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By Electronic Mail

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SUBJECT: University of California Medical Centers and Physicians Payment Experience with United/PacifiCare

Gentlepersons:

Thank you very much for taking the time to meet and discuss various payment issues between the University of California (UC) clinical enterprise and United Healthcare contracting on behalf of itself, PacifiCare of California, and other entities that are United's affiliates ("United"). The purpose of this letter is to summarize UC's issues of concern and to advise that your respective offices will be receiving additional data from the UC clinical enterprise over the next few days, which helps illustrate the issues. The data does merit some discussion, which we are available to provide at your convenience.

The UC clinical enterprise is the fifth largest healthcare delivery system in California and the leading provider of certain specialty services and medical procedures. The clinical enterprise includes UC Davis Medical Center; UC Irvine Medical Center; UCLA/Westwood Medical Center; UCLA/Santa Monica Medical Center; UC San Diego Medical Center; UCSF Medical Center and the five thousand two hundred (5,200) UC physician faculty. Annually, the UC clinical enterprise includes patient care services valued at nearly $4.7 billion. In alignment with their patient care work, the UC clinical enterprise also plays a critical role in a number of broad public-policy goals, including the education of health professionals and the advancement of medical science through

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cutting-edge research. Specifically, the UC clinical enterprise offers services that are essential to the health and well being of all Californians including a broad-array of highly specialized services, such as cancer centers, geriatric and orthopedic centers of excellence, organ transplant programs, and world class primary and preventive care.

Critical to the ongoing operation of the UC clinical enterprise is predictable clinical payments from our commercial plan partners. Unfortunately, we have been forced to raise various concerns with your respective offices regarding untimely and inaccurate payments from United. These concerns relate to both United and PacifiCare lines of business post the transition of United members from the CareTrust Network to a United/PacifiCare contracted network (June 23, 2006). The claims and administrative issues are summarized as follows:

- Failure to load physician fee schedules and/or to load them accurately;
- Failure to pay claims accurately and/or to pay them at all (examples provided at April 19, 2007 Meeting with additional backup to follow);
- Frequent United and PacifiCare loss of medical records requested by United and PacifiCare and submitted by UC to United and PacifiCare to expedite claims payment;
- Failure by United and PacifiCare to allocate sufficient staffing to facilitate claims payment;
- Failure by United and PacifiCare to provide UC with a comprehensive list of those United third party payors responsible for claims payment;
- Failure by United and PacifiCare to identify and provide UC with, among other materials, applicable operational manuals, payment policies, protocols, administrative guides and provider manuals necessary to expedite claims payment.
- Additionally, UC has not received an accurate list of participating United and PacifiCare participating providers, which includes all the appropriate UC physicians. As late as December, 2006, approximately 3,000 UC faculty members were not listed as United participating providers. As a result, it is unclear which faculty are included in the list of United participating providers. This has resulted in significant member and provider confusion and has resulted in serious claims payment issues (e.g. level of member co-payments and deductibles).

We are hopeful that your review of our concerns and your continued assistance will help ameliorate these important administrative issues.

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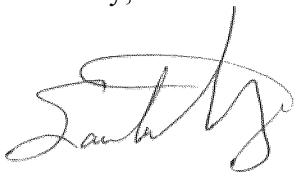
Lastly, our interaction with United has raised an important policy issue regarding regulatory oversight. United has indicated that none of its ERISA/ASO business in California is subject to California regulation. United has indicated that approximately eighty-five to ninety-five percent (85-95%) of its 1.2 million PPO members in California are ERISA/ASO members. Additionally, United has not provided the UC with a list of its third party payors. Consequently, we lack clarity on what entity is ultimately responsible for its bills, what claim submission and payment requirements apply, what administrative, operational, and medical management rules apply to almost 1 million Californians. We believe that the regulatory oversight between DMHC and DOI of the various United products is important and should be clarified. This would help us understand the specific rules and protections that apply.

We appreciate that many of these issues require additional data to thoroughly evaluate. We are available to provide the appropriate data and provide any additional context. We also appreciate your willingness to review these issues to help ensure timely and appropriate payment from our commercial plan partners.

Thank you for your assistance. Please do not hesitate to contact me if you require additional information. I can be reached at 510-987-9062

Sincerely,



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