



California Public Employees' Retirement System

Executive Office

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Mr. Mike Wiltermood, Chief Executive Officer
Enloe Medical Center
1531 Esplanade
Chico, CA 95926

VIA E-MAIL

October 31, 2018

Re: Anthem Negotiations

Dear Mr. Wiltermood,

As CalPERS' CEO, I am writing to you regarding your current contract negotiations with Anthem Blue Cross of California ("Anthem"). CalPERS has built retirement and health security for state, school, and public agency members who invest their lifework in public service. CalPERS serves more than 1.4 million members and their families, making it the largest public employer purchaser of health benefits in California and the second largest employer purchaser in the nation after the federal government.

Of the 1.4 million members we cover, Anthem Blue Cross administers or provides PPO, HMO, Medicare Supplement, and Medicare Advantage plans to over 400,000 of these members. Health care provider contract rate increases have a dramatic impact on our members and employers as they are directly charged for these rate increases in the premiums they pay. We encourage you to not only negotiate in good faith but to also present a position that is competitive and serves California.

We understand you issued a notice of termination of your contract with Anthem effective November 1, 2018. CalPERS' members enrolled in Anthem's plans represent the largest patient group spend at your facility. Currently, CalPERS pays Enloe Medical Center more than \$7,250,000 per year to provide services to these members, and we have committed to them that we will manage costs, so any rate increase in your Anthem contract will be absorbed by them.

In meeting with Anthem, we have been told you are proposing a double-digit rate increase, which far exceeds current medical inflation. This trend, and the impact of it over future years of the agreement, is unacceptable to CalPERS and the members we serve. We have placed our health plan carriers and third-party administrators on notice that CalPERS cannot continue to afford

provider increases of more than 3% annually. We have placed a financial risk on them for not meeting this standard.

On behalf of CalPERS, our members, and the State of California, we implore you to seek reasonable provider rates in your Anthem contract. We hope resolution is favorable for both parties, but as CalPERS is responsible to our membership and employers, we will need to consider all alternatives in managing their health care costs.

Sincerely,

Marcie Frost
Chief Executive Officer

Cc: Mr. Mike Machula, CFO
Enloe Medical Center