

**UNITED STATES OF AMERICA  
BEFORE THE FEDERAL TRADE COMMISSION**

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In the Matter of	)	
	)	
Evanston Northwestern Healthcare Corporation, and	)	Docket No. 9315
	)	
ENH Medical Group, Inc.	)	
	)	
	)	

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**DECLARATION OF JOSEPH ARANGO IN SUPPORT OF  
THIRD-PARTY BLUE CROSS BLUE SHIELD OF ILLINOIS'  
MOTION FOR *IN CAMERA* TREATMENT OF PROPOSED TRIAL EXHIBITS**

I, Joseph Arango, declare as follows:

1. I am Senior Director of Provider Contracting and Strategy of Blue Cross Blue Shield of Illinois (“BCBSI”). I have been employed at BCBSI since 1982. I have been a manager in the contracting area since 1990 and have been in my current position since 1998. In that capacity, I am familiar with the process by which BCBSI negotiates its contracts with hospitals and the confidentiality afforded documents prepared in relation to those efforts.
  
2. True and correct copies of the documents and an accurate list of the data files for which BCBSI seek *in camera* treatment are attached as Exhibits 1-4.
  
3. I have reviewed the documents (Exhibits 1-4) for which BCBSI seek *in camera* treatment. As Senior Director of Provider Contracting and Strategy, I am familiar with the type of information contained in the attached documents. I am also generally familiar with the confidentiality protection afforded this type of information by BCBSI. Based upon my review of these documents, my knowledge of BCBSI’s business, and my familiarity with the

confidentiality protection that BCBSI afford information of this type, it is my belief that public disclosure of these documents and data files, or the information contained in them, would cause serious competitive injury to BCBSI.

4. Exhibit 1 consists of the following twenty-two documents:

<b>Production Bates Number</b>	<b>Document Description</b>	<b>Reason In Camera Treatment Requested</b>
BCBSI-ENH 017002-17005	Amendment to 2003 Medical Service Agreement	Contains current price and/or contract terms.
BCBSI 10199-10203	Hospital Service Agreement with Northwestern Hospital	Contains current price and/or contract terms.
BCBSI 06825-6826	Amendment	Contains current price and/or contract terms.
BCBSI 03612-3614	Amendment	Contains current price and/or contract terms.
BCBSI 06818-6824	Directed Care Agreement and Amendments with Northwestern Hospital	Contains current price and/or contract terms.
BCBSI 03615-3616	Amendment	Contains current price and/or contract terms.
BCBSI 00059-64	Hospital Service Agreement & Amendment with St. Francis Hospital	Contains current price and/or contract terms.
BCBSI 00049-52	Amendment to Agreement with St. Francis Hospital	Contains current price and/or contract terms.
BCBSI 03194-3203	Hospital Service Agreement & Amendment with Lake Forest Hospital	Contains current price and/or contract terms.
BCBSI 05775-5776	Amendment to PPO Agreement with Lake Forest Hospital	Contains current price and/or contract terms.
BCBSI 05705-5725; 5728	Directed Care Agreement with Lake Forest Hospital	Contains current price and/or contract terms.
BCBSI 00762-766	Hospital Service Agreement with Condell	Contains current price and/or contract terms.
BCBSI 00767	Amendment to Agreement with Condell	Contains current price and/or contract terms.
BCBSI 05412-5418	Directed Care Agreement with Condell	Contains current price and/or contract terms.
BCBSI 05476	Amendment to Directed Care Agreement with Condell	Contains current price and/or contract terms.

<b>Production Bates Number</b>	<b>Document Description</b>	<b>Reason In Camera Treatment Requested</b>
BCBSI 05439-5440	Amendment to Directed Care Agreement with Condell	Contains current price and/or contract terms.
BCBSI 05444-05473	Amendment to PPO Agreement with Condell	Contains current price and/or contract terms.
BCBSI-ENH 002535-2539	Directed Care Agreement with Rush North Shore Hospital	Contains current price and/or contract terms.
BCBSI 04002-4006	Hospital Service Agreement with Rush North Shore Hospital	Contains current price and/or contract terms.
BCBSI 06094-6095	Draft Amendment to the PPO Agreement with Rush North Shore Hospital	Contains current price and/or contract terms.
BCBSI 04068-04070	Amendment to the PPO Agreement with Rush North Shore Hospital	Contains current price and/or contract terms.
BCBSI 06605	University of Illinois PPO Rate Update	Contains current price and/or contract terms.

5. Each of these documents reflect current hospital service agreements and amendments to those agreements.

6. These documents contain heavily negotiated and commercially sensitive pricing and contracting terms between BCBSI and individual hospitals that are competitively sensitive. The structure, terms and scope of these agreements are the product of significant investment over many years by BCBSI, and are the key to its operations.

7. Contract negotiations can span months and involved hundreds of employee hours, including negotiation, strategic thinking, actuarial analysis, financial modeling and legal and regulatory review and drafting.

8. BCBSI's efforts in this regard have allowed it to gain a competitive advantage in the marketplace and better service its customers.

9. BCBSI has made great effort to protect the confidential nature of these

documents. Internal distribution of these documents is limited to those who deal with the specific providers in negotiating the contract terms, their direct supervisors, and the BCBSI legal department. Other than the hospitals that are parties to these respective agreements, BCBSI does not share its agreements with any third-parties.

10. The public disclosure of these documents would cause severe competitive injury to BCBSI.

11. Exhibit 2 consists of correspondence between BCBSI and various hospitals regarding the terms at which BCBSI or the hospital would or should contract for healthcare services.

<b>Production Bates Number</b>	<b>Document Description</b>	<b>Reason In Camera Treatment Requested</b>
BCBSI-ENH 006525-6584	Negotiation Letter with ENH	Contains proprietary and competitively sensitive contract terms and proposals.
BCBSI-ENH 006517-6523	Correspondence with ENH	Contains ENH internal pricing analysis of terms offered by BCBSI.
BCBSI 11198-11200	Negotiation Letter with Advocate Hospital	Contains proprietary and competitively sensitive contract terms and proposals.
BCBSI 01636	Negotiation Letter with Advocate Hospital	Contains proprietary and competitively sensitive contract terms and proposals.
BCBSI 01635	Negotiation Letter with Advocate Hospital	Contains proprietary and competitively sensitive contract terms and proposals.
BCBSI 07723-7724	Negotiation Letter with Advocate Hospital	Contains proprietary and competitively sensitive contract terms and proposals.
BCBSI 09126-9127	Negotiation Letter with Advocate Hospital	Contains proprietary and competitively sensitive contract terms and proposals.

12. These seven letters reflect the terms upon which agreements were reached, as well

as proposed terms under consideration. BCBSI-ENH 006517-6523 contains an internal ENH analysis outlining the pricing terms and rate increases offered by BCBSI.

13. This information is extremely valuable and competitively sensitive. These letters reflect the negotiations that take place between BCBSI and its hospital clients and contain proprietary and competitively sensitive terms and proposals regarding reimbursement of hospital healthcare claims.

14. Internal circulation of these letters is generally limited to the employee(s) conducting the negotiations. These letters are not shared with competitors or other hospitals.

15. The public disclosure of this information would greatly undermine BCBSI's negotiating ability and competitive standing in future contract negotiations.

16. Exhibit 3 consists of documents containing internal pricing analysis, contract negotiation analysis, and/or management strategy.

<b>Production Bates Number</b>	<b>Document Description</b>	<b>Reason In Camera Treatment Requested</b>
BCBSI 25016	BSBCI Summary of Avg. I/P and O/P Pmt. Per Claim Incurred by Year	Contains BCBSI internal pricing and/or contract negotiation analysis.
BCBSI 08648-49	Email from Joe Arango, Subject: Physician, Hospital and Ancillary Contracts	Contains BCBSI internal pricing and/or contract negotiation analysis.
BCBSI 01581-82	History of Negotiations with Advocate	Contains BCBSI internal pricing and/or contract negotiation analysis.
BCBSI-ENH 005178-88	Internal email regarding conflict with Advocate	Contains confidential BCBSI management strategy
BCBSI-ENH 05228-30	Internal email regarding conflict with Advocate	Contains confidential BCBSI management strategy.

17. These five documents contain competitively sensitive and highly confidential information.

18. BCBSI's pricing and contract negotiation analysis (BCBSI 20516, 8648 and 01581) not only reflects BCBSI's determinations about what prices to charge in general, it also reflects certain pricing and contracting terms that are still in effect.

19. BCBSI's internal email communications regarding the Company's conflict with one of its customers (BCBSI-ENH 05228-30 and BCBSI-ENH 005564-85) describe BCBSI's management strategies for responding to the dispute, including planned responses and communications relating to possible events.

20. These documents go to the heart of BCBSI's business planning and are among the most confidential material that BCBSI maintains.

21. Except as compelled by the Civil Investigative Demand, these documents were never disclosed externally by BCBSI. Internal circulation was limited only to those involved in strategic planning for the Company. If publicly disclosed, hospitals would use it against BCBSI in future contract negotiations and other payors would use it in designing their own competitive strategies to BCBSI's disadvantage. Disclosure of these materials would cause serious injury to BCBSI.

22. Exhibit 4 consists of a list of computer data files containing claim and reimbursement data by patient, claim and hospital from 1998-2003. This data is highly confidential and proprietary to BCBSI, the hospitals with which BCBSI contracts, and BCBSI covered patients.

Disc No.	Bates Number	Data File	Reason for <i>In Camera</i> Treatment
1	BCBSI 25149	PMRC0198.FTM PMRC0199.FTM PMRC0298.FTM PMRC0299.FTM PMRC0398.FTM PMRC0399.FTM PMRC0498.FTM PMRC0499.FTM PMRC0598.FTM PMRC0599.FTM PMRC0698.FTM PMRC0699.FTM PMRC0798.FTM PMRC0799.FTM PMRC0898.FTM PMRC0998.FTM PMRC0999.FTM PMRC1098.FTM PMRC1099.FTM PMRC1198.FTM PMRC1199.FTM PMRC1298.FTM PMRC1299.FTM POS0198.FTM POS0199.FTM POS0298.FTM POS0299.FTM POS0398.FTM POS0399.FTM POS0498.FTM POS0499.FTM POS0598.FTM POS0599.FTM POS0698.FTM POS0699.FTM POS0798.FTM	Contain confidential PMRC 1998 POS 1999, and PPO January 1998- April 1999 claim and reimbursement data.

Disc No.	Bates Number	Data File	Reason for <i>In Camera</i> Treatment
		POS0799.FTM POS0898.FTM POS0899.FTM POS0998.FTM POS0999.FTM POS1098.FTM POS1099.FTM POS1198.FTM POS1199.FTM POS1298.FTM POS1299.FTM PPO0198.FTM PPO0199.FTM PPO0298.FTM PPO0299.FTM PPO0398.FTM PPO0399.FTM PPO0498.FTM	
2	BCBSI 25150	PPO0499.FTM PPO0598.FTM PPO0599.FTM PPO0698.FTM PPO0699.FTM PPO0798.FTM PPO0799.FTM PPO0898.FTM PPO0899.FTM	Contain confidential PPO April 1998-August 1999 claim and reimbursement data.
3	BCBSI 25151	PPO0999.FTM PPO1098.FTM PPO1099.FTM PPO1198.FTM PPO1199.FTM PPO1298.FTM PPO1299.FTM	Contain confidential PPO September 1998-December 1999 claim and reimbursement data.
4	BCBSI 25152	PMRC0100.FTM PMRC0200.FTM PMRC0300.FTM PMRC0400.FTM PMRC0500.FTM PMRC0600.FTM PMRC0700.FTM PMRC0800.FTM	Contain confidential PMRC 2000, POS 2000 and PPO Files 1-5/2000 claim and reimbursement data.



Disc No.	Bates Number	Data File	Reason for <i>In Camera</i> Treatment
		PMRC0900.FTM PMRC1100.FTM PMRC1200.FTM POS0100.FTM POS0200.FTM POS0300.FTM POS0400.FTM POS0500.FTM POS0600.FTM POS0700.FTM POS0800.FTM POS0900.FTM POS1000.FTM POS1100.FTM POS1200.FTM PPO0100.FTM PPO0200.FTM PPO0300.FTM PPO0400.FTM PPO0500.FTM	
5	BCBSI 25153	PPO0600.FTM PPO0700.FTM PPO0800.FTM PPO0900.FTM PPO1000.FTM PPO1100.FTM PPO1200.FTM	Contain confidential PPO June-December 2000 claim and reimbursement data.
6	BCBSI 25154	PMRC0101.FTM PMRC0201.FTM PMRC0301.FTM PMRC0501.FTM PMRC0601.FTM PMRC0701.FTM PMRC1001.FTM PMRC1201.FTM POS0101.FTM POS0201.FTM POS0301.FTM POS0401.FTM POS0501.FTM POS0601.FTM POS0701.FTM POS0801.FTM	Contain confidential PMRC, POS and PPO January-May 2001 claim and reimbursement data.

<b>Disc No.</b>	<b>Bates Number</b>	<b>Data File</b>	<b>Reason for <i>In Camera</i> Treatment</b>
		POS0901.FTM POS1001.FTM POS1101.FTM POS1201.FTM PPO0101.FTM PPO0201.FTM PPO0301.FTM PPO0401.FTM PPO0501.FTM	
7	BCBSI 25155	PPO0601.FTM PPO0701.FTM PPO0801.FTM PPO0901.FTM	Contain confidential PPO June-September 2001 claim and reimbursement data.
8	BCBSI 25156	PPO0601.FTM PPO0701.FTM PPO0801.FTM PPO0901.FTM	Contain confidential PPO Files 10, 11, 12/2000 claim and reimbursement data.
9	BCBSI 25157	PMRC0202.FTM PMRC0302.FTM PMRC0602.FTM PMRC0702.FTM PMRC0902.FTM PMRC1002.FTM PMRC1202.FTM POS0102.FTM POS0202.FTM POS0302.FTM POS0402.FTM POS0602.FTM POS0802.FTM POS1002.FTM POS1202.FTM PPO0202.FTM PPO0302.FTM POS0502.FTM POS0702.FTM POS0902.FTM POS1102.FTM PPO0102.FTM	Contain confidential PMRC 2002, POS 2002, and PPO January-March 2002 claim and reimbursement data.
10	BCBSI 25158	PPO0402.FTM PPO0502.FTM	Contain confidential PPO April - June 2002 claim and

<b>Disc No.</b>	<b>Bates Number</b>	<b>Data File</b>	<b>Reason for <i>In Camera</i> Treatment</b>
		PPO0602.FTM PPO0702.FTM	reimbursement data,
11	BCBSI 25159	PPO0802.FTM PPO0902.FTM PPO1002.FTM	Contain confidential PPO August-October 2002 claim and reimbursement data.
12	BCBSI 25160	PPO1102.FTM PPO1202.FTM	Contain confidential PPO November -December 2002 claim and reimbursement data.
13	BCBSI 25161	PMRC0203.FTM PMRC0303.FTM PMRC0403.FTM PMRC0603.FTM PMRC0703.FTM POS0103.FTM POS0203.FTM POS0303.FTM POS0403.FTM POS0503.FTM POS0603.FTM POS0703.FTM PPO0103.FTM PPO0203.FTM	Contain confidential POS, PMRC 1-7/2003 and PPO January - February 2003 claim and reimbursement data.
14	BCBSI 25162	PPO0303.FTM PPO0403.FTM PPO0503.FTM	Contain confidential PPO March - May 2003 claim and reimbursement data.
15	BCBSI 25163	PPO0603.FTM PPO0703.FTM	Contain confidential PPO June-July 2003 claim and reimbursement data.
16	BCBSI 25164	FTCH0303.FTM FTCH0402.FTM FTCH0600.FTM FTCH0601.FTM FTCH0703.FTM FTCH0802.FTM FTCH1200.FTM FTCH1201.FTM FTCH1202.FTM FTCH1998.FTM	Contain confidential HMO claims incurred between January 1, 1998 - July 31, 2003 and paid on or before July 31, 2003.

Disc No.	Bates Number	Data File	Reason for <i>In Camera</i> Treatment
		FTCH1999.FTM	
	BCBSI 025165	CLM98Q01.TXT CLM98Q02.TXT CLM98Q03.TXT CLM98Q04.TXT CLM99Q01.TXT CLM99Q02.TXT CLM99Q03.TXT CLM99Q04.TXT CLM00Q01.TXT CLM00Q02.TXT CLM00Q03.TXT CLM00Q04.TXT CLM01Q01.TXT CLM01Q02.TXT CLM01Q03.TXT CLM01Q04.TXT CLM02Q1.DAT CLM02Q2.DAT CLM02Q3.DAT CLM02Q4.DAT CCMO3Q01.TXT CLM03Q02.TXT CLM03Q03.TXT	Contain confidential January 1, 1998 - September 30, 2003 claim and reimbursement data.
		PPO0998.FTM PPO1001.FTM PPO1101.FTM PPO1201.FTM	

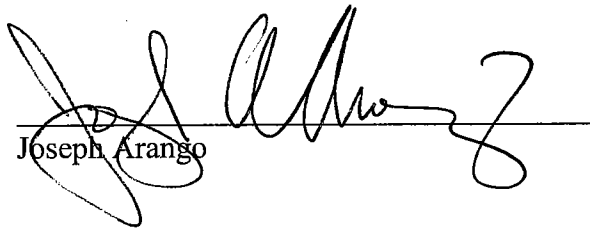
23. Under no circumstances would BCBSI make these data files public. BCBSI limits access to the data to a very small number of employees. Even those responsible for negotiating hospitals contracts only see the data on an aggregated basis after it has been used in certain financial models.

24. This compiled dataset is not available from any other source. It could not be duplicated by hospitals or other competing payors.

25. Disclosure of this computer data would cause significant privacy concerns for BCBSI covered patients and competitive concerns for BCBSI's business. Although the identity of individual patients was masked in the data set produced, the data set contains information that could be used by motivated third parties to uncover patient identifying information. Thus, disclosure of the data could jeopardize the privacy interests of individuals whose claims, payments and reimbursement records are reflected in the database.

26. Release of the data would allow BCBSI competitors to construct a detailed and accurate financial model of BCBSI's business and use it to BCBSI's detriment. Both BCBSI covered patients and BCBSI will suffer serious injury if these data files are made public.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 10<sup>th</sup> day of January, 2005, in Cook County, Ill.

  
Joseph Arango