anticipate physicians will notice very few changes relative to the settlement commitments.

We do plan to eliminate the MSSNY interest on claims that are not processed within the 15/30 timeframes. Excellus BlueCross BlueShield will endeavor to continue to use 15/30 as our operational standard and pay interest on the small volume of claims that do not meet the New York State prompt payment standards. We found that in most cases the MSSNY interest checks were very small (less than \$1.00) and were perceived as a hassle by some of our physicians.

We have agreed that the Physician Advisory Committee established by the settlement does not need to continue in its current form. We will work with you to establish ad hoc committees of appropriate physicians, should specific needs arise. Additionally, we have committed to transferring the remaining funds allocated for community initiatives directly to MSSNY, though we will continue to make joint decisions regarding use of those funds.

Excellus BlueCross BlueShield looks forward to continued teamwork with MSSNY and our physician partners.

Sincerely,

A handwritten signature in blue ink, appearing to read "Martin Lustick, MD". The signature is fluid and cursive, with the letters "M", "L", and "D" being particularly prominent.

Martin Lustick MD
Senior Vice President Corporate Medical Director

Cc:

William R. Abrams MSSNY Executive VP / Executive Director

Christopher Booth, Esq. Executive VP

Donald Moy, Esq. MSSNY General Counsel / Sr. VP

Philip Schuh, CPA MSSNY COO/CFO

Stephen Sloan, Esq. Excellus General Counsel, Sr. VP and Chief Administrative Officer