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Kim Sheaffer  
Pennsylvania Insurance Department  
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Harrisburg, PA 17120  
Email: [kimsheaffer@pa.gov](mailto:kimsheaffer@pa.gov)

**RE: Highmark Request for Modification of the Commissioner's Approving  
Determination and Order dated April 29, 2013**

Dear Ms. Sheaffer:

Capital Blue Cross (Capital) appreciates the opportunity to comment on Highmark, Inc.'s (Highmark) Request for Modification of the Commissioner's Approving Determination and Order dated April 29, 2013 (the "Modification Request"). Capital is a regional health insurance company affiliated with the Blue Cross Blue Shield Association of America that serves approximately 820,000 customers in twenty-one counties in Central Pennsylvania and the Lehigh Valley. Capital has been competing directly with Highmark for over 30 years – one of the few instances in the United States where Blue plans directly compete - and has a unique perspective of Highmark's request.

Capital believes the April 29, 2013 Order should remain in place while the Pennsylvania Insurance Department (PID) conducts a further review to reconcile certain inconsistencies within Highmark's request and consider its obligations as a not-for-profit entity. Capital also urges the PID to review the financial impact Allegheny Health Network (AHN) has on Highmark and its customers. Finally, Capital urges the PID to study Integrated Delivery Networks (IDNs) like Highmark to better understand the market impact they have on competition and healthcare costs in the Commonwealth, and how that dynamic might change if the Modification Request is granted.

Highmark maintains in its Modification Request that "healthcare competition in western Pennsylvania has been enhanced following the creation of Highmark Health as a blended health organization," and "for that core reason . . . the Order has served its purpose and any competitive effects it sought to address have been remedied." Highmark also states that parts of the Order create an undue burden on them that impedes its ability to compete. However, a 2023 Compass/Lexicon study found "no indication the 2013 Order had an adverse effect on healthcare insurance, healthcare delivery, or the quality of care and variety of plans available to Highmark members or other consumers in WPA". Not only should the PID examine Highmark's conclusions regarding the pro-competitive impact of Highmark Health's creation, the PID should also examine the inconsistencies among Highmark's positions referenced above and the Compass/Lexicon study before deciding whether to modify the 2013 Order.

Capital also believes the PID should review the financial impact Allegheny Health Network (AHN) is having on Highmark and its customers before deciding whether to modify the 2013 Order. Highmark has reported operating losses of \$116.2 million in 2022, and \$144.2 million in the

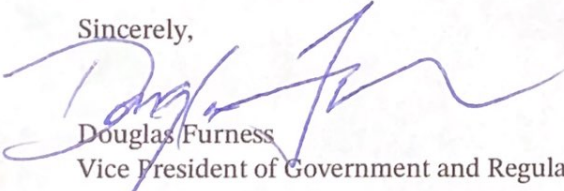
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first half of 2023. These numbers indicate that Highmark has not stabilized AHN's financial position, which could be further impacted by the 2019, 10-year agreement between Highmark and the University of Pittsburgh Medical Center (UPMC) that ensures Highmark customers can receive treatment in UPMC facilities. Because the Compass/Lexicon study indicates that AHN survives in large measure because of Highmark subsidies and the direction of its customers to AHN facilities, the PID should examine the long-term financial impact to both Highmark and AHN as not-for-profit entities.

Finally, Capital believes the PID should consider whether IDNs need more, not less, regulatory oversight. While some have touted IDNs as the future of healthcare delivery and a method to control spiraling healthcare costs, the opposite may be true. In Pennsylvania alone there are no less than four (4) IDNs covering hundreds of thousands of lives. The sheer size of these organizations and the leverage they hold in the payer/provider market suggests that the PID should conduct a detailed study of their impact on cost, customer choice, and satisfaction before deciding whether to modify the 2013 Order.

Thank you for the opportunity to comment on this important topic. Please reach out to us with any questions or comments.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Douglas Furness', is written over the typed name and title.

Douglas Furness  
Vice President of Government and Regulatory Affairs