

# Nevada System of Higher Education

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*VIA FACSIMILE*

Governor Gibbons:

In reading about the proposed acquisition of Sierra Health Services by the United Health Group, I am troubled by the potential impact to consumers and health care providers in our state should this merger go through. As a member of your cabinet, I feel compelled to raise this important policy issue with you.

As you know, affordable health care for many Nevadans is virtually at the crisis point, and I applaud your efforts in bringing this issue to the forefront of discussion. Improved and more accessible health care for Nevadans has been my passion since I became Chancellor and is the reason we brought forward the proposal for the University of Nevada Health Sciences System. With your support in the Executive budget and Legislative approval, we have launched this bold and aggressive endeavor. However, I have always said that this is a project that will require many partners throughout the healthcare delivery system. I believe that the merger that is being considered concerns obvious partners in this project and is an opportunity to advance the interests of all Nevadans.

When the Insurance Commissioner gave her tentative approval of the merger last week, I understand she imposed the following conditions:

- The companies won't pass acquisition costs, including executive bonuses and severance packages, on to consumers or providers.
- The companies won't raise premiums or provider fees to cover the expenses of the buyout.
- Sierra's claims-handling system will not degrade following the purchase.
- **The buyout won't result in reduced benefits.**
- Local management of Sierra Health will continue.
- **United's affiliates will take specific actions to help reduce the number of uninsured Nevadans.**

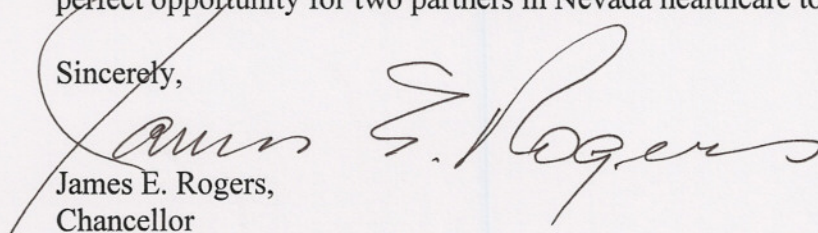
**The companies also agreed to build on existing philanthropic activities**, to get approval from the insurance commissioner to pay out extraordinary dividends for two years after the merger and to maintain Sierra Health's books and records in Nevada. [Emphasis mine]

While I applaud the foresight of the Insurance Commissioner, it is not clear exactly how compliance with these issues will be ensured. Further, in my personal business experience, I know the only way to ensure such concessions are to put a financial price on the obligation to meet these conditions. In particular, the final point about reducing the number of uninsured Nevadans and increasing philanthropic activities is the one which deserves the most focus and the one in which the University of Nevada Health Sciences System can help.

It is my understanding that in California, during a similar merger process between Pacificare and United, United Health agreed to pay approximately 500 million dollars into a fund that was used to provide care for California's uninsured. The Nevada System of Higher Education and in particular the statewide School of Medicine, has always played a critical role in the care and treatment of at-risk populations in Nevada. If such a fund were in place in Nevada (we would suggest it be 50 million dollars) the University of Nevada Health Sciences System would be able to expand its role in providing specialized care (training, subsidies, etc.) and work with area hospitals and health care providers to offer care for the uninsured through the addition of critically needed doctors, nurses, allied health professionals and related programs. As responsible leaders in Nevada, we should insist that a similar fund be created in Nevada to benefit our citizens and in particular those uninsured and underinsured that most need our help.

The Insurance Commissioner and your office have asked the state Attorney General's office to further review this merger. Additionally, we still have many more months of federal review from the Department of Justice. We should use this time wisely. I know you are taking this merger seriously and I will work with you to help define and create this fund. The Nevada System of Higher Education stands ready to continue its commitment to provide health care for Nevada's uninsured. We believe that this is a perfect opportunity for two partners in Nevada healthcare to step up and do their share.

Sincerely,

  
James E. Rogers,  
Chancellor

CC: Sen. William Raggio  
Regent Michael Wixom  
Regent Dorothy Gallagher