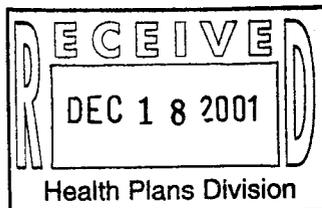




600 Lafayette East
Detroit, Michigan 48226-2998

December 17, 2001



Ms. Susan M. Scarane
Department Specialist
Health Plan
Office of Policy and Consumer Services
Division of Insurance
611 West Ottawa Street
Lansing, Michigan 48933

Re: Modifications to ASF Provider Class Plan

Dear Ms. Scarane:

Enclosed for filing is Blue Cross Blue Shield of Michigan's (BCBSM) modified provider class plan for ambulatory surgery facilities (ASF). The modifications to the plan and provider contract were finalized after BCBSM obtained input from both providers and subscribers. BCBSM's Board of directors approved the modifications on December 12, 2001.

There are just two substantive modifications to the plan. They are:

Extension of the evidence of need transition period

Under this modification, participating ASFs that meet all qualification standards, except evidence of need (EON), will be allowed an extension of time to meet this standard. The extension will run for six months from the date the modified plan is retained by the commissioner. By the end of this period, these ASFs must have submitted their volume attestations for the most recent six months. Their data will be annualized to determine whether the EON standard has been met. If an ASF meets the standard, its participating contract will continue. If it does not, its contract will be terminated.

During the transition period, nonparticipating (applicant) ASFs will also be allowed to qualify for participation based on their most recent six months' volumes. However, at the end of this period, ASFs that have operated for more than one year will be required to qualify on a full year's experience.

Modification of recertification period from once every year to once every other year

Under this modification, recertification will occur every other year rather than every year. Thus, the first recertification period will not occur in January 2002 but in January 2003, and subsequent recertifications will occur every other year thereafter. In addition, newly contracted ASFs will not be recertified until they have participated for at least a full calendar year.

As you are aware, some participating ASFs are scheduled to have their contracts terminated February 1, 2002. The modified plan's extension of time to meet the EON standard will apply to several of these ASFs and would allow their contracts to continue for an additional six months. We are concerned that the commissioner may not make a decision to retain or reject the modified plan until after February 1, 2002, and that such a delay could create problems for our members and providers. For example, if the commissioner decides to retain the plan after February 1, 2002, BCBSM will already have terminated the ASFs' contracts. The ASFs would then be considered non-participating and would have to submit volume attestations and applications for their contracts to be reinstated. This process could take some time and would place an additional burden on the ASFs. In addition, it could disrupt BCBSM members' care because they would be unable to obtain covered services at the ASFs while they are re-applying for participation.

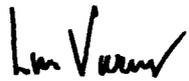
Delaying a decision on the plan will also make it difficult for our members to know whether these ASFs are participating. Although they currently participate, their contracts will be terminated on February 1 if the modified plan is not retained before that date. Since it is likely that several of them will meet BCBSM's participation requirements, they will be eligible to reapply shortly after they have been terminated. BCBSM will then reinstate their contracts. These repeated changes in participation status will most certainly confuse our members and make it difficult to schedule surgery at one of these ASFs.

Given our concerns, BCBSM requests that the commissioner retain the plan before February 1, 2002.

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If you have any questions about this filing or wish to discuss it, please let contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa M. Varnier". The signature is written in a cursive style with a prominent initial "L" and a checkmark-like flourish at the end.

Lisa M. Varnier
Assistant General Counsel
Regulatory Affairs

Cc: L. Brya

LMV/cl