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April 12, 2021

Andy Randazzo
Regional Vice President, Provider Solutions
Anthem
2015 Staple Mills Rd.
Richmond, VA 23230

Lance Torcom
Chief Managed Care Officer

Dear Andy,

Over the course of the last several years, through many conversations and various written correspondence, we have made it very clear to Anthem the critical importance of Sentara Healthcare not being financially harmed or disadvantaged as it relates to Anthem's frequently changing unilateral policies, procedures and protocols – particularly those outside the confines of our normal contractual negotiation periods. Additionally, maintaining a high degree of safe and quality care for our patients is integral to our non-profit mission. As you are aware, our HSPA agreement has long contained language, which provides Sentara financial protection from being disadvantaged from such policies, procedures and protocols (collectively referred hereinafter as “policies”). In return, Anthem receives very competitive reimbursement rates from Sentara facilities and providers. Despite this contractual protection, Anthem continues to invoke policies that are not in the best interest of patients in greater frequency, and often claims that our contractual protection is not valid relating to such policies.

Anthem is aware that Sentara has previously objected to certain harmful policies that have occurred outside the normal negotiation cycles of our contracts, including (but not limited to) infusion and imaging site-of-care policies. Recently, and notably just after the conclusion of our Hampton Roads negotiation, we received concerning information pertaining to two new additional Anthem policies. These policies include white bagging (buy and bill) and Medicaid outpatient surgery site-of-care (see attached referenced policies), which will undoubtedly have a substantial negative impact on the performance of our facility contracts and remove providers' ability to make decisions that are in the best interest of their patients. It is important that Anthem understands Sentara's increasing frustration over these unilateral changes which are occurring with little notice, no negotiation, and no consultation prior to implementation. We are confident that Anthem would not appreciate Sentara unilaterally implementing such policies outside the scope of our regular contractual negotiation process.

Specifically, Sentara's concern with Anthem's white bagging policy revolves around liability related to the chain-of-custody of high cost drugs coming from outside our hospitals, in addition to significantly lower reimbursement rates for such drugs. We are also concerned that the Medicaid site-of-care policy limits patient and physician choice while reducing the volume of ambulatory surgeries at our hospitals. As you know, Sentara has specifically objected to these new policies since learning of them in mid-February, while also making it clear to Anthem that we need to reach resolution no later than April 15th. In response, we received written correspondence from Anthem stating that Sentara is not protected under its current contract from any financial harm related to these policies, and Anthem would not exempt Sentara from such policies.

Therefore, after significant consideration, Sentara has determined it necessary to serve Anthem with 180 days prior written termination notice* relating to its participation in Anthem's Medicare Advantage and Medicaid products beginning April 15, 2021, with an effective date of October 12, 2021. This notice pertains to the following Sentara entities:

- Sentara Hospitals dba Sentara Careplex Hospital, Sentara Leigh Hospital, Sentara Norfolk General Hospital, Sentara Obici Hospital, Sentara Virginia Beach General Hospital, Sentara Princess Anne Hospital, Sentara Williamsburg Regional Medical Center, Sentara Obici Ambulatory Surgery, Careplex Orthopedic Ambulatory Surgery Center, Princess Anne Ambulatory Surgery Center, Surgical Suites of Coastal Virginia and Leigh Orthopedic ASC
- Sentara Halifax Regional Hospital (Medicare Advantage only)
- Sentara Martha Jefferson Hospital and Sentara Martha Jefferson Outpatient Surgery Center
- Sentara RMH Medical Center
- Sentara Northern Virginia Medical Center and Lake Ridge Ambulatory Surgery Center
- Sentara Medical Group, Sentara RMH Medical Group, Sentara Martha Jefferson Medical Group, Sentara Dominion Health Medical Group, Sentara Halifax Regional Hospital Group, SMG Anesthesia (Hampton Roads, Charlottesville, Harrisonburg and South Boston)

Please understand that it has always been our preference to avoid such action. In fact, we purposefully provided Anthem with advance verbal and written notice of this potential action in February in an attempt to resolve the matter and avoid escalation. As such, Sentara is willing to rescind this termination notice if Anthem agrees to exempt Sentara from these and other future such policies. We hope that we are able to continue participation in these products, as well as renew our other agreements (outside Hampton Roads) well in advance of when the termination takes effect on October 12, 2021.

Sincerely,

Lance Torcom

Lance Torcom
Chief Managed Care Officer

CC:

Rob Broermann, CFO, Sentara Healthcare
Jeff Ricketts, President, Anthem Commercial
Raul Smith, President, Anthem Medicare East/North
Elena McFann, President, Anthem Medicare East Region
Jennie Reynolds, President, Anthem Medicaid, Virginia

*Contractual Termination Provision References

Virginia HMO Medicaid Attachment to the Anthem Blue Cross and Blue Shield Provider Agreement, Section 6.1
Virginia HMO Medicaid Attachment to the Anthem Blue Cross and Blue Shield Hospital Agreement, Section 5.1
Medicare Advantage Participation Attachment to the Anthem Blue Cross and Blue Shield Facility Agreement, Section 11.3
Medicare Advantage Participation Attachment to the Anthem Blue Cross and Blue Shield Provider Agreement, Section 11.3