

October 3, 2018

[Provider Organization Name]

[Provider Organization Contact Name]

[Provider Organization Address]

Letter ID Number _____

Re: Letter of Intent (Letter) to offer provider reimbursement rates based on a percentage of Medicare for health care services provided to members of North Carolina State Health Plan for Teachers and State Employees (Plan)

Dear [Provider Contact Name]:

Thank you for your continued service to the State by providing quality health care services to members of the Plan as part of Blue Cross and Blue Shield of North Carolina's (Blue Cross NC) Blue Options Preferred Provider Organization (PPO) Network. The Plan is excited to continue our partnership with you on a new strategy to provide affordable, quality care to increase transparency and deliver value for those public servants who educate our children, protect our streets, build our roads and provide other core functions of state government.

In this effort, the Plan is offering you the opportunity to transition your current provider reimbursement rates for Plan members to a reimbursement rate schedule built on Medicare, a government payer. Blue Cross NC will continue to administer the Plan.

The purpose of this Letter is to provide a written expression of our mutual understandings that your organization desires to enter into an in-network Blue Cross NC provider contract with rates based on Medicare. The contract's effective date is July 1, 2019, with new rates for services provided to Plan members beginning January 1, 2020.

Based on the Plan's 2017 claims payment data processed by Blue Cross NC, and repriced by its vendor using 2018 Medicare rates, the Plan currently reimburses Plan members' health care providers within the Blue Cross NC's Blue Options PPO Network at the following average percentages of Medicare.

| Current Service Rates | | | | | |
|------------------------------|------------------|-------------------|----------------------------------|-----------------------------------|---------------------|
| Rate | Inpatient | Outpatient | Critical Access Inpatient | Critical Access Outpatient | Professional |
| Minimum | 85% | 145% | 71% | 115% | 65% |
| Average | 158% | 291% | 185% | 233% | 126% |
| Maximum | 318% | 803% | 451% | 427% | 994% |

Going forward, the Plan proposes realigning these reimbursement rates based on the following percentages of Medicare:

| Future Service Rates | | | | | |
|-----------------------------|------------------|-------------------|----------------------------------|-----------------------------------|---------------------|
| Rate | Inpatient | Outpatient | Critical Access Inpatient | Critical Access Outpatient | Professional |
| Initial Index | 155% | 200% | 200% | 235% | 160% |

New rates will be permanently indexed to Medicare and will be adjusted, on at least an annual basis, to reflect any corresponding increases/decreases set by the Centers for Medicare and Medicaid Services beginning January 1, 2020, for Plan members. When your network participation agreement with Blue Cross NC is executed, these rates will become the reimbursement rate schedule along with all necessary terms and conditions to effectuate this strategy.

The parties responding to the web-based Participation Interest Form affirm they are authorized representatives of their respective organizations and have the authority to express the intent of their organization.

The parties agree that responding to this Letter is only an expression of the mutual understanding and a desire to enter into a participation agreement to provide health care services to Plan members at the provider reimbursement rates described herein. Upon expressing interest in participating in these new rates, the parties will begin to pursue an agreement of necessary terms to the contracts based on the terms and intent described in this Letter.

The Participation Interest Form is not legally binding and creates no rights or duties on the part of any party. It neither constitutes an offer to enter into an agreement, nor a memorandum of agreement. None of the parties shall incur any obligation or liability to any other party unless and until a new network participation agreement is executed or an existing agreement is amended for the Plan with the rates described herein.

The parties are not obligated by this Letter to negotiate in good faith to reach final agreement terms, and shall not be liable for any expenses incurred or opportunities foregone by any other party in reliance on this Letter.

We value your service in providing quality health care to Plan members as a provider in the Blue Cross NC network and look forward to working with you to meet our mutual goals.

Please visit www.shpnc.org/ncshpprovidernetwork within 30 days from the receipt of this Letter to complete a form that indicates your interest in partnering with the Plan on this effort.

Sincerely,

Dale R. Folwell, CPA

10/3/18

Dale R. Folwell, CPA
Treasurer
State of North Carolina

Date

Dee Jones

10/3/18

Dee Jones
Executive Director
North Carolina State Health Plan for
Teachers and State Employees

Date