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MEIT

Attn: Gerald Patterson  
420 Fort Duquesne Blvd Suite 1475  
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June 1, 2011

As a fellow business leader, I know that your concern for your employees' well-being and health care is top of mind. I am writing to you today to let you know that there will not be new contracts for commercial insurance services between Highmark and many UPMC hospitals effective July 1, 2012. Recent media coverage of the commercial contract expirations coming in 2012 has led to a number of questions. With Highmark having announced its intention to compete with UPMC as a provider, there cannot be any prospect of contract renewals between UPMC and Highmark. Indeed, the time for negotiations and new agreements has passed, and the focus must be on sustaining uninterrupted patient access to UPMC doctors and facilities.

UPMC believes it's critical that western Pennsylvania employers and health insurance subscribers begin preparing now to ensure they're able to receive the best-in-class health care available at UPMC hospitals. UPMC shares with you the responsibility to ensure that the highest-quality care is widely accessible and affordable for the largest number of people.

Clearly, we all should welcome more choice and competition in the health insurance market, as well as among providers — it will create significant benefits for employers, insurance subscribers, and the health care system overall. By virtue of a newly competitive health insurance market, rate increases to employers and health insurance subscribers will soon begin to decline. You already may have seen this, and no doubt will see it as we approach the open enrollment period this fall.

When UPMC's commercial contracts with Highmark expire on June 30, 2012, the availability of the UPMC Health Plan, Aetna, Cigna, and United Healthcare in western Pennsylvania will ensure that the residents of this region will continue to have access to UPMC's doctors and hospitals at affordable rates. UPMC is focused on serving the patient while successfully competing in this new and dynamic marketplace.

There will be much more information available in the coming months, and I will continue to keep you informed. Given what we know now, we've attached some important information you can share with your colleagues. Also, if you have questions or comments, please don't hesitate to write me at [GregPeaslee@upmc.edu](mailto:GregPeaslee@upmc.edu).

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Peaslee".

Gregory K. Peaslee  
Senior Vice President and Chief Human Resources Officer

With Highmark having announced its intention to compete with UPMC as a provider, there cannot be any prospect of a contract renewal between UPMC and Highmark. Because this situation is complicated, here are some clarifying points as to what will happen when the various commercial insurance contracts between UPMC and Highmark expire on June 30, 2012:

1. As of that date, most UPMC hospitals, including UPMC Presbyterian, UPMC Shadyside, Magee-Womens Hospital of UPMC, UPMC St. Margaret, UPMC Passavant, UPMC McKeesport, UPMC Bedford Memorial, UPMC Horizon, and UPMC Northwest will no longer be participating providers in Highmark's commercial networks.
2. As of that date, Highmark Commercial Members may be required to obtain Highmark's approval to use nonparticipating UPMC hospitals, in addition to obtaining required authorizations of medical necessity from Highmark for certain designated services.
3. For UPMC hospitals' services approved in advance by Highmark, UPMC hospitals will accept Highmark reimbursement and any applicable copayments as payment in full for such services until June 30, 2013, provided this payment is made directly to the UPMC hospital.
4. The Highmark contracts governing the services of UPMC physicians, as distinguished from UPMC hospitals, are generally terminable on 60 days' notice. If those contracts are terminated effective June 30, 2012, in whole or in part, the availability of UPMC physicians to Highmark's Members at current contract rates would be limited or precluded after that date.
5. The issues related to the commercial insurance contracts between UPMC and Highmark do not affect Medicare (Security Blue) or Medicaid (Gateway) patients.
6. As Highmark Commercial Members approach June 30, 2012, they will need to consider and clarify their personal financial responsibility for care at UPMC facilities and by UPMC caregivers.
7. UPMC will use the next 13 months prior to the expiration or termination of the various contracts to plan an orderly transition of care for anyone who will be a Highmark Commercial Member after June 30, 2012.
8. UPMC recognizes the importance to the community of planning and cooperation through this transition period. As more information and details about the transition become available, we will advise all the affected constituencies.