



Blue Shield of California, Catholic Healthcare West and Hill Physicians Medical Group to Pilot Innovative New Care Model for CalPERS

Organizations collaborate to deliver quality, cost-effective care

NEWS RELEASE

SACRAMENTO, CA – April 22, 2009 – This afternoon, the California Public Employees’ Retirement System (CalPERS) approved a new pilot program in Sacramento that aims to reduce costs while improving healthcare quality. The program, led by Blue Shield of California, Hill Physicians Medical Group and Catholic Healthcare West, which operates the local Mercy hospitals, will deliver comprehensive healthcare services to CalPERS members using a “virtual integrated model” of care. The health plan, hospital system, and medical group will be partnering to share information and coordinate care more directly. The three organizations’ incentives will all be aligned to improve quality, cost and service. The pilot project will begin in calendar year 2010.

“This is right in line with our strategic vision to be a leader in providing best-in-class, quality, and sustainable health benefit options for our members and employers,” said Rob Feckner, CalPERS Board President. “In the short-term, we’re aiming to reduce our cost and improve delivery of health care in the Sacramento region. If successful, we hope to positively impact health outcomes and costs for more of our members over the long-term.”

Disease management, pharmacy, improved communication and palliative care are all slated to play a role in this pilot, which is still in the earliest stages of development. Each partner has agreed to contribute to cost savings and to be at financial risk for any variance from the pilot’s targeted cost reduction goals. The pilot’s objective is to build a delivery model that takes cost out of the local delivery system.

“We created this pilot because it’s critical for healthcare entities to challenge assumptions and to examine smarter ways of providing and paying for care,” said Juan Davila, Senior Vice President of Network Management for Blue Shield of California. “Our mission dictates that we always strive to provide our members with high quality, affordable care, and we believe that this pilot will help us fulfill that mission.”

The pilot will help reduce costs and improve quality for all CalPERS members in Sacramento, El Dorado and Placer counties.

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collaborate for CalPERS pilot**

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“We believe the partnership among the three of us will foster a more integrated way of sustaining high levels of clinical quality while also making more efficient use of our resources to achieve measurable cost savings,” said Steve McDermott, Chief Executive Officer, Hill Physicians Medical Group.

CalPERS members will benefit from the immediate cost savings as well as the service enhancements provided by the three organizations.

“As California’s largest private hospital provider and as an organization long committed to creating a more just health system, CHW is proud to participate in this pilot,” said John Wray, Senior Vice President, Managed Care for Catholic Healthcare West. “We all have a responsibility to do what we can to make health care more accessible and affordable.”

The Sacramento community was selected because it is a market with a significant number of CalPERS members. Catholic Healthcare West and Hill Physicians Medical Group have substantial presence in the greater Sacramento area, and therefore, it is a place where changes implemented by the parties could make a tangible difference in healthcare trend for CalPERS members. Results of the pilot project will be monitored and shared regularly with CalPERS.

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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 \$967 million 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.