

NEWS RELEASE

**HHS Secretary Kathleen Sebelius
Reviews Key Pilot Program Tied to Health Care Reform Goals**

*Collaboration between providers and insurers called
“one of the best examples of patient care in the country.”*

San Francisco, CA – September 16, 2011 – Health and Human Services Secretary Kathleen Sebelius today visited a San Francisco hospital where she was briefed by health care leaders and program participants on a collaborative project that enhanced quality outcomes and patient satisfaction while reducing costs.

Sebelius joined an industry roundtable at Saint Francis Memorial Hospital, a site for the second of two virtual Accountable Care Organization (ACO) pilot programs. The hospital is a member of Catholic Healthcare West, which along with Blue Shield of California and Hill Physicians Medical Group launched the integrated care delivery model in 2009 that kept 44,000 CalPERS members' premium payments flat while reducing hospital readmissions by 22 percent and saving \$20 million in costs.

Following that successful launch, Blue Shield, Hill Physicians, and CHW expanded the program earlier this year, bringing in UCSF Medical Center in the care of City and County of San Francisco employees, retirees, and dependents.

“This program is on our radar screen as one of the best examples of patient care in the country, and the kind of care that people elsewhere hope to enjoy in the future,” Secretary Sebelius said. “One of the things I want to do is be informed by what is happening here, and make sure we’re using the strategies that work as we make policy decisions to help move this forward around the country.”

“It is our distinct privilege to host Secretary Sebelius today, and we are honored that she has come here to learn more about this innovative program,” said Lloyd H. Dean, President/CEO of Catholic Healthcare West. “Our collaboration is living proof that the goal of health reform is achievable -- doctors, hospitals, and health plans can come together to share information and deliver coordinated, efficient, quality care.”

Sebelius heard from Victoria Eberle, a CalPERS health care manager who experienced the virtual ACO program first hand when she suffered a life-threatening variant of preeclampsia known as HELLP syndrome during her pregnancy. Her newborn daughter was hospitalized for seven weeks in the neonatal intensive care unit at Mercy San Juan Hospital in Sacramento following early delivery. Because of the coordinated care, Eberle said, she could focus on her daughter's health without worrying about paperwork or physician authorizations.

“I never had to worry about anything,” Eberle said. “I honestly believe because of this program that I and my daughter are here to share this story with you about this incredible program of communication and great doctoring. What this did was exemplify the communication between all parties involved so it was seamless, so that I could concentrate on getting better and making my daughter well.”

Ann Boynton, CalPERS Deputy Executive Officer of Benefit Programs Policy and Planning, said that integrated care has a positive impact for its members.

“In order to lower cost trends over the long term, we must align incentives with quality outcomes we all desire – coordinated and improved patient care with lower costs,” Boynton said. “This program demonstrates that the goal is achievable.”

In the CalPERS pilot, the three organizations agreed to share the financial risk for meeting the program’s cost savings goals.

“Collaboration was an essential element in the success of this model,” said Paul Markovich, Executive Vice President and Chief Operating Officer at Blue Shield of California. “A shared accountability allowed us to achieve our goals of reducing the cost of healthcare and improving quality.”

By sharing data, the pilot identified three key areas driving cost increases: overutilization (notably hysterectomies and elective knee surgery); preventable readmissions; and out-of-network services that could be handled effectively in-network.

“When national healthcare reform was on the horizon, we saw that we had to get ahead of the curve on better coordinating care with our physician and insurance partners,” said Lloyd Dean, President and Chief Executive Officer of Catholic Healthcare West. “We’re very pleased with the results of our ACO program and are taking what we’ve learned to use throughout our system.”

Steve McDermott, Chief Executive Officer of Hill Physicians, said the ACO approach shows that coordinating care around the individual’s health can create a smoother experience for the health plan member before, during and after a hospital stay.

“This program shows that we can work together even more effectively in a way that enhances the patient experience and improve the quality of care,” McDermott said. “We think the results serve as an outstanding model for how we can face the challenges of a changing healthcare environment.”

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Media contacts:

Tricia Griffin
Catholic Healthcare West
414.438.5524

Steve Shivinsky
Blue Shield of CA
415.229.5447

Dan Robinson
Hill Physicians
925.838.6101

Bill Madison
CalPERS
916.795.0482

About Blue Shield of California

Blue Shield of California, an independent member of the Blue Shield Association, is a not-for-profit health plan dedicated to providing Californians with access to high quality care at a reasonable price. Founded in 1939, it now has 3.4 million members, 4,800 employees, one of the largest provider networks and more than 20 office locations, providing a wide range of commercial and government products throughout the state. The company has contributed \$100 million over the past three years to the Blue Shield of California Foundation to fund nonprofit organizations that improve access to quality health care in California. Contact your local agent or broker for more information about Blue Shield products and services, or visit the Blue Shield web site at www.blueshieldca.com.

About Catholic Healthcare West

Catholic Healthcare West (CHW), headquartered in San Francisco, CA, is a system of 41 hospitals and medical centers in California, Arizona and Nevada. In the Sacramento area, it operates Mercy General Hospital, Mercy San Juan Medical Center, Mercy Hospital of Folsom and Methodist Hospital of Sacramento. Founded in 1986, CHW is one of the nation's largest not-for-profit hospital systems and the largest private health care system in California. CHW is committed to delivering compassionate, high-quality, affordable health care services with special attention to the poor and underserved. The CHW network of nearly 10,000 physicians and approximately 53,000 employees provides health care services to more than five million people annually. In 2008, CHW provided \$1.2 billion in charity care and unsponsored community benefit. For more information, visit www.chwHEALTH.org.

About Hill Physicians Medical Group

Hill Physicians Medical Group is one of the nation's largest independent physician associations (IPAs) and a recognized leader in innovative managed health care. The Standards of Excellence Program of the California Association of Medical Groups recently recognized Hill Physicians as a state-wide leader in care management practices, health information technology, and accountability and transparency. Nearly 300,000 people in seven Northern California counties have selected Hill Physicians care providers for their primary and specialized care. Committed to serving healthy lifestyles, Hill Physicians Medical Group offers extensive health education services to its patients, including wellness classes, health screenings, and self-help through its online information portal at www.HillPhysicians.com.

About CalPERS

CalPERS is the nation's largest public pension fund with approximately \$227 billion in market assets. It administers retirement benefits for 1.6 million active and retired State, public school, and local public agency employees and their families and health benefits for more than 1.3 million members at an annual cost of nearly \$7 billion. CalPERS is the largest purchaser of public employee health benefits in California, and the second largest public purchaser in the nation after the federal government. For more information on CalPERS, please visit www.calpers.ca.gov.