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NOTICE TO BE GIVEN PRIOR TO RENEGOTIATION OF PROVIDER AGREEMENTS

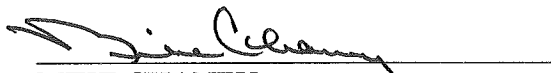
For many years, the concept of managed care has been an integral part of Mississippi's health care system, and a major component of this system has been the contractual relationships between insurers and providers, particularly between insurers and hospitals.

By entering into these contracts, costs and reimbursement rates can be anticipated and planned for, creating predictability and a degree of stability for all concerned – the insurer, the provider, and the consumer.

It has come to our attention that some insurers are waiting until a contract period has almost concluded, sometimes with as little as a week remaining, to give notice to affected providers that changes in reimbursement rates, or other material financial changes, will be required before the contract can be renewed. This short time frame does not give providers wishing to renew their contracts adequate time to study the ramifications of the proposed changes, to articulate their positions relative to the proposed changes, or to negotiate rates, or other matters, that satisfy both parties. A provider is often left with the choice of: 1) accepting the terms dictated by the insurer in order to have an in-force contract; 2) continuing to negotiate past the contract renewal date, while accepting the reimbursement rates set under the old contract; 3) or continuing to negotiate with no contract in place, thereby taking that provider out of "preferred" or "in-network" status until a new contract can be executed. All of these choices can have a serious negative impact, particularly on providers and consumers.

Therefore, I believe that it is in the best interests of the public and the State of Mississippi, that insurers proposing to make changes to existing provider contracts in the subsequent contract period, give notice to such providers of the intent to make changes at least 60 days prior to the expiration of the existing contract, in order to allow both parties adequate time to evaluate such proposed changes and to negotiate terms satisfactory to both. Notice of actual proposed changes shall be provided as soon thereafter as possible.

Any questions regarding this Bulletin should be directed to the Legal Division of the Department at (601) 359-3577.


MIKE CHANEY
COMMISSIONER OF INSURANCE