

serving in various capacities to include Assistant Director/Nursing at Stormont Vail Hospital, Inc., Assistant Executive Director/Nursing at AT&SF Memorial Hospital, Inc., Executive Director at AMI Single Day Surgery, Inc., Vice President/Executive Director at Topeka Single Day Surgery, Inc. and have been in my current position for almost 8 years as Director - Contracted Care for Stormont Vail HealthCare.

17: DESCRIBE HOW YOUR PRESENT POSITION INCLUDES CONTRACTING WITH MANAGED CARE COMPANIES?

1: As Director of Contracted Care I negotiate all managed care contracts which involves approximately 20-30 such contracts. My position requires that I be familiar with how managed care companies or insurance companies operate in the health care field. This includes being knowledgeable about claim denials for health care services actually provided and determined to be medically necessary by the treating physician or physicians, delay in payment for health care services actually provided and determined to be medically necessary by the treating physician or physicians, pre-certification issues and denials in that area, how insurance companies operate within the Stormont Vail HealthCare delivery system and how these same companies operate within the state of Kansas in other health care delivery systems such as rural hospitals, and how these companies operate in other areas so I can evaluate their operations and make informed decisions in negotiating managed care contracts.

17: AS DIRECTOR OF CONTRACTED CARE AT STORMONT VAIL HEALTHCARE DO YOU HAVE ANY PERSONAL EXPERIENCE WITH THE OPERATION OF ANTHEM INSURANCE IN THE HEALTH CARE MANAGED CARE CONTEXT?

1: Yes.

17: PLEASE EXPLAIN.

1: Anthem is a managed care / health care insurance provider for the Goodyear plant in Topeka, Kansas. Goodyear has approximately 1800 employees. Past experience indicates that approximately 70% of these employees will have health insurance through their company program which is currently Anthem. This means that approximately 1260 people at Goodyear will have Anthem insurance. Approximately 2.4 persons are covered under an employee's insurance. For example if an employee has insurance and one adds in a spouse and children, the average number of these other covered persons along with the covered employee is 2.4 persons. This produces approximately 2600 covered lives in the Topeka, Kansas area that present to various health care providers such as Stormont Vail HealthCare for health care services.

17: ARE YOU AWARE OF ANY DIFFERENCE IN THE POPULATIONS COVERED BY ANTHEM INSURANCE VERUS BLUE CROSS BLUE SHIELD OF KANSAS?

1: No, the population is just another employer's staff with no obvious differences.

17: DO YOU HAVE AN APPROXIMATION OF HOW ANTHEM COMPARES TO BLUE CROSS BLUE SHIELD OF KANSAS IN THE AMOUNT OF BUSINESS THAT IT PROVIDES TO STORMONT VAIL HEALTHCARE?

1: Yes, Anthem has less than 5% of the business as to what BCBSKS has.

17: IF ANTHEM HAS ONLY 5% OF THE BUSINESS THAT BLUE CROSS BLUE SHIELD OF KANSAS HAS THEN DOES THIS 5% FIGURE HOLD TRUE FOR THE AMOUNT OF CLAIM DENIALS FROM ANTHEM TO BLUE CROSS BLUE SHIELD OF KANSAS - OTHER WORDS DOES ANTHEM HAVE LESS DENIALS THAN BCBSKS?

1: No.

17: PLEASE EXPLAIN?

1: In Topeka, there are approximately 50% more Anthem denials than BCBS denials even though the number of claims submitted to BCBS far exceeds those submitted to Anthem.

17: DO YOU HAVE AN SPECIFIC EXAMPLES?

1: Yes, on September 23, 1999 I was provided information that in 8 separate patient cases that Anthem was denying payment under various contentions such as a person admitted with chest pain on nitroglycerin and heparin drip should have been treated as an outpatient, another patient admitted directly from another hospital (in this case a rural hospital) should have been treated as an outpatient, another patient had the last day in the hospital denied, still another 2 patients who were admitted with the specific purpose to rule out a MI (heart attack) should have been treated as an outpatients, a similar patient who was admitted with chest pain should have been treated as an outpatient, and again another patient who was admitted with an acute onset of Atrial-Fibrillation should have been treated as an outpatient on the first day and Anthem also denied the last 2 days of that admission.

17: ARE THOSE CASES TYPICAL OF ANTHEM DENIALS?

1: Yes.

17: ARE THE REGULARITY OF DENIALS MADE BY ANTHEM THE STANDARD IN THE MANAGED CARE BUSINESS REGARDING THE VARIOUS MANAGED CARE COMPANIES THAT STORMONT VAIL DOES BUSINESS WITH?

1: No.

17: PLEASE EXPLAIN.

1: BCBSKS accounts for approximately 25% of Stormont Vail HealthCare business. In 2001 there were 6 BCBSKS denials that were appealed. By contrast, Anthem accounts for approximately 1% of Stormont Vail HealthCare's business. In 2001 there were 9 Anthem denials with appeals.

Let me explain. Anthem had 100 in patient claims with 9 denials at Stormont Vail HealthCare. In the same period, BCBSKS had 4371 in patient claims at Stormont Vail HealthCare with only 6 denials and subsequent appeals. Anthem's denial rate, if projected out and applied to the current admission rates, would have been almost 400 denials.

17: BASED ON YOUR EXPERIENCE DEALING WITH DENIALS BY ANTHEM HAVE YOU MODIFIED OR NEGOTIATED DIFFERENT PROVISIONS INTO ANY CONTRACTS INVOLVING STORMONT VAIL HEALTHCARE?

1: Yes.

17: PLEASE EXPLAIN.

1: In the summer of 2001 I negotiated our managed care contract with BCBS KS. I gathered information as to the number of denials made by Anthem, the number of complaints generated relating to Anthem by persons in case management at Stormont Vail, and gathered intelligence and information regarding Anthem from my peers so I could make a informed decision in the best interest of Stormont Vail HealthCare and the public to which it provides health care.

Managed care involves determinations made by companies such as Anthem and BCBS KS as to medical necessity and how a patient should be treated and what procedures or length of stay is allowed.

Steve Dean, Director of Provider Relations, represents that the BCBS KS criteria approximates the criteria developed by InterQual. InterQual or a variation of InterQual

that BCBS KS uses has become the standard. Medicare uses InterQual. The PRO in

Kansas uses InterQual.

Prior to negotiating the summer 2001 contract with BCBS KS I learned there was a possibility that Anthem may attempt to purchase BCBS KS. I thought Anthem uses a system developed by Milliman & Robertson and not InterQual. Therefore, my research for any new contract in Kansas included developing information on Anthem's use of these Milliman & Robertson "guidelines."

I contacted my counterparts at a Hartford, Connecticut hospital, at a Ft. Wayne, Indiana hospital, at a Columbus, Ohio hospital, and the managed care consultant that Stormont Vail HealthCare has used. Information provided to me was that Anthem's denials ratings were high and going up.

17: DID THIS CONFIRM THE INFORMATION YOU HAD REGARDING ANTHEM'S RELATIONSHIP WITH STORMONT VAIL HEALTHCARE?

1: Yes.

17: WHAT DID YOU DO WITH THE INFORMATION YOU HAD DEVELOPED REGARDING ANTHEM'S EXPERIENCE WITH STORMONT VAIL AND THIS CONFIRMING INFORMATION?

A: I was able to negotiate into the contract with BCBS KS that the InterQual/BCBS KS InterQual variation would be used for the next 2 years and could not be changed. This would work to maintain the status quo of being paid for medically necessary health care as we had been in the past by companies like BCBS KS without the fear of use of efficiency based guidelines by companies like Anthem.

17: DO HAVE ANY OTHER EXPERIENCE OR INFORMATION RELATING TO

ANTHEM AND HOW IT MAY OPERATE IN KANSAS?

1: Yes, Stormont Vail HealthCare is a participant in the Health Innovations of Kansas, Inc. which is a rural health care network. Some of the locations include Clay Center/Clay County Medical Center, Community Memorial Healthcare/Marysville, Herington Municipal Hospital, Hiawatha Community Hospital, Kansas Rehabilitation Hospital, Coffy County Hospital/Burlington, Council Grove/Morris County Hospital, Junction City/Geary Community Hospital, Sabetha Community Hospital, Wamego City Hospital and Washington County Hospital. Stormont Vail has in the past operated or managed small rural hospitals. Many Kansas hospitals, by their very size such as small rural hospitals, simply cannot become efficient enough to meet the Milliman & Robertson Guidelines which are based upon optimal efficiency standards with uncomplicated patients.

17: BASED ON YOUR EXPERIENCE WITH ANTHEM HAVE YOU REACHED ANY CONCLUSIONS AS TO HOW ANTHEM OPERATES IN KANSAS?

1: Through the high number of unjustified denials and the unusually high number of denials that lead to appeals, and seeing this routine business practice of Anthem play out as it relates to both the individual health care providers such as physicians and at the hospital level the real negative impact if Anthem takes over the operation of BCBSKS will be on the policyholders and the insurance buying public. It will result in higher cost to the providers to do business because they have to contact, re-contact and re-contact Anthem to get paid, may not get paid for medically necessary services, and the insurance buying public may have to pay for these services. The basic concept is that providers should be paid fairly based on the managed care contract for services they provide that are necessary for the care and treatment of the policyholders. Compared to other health care insurance companies Anthem does not deliver on the promise.

17: DOES THIS CONCLUDE YOUR TESTIMONY?

1: Yes.

17: THANK YOU.

Marvin M. Fairbank

SWORN TO BEFORE ME THIS 8th DAY OF JANUARY, 2002

Notary Public

My Commission Expires:
