



FOR IMMEDIATE RELEASE

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CONTACT:

Kelly Morris, 843-9900

kellymorrispr@gmail.com

**SOUTH TEXAS' LARGEST ORTHOPAEDIC PRACTICE
DROPS BLUE CROSS BLUE SHIELD OF TEXAS**

Decision comes after the premium insurance carrier cut the health care provider's reimbursements three years in a row, and rate offered now simply won't allow for same level of service

(SAN ANTONIO) August 18, 2008 — The San Antonio Orthopaedic Group, south Texas' single largest orthopaedic practice will, effective September 18, 2008, terminate its contract with Blue Cross Blue Shield of Texas. The decision comes after the insurance carrier, known for its constantly rising premium costs to its customers, had, for the third year in a row, cut its physician reimbursement rates. In fact, they had initially informed the group of their intent to once again roll back reimbursements, but that this year the rates would be at a level at or below standard Medicare reimbursement rates. In spite of several attempts at negotiation by the group, BCBS repeatedly refused to consider their request for more reasonable rates.

The San Antonio Orthopaedic Group estimates this action could affect as many as 8,400 patients. The greatest irony is that the group has been contracting with BCBS to cover its own 300 employees.

In a letter sent to 5,663 to patients, the group said, "We have always been committed to putting patients first, and have not been willing to compromise the practice of medicine, as this is not just another business, and for over 60 years, we have been proud to put all our resources into serving the needs of our patients. Unfortunately, our efforts to negotiate a reasonable contract with BCBS that would allow us to continue our relationship with you have failed."

For the third year in a row, BCBS has significantly reduced payments to physicians, while routine business costs for practicing medicine have been subject to the same increases being experienced by everyone. Moreover, insurance carriers have continually increased premium costs to its customers for health insurance each year.

According to the Texas Department of Insurance, BCBSTX has increased their surplus from \$4.3 billion in 2005 to \$5.3 billion in 2006 and \$6.1 billion in 2007 (increases of 23% and 16% annually). Their revenues from premiums have increased from \$11.8 billion in 2005 to \$13.0 billion in 2006 to \$14.2 billion in 2007 (increases of 10% and 9% respectively). This indicates that while their overall surplus has significantly increased over the past few years, they are funding that by not only charging more to their subscribers, they are augmenting their surplus margin by reducing their reimbursement to physicians by double that rate.

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Blue Cross Blue Shield Financial Disclosure to Texas Department of Insurance

As of:	2005	2006	2007
Total Assets	\$7,770,387,256	\$9,162,656,517	\$10,007,659,684
Total Liabilities	\$3,502,111,126	\$3,899,906,013	\$3,911,967,095
Asset to Liability Ratio	2.22	2.35	2.6
Net Surplus	\$4,268,276,132	\$5,262,750,504	\$6,095,692,592
% Increase from Prior Year		23%	16%
Premiums:			
Accident and Health	\$4,096,244,747	\$4,529,836,363	\$5,008,630,057
Total Texas Premium	\$4,096,244,747	\$4,529,836,363	\$5,008,630,057
National Premium	\$11,839,300,020	\$13,025,812,664	\$14,241,552,386
% Increase from Prior Year		10%	9%
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Net Surplus as % of National Premium		40%	43%
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According to Dr. Stephen Burkhart, the group's managing partner, "We repeatedly asked Blue Cross Blue Shield to rethink this drastic action and to discuss with us more reasonable reimbursement rates — ones that allow our doctors to continue to provide the exceptional level of care our patients expect and still cover our own rising expenses." He continued, "While BCBS sent their negotiators to talk to us, they have kept to their overall strategy of paying providers at or near Medicare rates."

Burkhart continued, "This seems reminiscent of what happened between BCBS and the OB/GYNs in the San Antonio community in June of this year. Fortunately for the community, BCBS and the OB/GYNs were subsequently able to work out their differences. It appears that this is BCBS contracting strategy across the state, as there was a similar situation in Lubbock County last year."

Burkhart continued, "We have been left with no choice but to terminate our contract with BCBS, as agreeing to that would require us to reduce our level of care, lay off employees and cut back on other expenses that would impact our ability to remain economically viable. We will not do that, we will not betray the trust that patients have put in us that we would provide them the best care possible"

The Orthopaedic Group tried repeatedly to get Blue Cross Blue Shield to recognize the unfairness and unreasonableness of their position. And according to the letter to patients, said, "The attempt by BCBS to have a "one size fits all" reimbursement schedule for physicians across Texas is a slap in the face of patients and physicians who strive to provide them the best care possible. We believe that this is unreasonable and to us, unacceptable."

The letter that was sent to patients is included in this release.

ABOUT THE SAN ANTONIO ORTHOPAEDIC GROUP

The San Antonio Orthopaedic Group was established in 1947 for the purpose of providing the highest quality of orthopedic, medical, and surgical care to the regional San Antonio community, surrounding areas, and beyond. Its board certified surgeons are experienced, skilled, and subspecialty trained to care for and treat the full range of musculoskeletal disorders, diseases, and injuries to the human body in the areas of adult reconstructive, arthroscopic surgery, hand foot and ankle, spine, sports, trauma and general orthopedics.

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Important Notice to our Blue Cross Blue Shield of Texas Patients!

Dear Valued Patient,

Effective September 18, 2008, we will no longer participate with BCBSTX, thereby ending our care with you.

We have always been committed to putting patients first, and have not been willing to compromise the practice of medicine as this is not just another business – it is your trust in our caring for you and your family. For over 60 years, we have been proud to put all of our resources into serving the needs of our patients. Unfortunately, our efforts to negotiate a reasonable contract with BCBSTX that would allow us to continue our relationship with you have failed.

For the third year in a row, BCBS has significantly reduced payments to us for our services. Our routine business costs have been subject to the same increases you have experienced in your own home. While insurance carriers have been increasing your premium costs for health insurance each year, BCBS has been unwilling to recognize our increased costs for providing the very same services and has instead, consistently lowered payments to our providers of care. Unfortunately, after lengthy discussions, we have been unable to reach an agreement with BCBS that allows us to continue to provide our standard of care and remain economically viable. The attempt by BCBS to unilaterally have a “one size fits all” reimbursement schedule for physicians across Texas is a slap in the face of patients and physicians who strive to provide them the best care possible. We believe that this is unreasonable and to us, unacceptable.

The decision to terminate our contract with Blue Cross and Blue Shield of Texas is a very difficult one because we value our relationship with you, but it would appear to be our only option at this point. We cannot and will not allow insurance companies to force us to compromise our ability to maintain the highest level of medical care that is available at our facilities. Therefore, effective September 18, 2008, our contract with BCBS will terminate.

What this means to you

Since BCBS Provider Directories and website may not recognize our exclusion from their now very limited orthopaedic network of doctors for some time, it is important that this letter serve as communication to you of our out-of-network status. Additionally, we will not see any BCBSTX patients after this date, even those with out-of-network benefits, as it is not our desire to pass along penalties assessed to you by BCBS for seeing us out of their network.

Here are some important points to guide you through this transition:

- If you have had surgery with us during the past 90 days, we will continue to care for you until you are able to be safely transitioned to a participating BCBS provider of your choice. We will discuss this transition at your next scheduled post-operative visit.
- If you are currently being treated conservatively and are considering surgical intervention, this notice will serve that your care will end with us on September 18, 2008. Because your condition requires medical attention, we recommend you place yourself under the care of another participating BCBS physician without delay. **We recommend that you contact BCBS member services at 1-800-521-2227 to locate an in-network participating Orthopaedic Surgeon.** With your approval, we will make available your case history and information regarding the diagnosis and treatment you have received from us to date.
- If you have a scheduled appointment with us after September 18, 2008, a representative from our office will contact you to discuss your transition plan from our office to a participating provider within a week of this notification.
- If you have a scheduled appointment before September 18, 2008, we will discuss your transition plan with you during your visit.

Please note that we participate with many other major health insurance carriers in San Antonio. As your employer plans for your next open enrollment period, feel free to contact your employer's Human Resources department to discuss how they can arrange for you to continue to have access to The San Antonio Orthopaedic Group. Ironically, we find ourselves in the same position in re-evaluating our options, as we currently contract with BCBS for providing health insurance to our employees and their families.

We apologize for the hardship and inconvenience this termination may cause you, and hope that we may be your orthopaedic provider of choice again in the future should either of our circumstances change.

Sincerely,

Your physicians and friends at
The San Antonio Orthopaedic Group, LLP

Date Sent:
August 15, 2008

