



# HEALTH ACCESS

## CALIFORNIA

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November 6, 2015

Shelley Rouillard  
Director, Department of Managed Healthcare  
980 Ninth Street, Suite 900  
Sacramento, CA 95814-2725

### RE: Blue Shield Acquisition of Care1st

Dear Ms. Rouillard:

On behalf of Health Access California, the statewide health care consumer advocacy coalition, I write to respectfully request that the Department of Managed Health Care (DMHC) clarify an issue that has arisen relating to Blue Shield's acquisition of Care1st.

On October 8, 2015, the DMHC publicly announced the approval of the acquisition. As a condition of approval, the DMHC negotiated undertakings to ensure that the deal was in the public interest. The DMHC press release announcing the approval heralded \$200 million in commitments by Blue Shield to increase transparency and accessibility in health care—which included \$140 million to the Blue Shield Foundation, \$14 million per year for ten years.

During a telephone briefing with consumer advocates on the day the approval was announced, my first question to you was to clarify if the \$14 million commitment supplements what Blue Shield currently contributes to its Foundation, or if it is intended to simply set a floor for those contributions. You clearly responded that the \$14 million commitment was in addition to the amount Blue Shield already contributes to the Foundation, which varies from year to year based on a pre-existing formula.

I have recently heard from partners, and now directly from Blue Shield executives themselves, that Blue Shield is now asserting that the undertaking only requires the insurer to contribute a minimum of \$14 million per year to the Foundation—which is significantly less than what they normally have contributed. In recent years, Blue Shield has provided \$30 to \$40 million per year to its Foundation, which has in turn funded efforts to increase access to health care and support survivors of domestic violence.

We find it stunning and disheartening that Blue Shield is backtracking on one of the key conditions of the acquisition, just weeks after the deal was approved by the DMHC. Blue Shield's interpretation would mean that the company is being required to invest less than half of what it currently does, an absurd result that we

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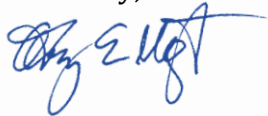
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do not believe the DMHC intended when it approved the \$1.2B acquisition. Blue Shield's bad faith on this issue raises concerns about their intended compliance on the other conditions and undertakings.

On behalf of California's health care consumers, we respectfully request that the DMHC resolve this issue by writing to Blue Shield to clarify the commitment required by the undertaking. We hope a pro-active declaration by the DMHC will ensure that the letter and spirit of the undertaking is met without corrective actions being necessary, that these commitments are upheld, and that California consumers benefit as a result.

Thank you for your prompt consideration. Please contact me with any questions.

Sincerely,



Anthony Wright  
Executive Director

Cc: The Honorable Senator Ed Hernandez, Chair, Senate Health Committee  
The Honorable Assemblyman Rob Bonta, Chair, Assembly Health Committee  
Secretary Diana Dooley, California Health and Human Services Agency  
Gabriel Ravel, General Counsel, Department of Managed Health Care