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Corporate & Financial Regulation

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Pennsylvania
Insurance Department

FORM A

**STATEMENT REGARDING THE ACQUISITION
OF CONTROL OF OR MERGER WITH DOMESTIC INSURERS:**

**HIGHMARK INC.,
a Pennsylvania nonprofit corporation licensed to operate a hospital plan and a professional
health services plan**

**FIRST PRIORITY LIFE INSURANCE COMPANY, INC.,
a Pennsylvania stock insurance company**

**GATEWAY HEALTH PLAN, INC.,
a Pennsylvania business corporation and licensed health maintenance organization**

**HIGHMARK CASUALTY INSURANCE COMPANY,
a Pennsylvania stock insurance company**

**HIGHMARK SENIOR RESOURCES INC.,
a Pennsylvania stock insurance company**

**HM CASUALTY INSURANCE COMPANY,
a Pennsylvania stock insurance company**

**HM HEALTH INSURANCE COMPANY,
d/b/a HIGHMARK HEALTH INSURANCE COMPANY,
a Pennsylvania stock insurance company**

**HM LIFE INSURANCE COMPANY,
a Pennsylvania stock insurance company**

**HMO OF NORTHEASTERN PENNSYLVANIA, INC.,
d/b/a FIRST PRIORITY HEALTH,
a Pennsylvania nonprofit corporation and licensed health maintenance organization**

**INTERCOUNTY HEALTH PLAN, INC.,
a Pennsylvania nonprofit corporation licensed to operate a professional health services plan**

**INTERCOUNTY HOSPITALIZATION PLAN, INC.,
a Pennsylvania nonprofit corporation licensed to operate a hospital plan**

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KEYSTONE HEALTH PLAN WEST, INC.,
a Pennsylvania business corporation and licensed health maintenance organization

UNITED CONCORDIA COMPANIES, INC.,
a Pennsylvania stock insurance company

UNITED CONCORDIA DENTAL PLANS OF PENNSYLVANIA, INC.,
a Pennsylvania business corporation and licensed risk-assuming PPO

UNITED CONCORDIA LIFE AND HEALTH INSURANCE COMPANY,
a Pennsylvania stock insurance company

BY

UPE,
a Pennsylvania nonprofit corporation

**Filed with the Insurance Department
of the Commonwealth of Pennsylvania**

November 7, 2011

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Item 1: Insurers and Method of Acquisition

A. Domestic Insurers

The domestic insurers to which this Application relates (hereinafter “Domestic Insurers”) are as follows:

- Insurer: **Highmark Inc.**
Principal address: 1800 Center Street, Camp Hill, PA 17011
Type of entity: Pennsylvania nonprofit corporation licensed to operate a hospital plan and a professional health services plan
Ownership Interest: N/A
NAIC group code: 00812
NAIC company code: 54771

- Insurer: **First Priority Life Insurance Company, Inc.**
Principal address: 19 North Main Street, Wilkes-Barre, PA 18711
Type of entity: Pennsylvania stock insurance company
Ownership interest: Highmark Inc. (40.1%)
NAIC group code: 1270
NAIC company code: 60147

- Insurer: **Gateway Health Plan, Inc.**
Principal address: U.S. Steel Tower, Floor 41, 600 Grant Street, Pittsburgh, PA 15219
Type of entity: Pennsylvania business corporation and licensed health maintenance organization
Ownership Interest: wholly owned by Gateway Health Plan, LP in which Highmark has a 49% limited partnership interest and a 1% general partnership interest (through Highmark Ventures Inc., a wholly-owned subsidiary)
NAIC group code: 812
NAIC company code: 96938

- Insurer: **Highmark Casualty Insurance Company**
Principal address: 120 Fifth Avenue, Pittsburgh, PA 15222-3099
Type of Entity: Pennsylvania stock insurance company
Ownership Interest: wholly-owned subsidiary of HM Insurance Group, Inc., a wholly-owned subsidiary of Highmark Inc.
NAIC group code: 812
NAIC company code: 35599

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Insurer: **Highmark Senior Resources, Inc.**
Principal address: 120 Fifth Avenue, Pittsburgh, PA 15222-3099
Type of entity: Pennsylvania stock insurance company
Ownership Interest: wholly-owned subsidiary of Highmark Inc.
NAIC group code: 812
NAIC company code: 10131

Insurer: **HM Casualty Insurance Company**
Principal address: 120 Fifth Avenue, Pittsburgh, PA 15222-3099
Type of entity: Pennsylvania stock insurance company
Ownership Interest: wholly-owned subsidiary of HM Insurance Group, Inc., a wholly-owned subsidiary of Highmark Inc.
NAIC group code: 812
NAIC company code: 13016

Insurer: **HM Health Insurance Company, d/b/a Highmark Health Insurance Company**
Principal address: 120 Fifth Avenue, Pittsburgh, PA 15222-3099
Type of entity: Pennsylvania stock insurance company
Ownership interest: wholly-owned subsidiary of Highmark Inc.
NAIC group code: 812
NAIC company code: 71768

Insurer: **HM Life Insurance Company**
Principal address: 120 Fifth Avenue, Pittsburgh, PA 15222-3099
Type of entity: Pennsylvania stock insurance company
Ownership Interest: wholly-owned subsidiary of HM Insurance Group, Inc., a wholly-owned subsidiary of Highmark Inc.
NAIC group code: 812
NAIC company code: 93440

Insurer: **HMO of Northeastern Pennsylvania, Inc., d/b/a First Priority Health**
Principal address: 19 North Main Street, Wilkes-Barre, PA 18111
Type of entity: Pennsylvania nonprofit corporation and licensed health maintenance organization
Ownership Interest: Highmark Inc. (40%)
NAIC group code: 1270
NAIC company code: 96601

Insurer: **Inter-County Health Plan, Inc.**
Principal address: 720 Blair Mill Road, Horsham, PA 19044-2244
Type of entity: Pennsylvania nonprofit corporation licensed to
operate a professional health services plan
Ownership Interest: Highmark Inc. (50%)
NAIC group code: 936
NAIC company code: 53252

Insurer: **Inter-County Hospitalization Plan, Inc.**
Principal address: 720 Blair Mill Road, Horsham, PA 19044-2244
Type of entity: Pennsylvania nonprofit corporation licensed to
operate a licensed hospital plan
Ownership Interest: Highmark Inc. (50%)
NAIC group code: 936
NAIC company code: 54763

Insurer: **Keystone Health Plan West, Inc.**
Principal Address: 120 Fifth Avenue, Pittsburgh, PA 15222-3099
Type of entity: Pennsylvania business corporation and licensed
health maintenance organization
Ownership Interest: wholly-owned subsidiary of Highmark Inc.
NAIC group code: 812
NAIC company code: 95048

Insurer: **United Concordia Companies, Inc.**
Principal Address: 4401 Deer Path Road, Harrisburg, PA 17110
Type of entity: Pennsylvania stock insurance company
Type of entity: wholly-owned subsidiary of Highmark Inc.
NAIC group code: 812
NAIC company code: 89070

Insurer: **United Concordia Dental Plans of Pennsylvania, Inc.**
Principal Address: 4401 Deer Path Road, Harrisburg, PA 17110
Type of entity: Pennsylvania business corporation and licensed
risk-assuming preferred provider organization
Ownership Interest: wholly-owned subsidiary of United
Concordia Companies, Inc., a wholly-owned subsidiary of
Highmark Inc.
NAIC group code: 812
NAIC company code: 47089

Insurer: **United Concordia Life and Health Insurance Company**
Principal Address: 4401 Deer Path Road, Harrisburg, PA 17110
Type of entity: Pennsylvania stock insurance company
Ownership Interest: wholly-owned subsidiary of United Concordia Companies, Inc., a wholly-owned subsidiary of Highmark Inc.
NAIC group code: 812
NAIC company code: 62294

B. Method of Acquisition and General Description of the Affiliation Transaction

1. Highmark Inc. (“Highmark”)

a. General Description of Highmark

Highmark is a Pennsylvania nonprofit corporation licensed by the Pennsylvania Insurance Department (“Department”) to operate a nonprofit hospital plan and a nonprofit professional health services plan pursuant to the Health Plan Corporations Act, 40 Pa. C.S. §§ 6101-6127, 6301-6335 (“HPCA”). A copy of the Amended and Restated Bylaws of Highmark are attached at Tab A.

Highmark is also an independent licensee of the Blue Cross Blue Shield Association (“BCBSA”), which owns the “Blue” names and marks, and is one of four “Blue” plans in Pennsylvania. Under its BCBSA licenses, Highmark operates as Highmark Blue Cross Blue Shield in the 29 western-most counties of Pennsylvania and as Highmark Blue Shield in the remaining counties of the Commonwealth.¹ As a party to joint operating agreements, Highmark provides professional health services coverage in conjunction with hospital coverage provided by Blue Cross of Northeastern Pennsylvania in northeastern Pennsylvania and by Independence Blue Cross (“IBC”) in southeastern Pennsylvania.

Highmark has several subsidiaries and affiliates that are engaged in offering health insurance, dental insurance, vision services, workers compensation insurance, stop-loss insurance, real estate management services and other administrative services.

¹ Highmark’s license agreements with the BCBSA permit Highmark to operate as Highmark Blue Cross Blue Shield in the western portion of Centre County and as Highmark Blue Shield in the eastern portion of Centre County.

Health insurance products are offered by Keystone Health Plan West, Inc., Highmark Senior Resources Inc., HM Health Insurance Company, Highmark West Virginia Inc. (a West Virginia nonprofit health services corporation and a licensee of BCBSA), First Priority Life Insurance Company, HMO of Northeastern Pennsylvania, Inc. d/b/a First Priority Health, Inter-County Health Plan, Inc. and Inter-County Hospitalization Plan, Inc.

United Concordia Companies, Inc. (“UCCI”) and its subsidiaries offer dental insurance utilizing preferred provider and managed care networks and third party administration services.

The other insurance products are offered through Highmark Casualty Insurance Company, HM Life Insurance Company of NY, and HM Casualty Insurance Company.

In addition to its insurance subsidiaries, Highmark has subsidiaries engaged in other businesses. HVHC Inc., through its subsidiaries, operates three lines of vision business - retail optical stores, managed vision care services, and the design and distribution of branded eye care products. Highmark Medicare Services Inc. processes Medicare Part A and Part B fee-for-service claims for the Centers for Medicare & Medicaid Services.

b. Organizational Chart of Highmark and Affiliates of Highmark

A chart reflecting the identities and organization of Highmark and its affiliates is attached at Tab B.

2. West Penn Allegheny Health System, Inc. (“WPAHS”)

a. General Description of WPAHS and Affiliates

A general description of WPAHS and its affiliates is attached at Tab C.

b. Organizational Chart of WPAHS and Affiliates

A chart reflecting the identities and organization of WPAHS and its affiliates is attached at Tab D.

3. **Overview of Highmark's Strategic Vision**

An Overview of Highmark's Strategic Vision prepared by Highmark and including the affiliation with WPAHS is attached at Tab E.

4. **The Affiliation Transaction**

a. **General Description of the Affiliation Transaction**

Highmark and WPAHS have entered into an Affiliation Agreement pursuant to which Highmark and WPAHS will affiliate to establish a new integrated health system that preserves Highmark's control over its insurance operations and WPAHS's federal income tax-exempt status under IRC §501(c)(3).

Basic Structure of the New Affiliation

At closing under the Affiliation Agreement, a new nonprofit parent company, UPE, will become the sole corporate member (as defined in 15 Pa. C.S.A. §5103) within a new class of membership that will be established in Highmark. UPE was formed on October 20, 2011 by filing of Articles of Incorporation with the Pennsylvania Department of State, a copy of which is attached at Tab F. A copy of the Bylaws of UPE is attached at Tab G. A copy of the Amended and Restated Bylaws of UPE which will become effective at the Closing of the transaction is attached at Tab H.

UPE will hold all rights in this new class of corporate membership in Highmark which will be created and exist in addition to the current class of members which consists of members of the Board of Directors of Highmark. The Directors of Highmark, acting as the class of Highmark director-members, will continue to have the right, power and duty to determine the requisites for persons of low income eligible for benefits under Highmark's health care plans, subject to the approval by the Insurance Commissioner and such other rights as may be required by law. Highmark will maintain its Board of Directors which will continue to have significant control over operations. UPE will also hold certain reserved powers with respect to Highmark. All initial Directors of UPE will be drawn from the Directors of Highmark. A copy of the Second Amended and Restated Bylaws of Highmark which will be effective at the Closing of the transaction is attached at Tab I.

UPE will also become the sole corporate member of a new nonprofit subsidiary of UPE, UPE Provider Sub. UPE Provider Sub was formed on October 20, 2011 by filing of Articles of Incorporation with the Pennsylvania Department of State, a copy of which is attached at Tab J. A copy of the Bylaws of UPE Provider Sub is attached at Tab K. A copy of the Amended and Restated Bylaws of UPE Provider Sub which will be effective at the Closing of the transaction is attached at Tab L. UPE Provider Sub will become the sole member of WPAHS which in turn is the parent company of various entities in the WPAHS health system of hospitals and other healthcare providers. UPE and UPE Provider Sub will each have certain reserved powers in WPAHS and a majority of the Board of WPAHS will be appointed by UPE Provider Sub. A copy of the Amended and Restated Bylaws of WPAHS which will be effective at the Closing of the transaction is attached at Tab M.

Highmark Funding Commitment

Under the terms of the Affiliation Agreement, Highmark has agreed to provide funding to WPAHS in an aggregate amount not to exceed \$400 million as follows:

- \$50 million was funded on June 28, 2011 at the time of the execution of the term sheet in order to make capital improvements and fund operations at WPAHS;
- \$100 million was funded on the signing of the Affiliation Agreement and a third funding which will be in the amount of \$50 million will be made 180 days after the execution of the Affiliation Agreement (provided WPAHS is not then in default). These two funding amounts will be deployed pursuant to plans developed by a joint committee of Highmark and WPAHS representatives, provided that the first priority of such funds will be to cover WPAHS's operating losses and to prevent or cure a default under the WPAHS Master Indenture; and
- Two additional funding commitments in the form of loans of \$100 million each (conditioned upon the closing of the Affiliation Agreement) will be advanced on the later of the closing or April 1, 2013 and April 1, 2014, respectively; each of these two funding commitments will be reduced by

any positive cash flow of the WPAHS affiliated organizations; and

- Beyond the funding commitments described above, the establishment of the endowment fund described below, and a projected one-time contribution of \$1 million to UPE for operating purposes, Highmark has no additional obligation to provide funding or to assume any liabilities of WPAHS and its affiliates.

Conditions to Closing

Numerous conditions exist to the parties' obligation to close the transaction, including various regulatory approvals that must be obtained (including those of the Pennsylvania Insurance Department, the Pennsylvania Department of Health, the Pennsylvania Office of Attorney General, and the IRS as to federal income tax exemption of UPE and UPE Provider Sub, and the Blue Cross Blue Shield Association).

Interim Operating Covenants

The Affiliation Agreement contains covenants prohibiting WPAHS management from taking a number of key operating actions prior to closing without first obtaining Highmark's consent.

Other Features

Among other significant features of the Affiliation Agreement:

- Highmark has received an option to become a 50/50 owner with WPAHS of a joint venture to own and operate WPAHS's core laboratory facility;
- WPAHS has agreed that it will not pursue any comparable transaction or affiliation while the Affiliation Agreement is pending;
- On the closing date, Highmark will establish a \$75 million special purpose endowment fund to provide specified scholarships for medical students and pre-medical and health-related science studies and other health-related

professional education; and

- Both parties agree that they will not make any material change to WPAHS's operations that would be inconsistent with WPAHS's federal income tax-exempt status for at least four years.

b. Affiliation Agreement

A copy of the Affiliation Agreement has been provided to the Department as a confidential document under separate cover.

5. Structure and Governance of the Entities Involved in the Affiliation Transaction

A discussion of the structure and governance of the entities involved in the Affiliation Transaction has been submitted to the Department with this filing as a confidential document.

Item 2: Identity and Background of the Applicant

A. Name and Address of Applicant

The Applicant is:

UPE
Fifth Avenue Place
120 Fifth Avenue
Pittsburgh, PA 15222

B. Nature of the Applicant's Business Operations

Applicant

Applicant was formed on October 20, 2011 as a non-member Pennsylvania nonprofit corporation. The Corporation was organized for scientific, educational and charitable purposes and in this connection has filed an application with the Internal Revenue Service requesting that Applicant be recognized as exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. At closing of the Affiliation Transaction, Applicant will be the sole member of the class of members of Highmark which will elect Highmark's Board of Directors and the sole member of UPE Provider Sub which in turn will be the sole member of WPAHS.

C. Post-Affiliation Chart of the Applicant and All Affiliates of the Applicant

A chart reflecting the identities and organization of UPE and its affiliates is attached at Tab N.

Item 3: Identity and Background of Individuals Associated with the Applicant

The structure and initial composition of the Board of Directors of UPE was determined by the incorporator, taking into account the limitations of section 501(c)(3) with respect to the tax-exempt status of WPAHS. The initial directors of UPE are: Kenneth R. Melani, M.D., J. Robert Baum, Ph.D., David A. Blandino, M.D., Joseph C. Guyaux, David J. Malone, David M. Matter, and Victor A. Roque. All initial senior officers of UPE are the same as the senior officers of Highmark as of the date of the signing of the Affiliation Agreement. The initial officers of UPE are Kenneth R. Melani, M.D. (President and CEO), Maureen L. Hogel (Secretary), and Nanette P. DeTurk (Treasurer).

Updated biographical affidavits for these individuals are being filed concurrently with the filing of this Form A.

Item 4: Nature, Source and Amount of Consideration

There will be no cash consideration or exchange of any voting stock of any Domestic Insurer's or the Applicant's subsidiaries or affiliates.

Item 5: Future Plans

The Applicant has no present plans to declare any extraordinary dividend, liquidate any of the Domestic Insurers, sell their assets to or merge them with any person or persons, or to make any other material change in their business operations or corporate structure or management, except as set forth herein.

Item 6: Voting Securities to be Acquired

This transaction does not involve the sale or purchase of voting securities. As described above, upon consummation of the Affiliation Transaction, Applicant will become the sole member of the class of members of Highmark which will elect the Board of Directors of Highmark and, by operation of law, upon transfer of control of Highmark, will acquire the following indirect ownership interests in the Domestic Insurers:

- 40.1% of the stock of First Priority Life Insurance Company, Inc.

- 49% limited partnership interest and 1% general partnership interest (through Highmark Ventures Inc. a wholly-owned subsidiary of Highmark) in Gateway Health Plan, LP, the sole shareholder of Gateway Health Plan, Inc.
- 100% of the stock of HM Health Insurance Company, d/b/a Highmark Health Insurance Company
- 100% of the stock of Highmark Senior Resources, Inc.
- 100% of the stock of HM Insurance Group, Inc., the sole shareholder of Highmark Casualty Insurance Company, HM Casualty Insurance Company, and HM Life Insurance Company
- 40% of the stock of HMO of Northeastern Pennsylvania, Inc., d/b/a First Priority Health
- 50% of the membership of Inter-County Health Plan, Inc.
- 50% of the membership of Inter-County Hospitalization Plan, Inc.
- 100% of the stock of Keystone Health Plan West, Inc.
- 100% of the stock of United Concordia Companies, Inc. and its wholly-owned subsidiaries United Concordia Dental Plans of Pennsylvania, Inc. and United Concordia Life and Health Insurance Company

Item 7: Ownership of Voting Securities

The Applicant currently has no ownership interest in the Domestic Insurers.

Item 8: Contracts, Arrangements, or Understandings with Respect to Voting Securities of the Domestic Insurer(s)

None.

Item 9: Recent Purchases of Voting Securities

None.

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Item 10: Recent Recommendations to Purchase

None.

Item 11: Agreements with Broker-Dealers

None.

Item 12: Financial Statements and Exhibits

Copies in "pdf" format of annual and quarter ending 6/30/11 financial statements for Highmark and its insurance subsidiaries covering the period 2006-2010 as appropriate on a compact disc included with this filing at Tab O.

- Highmark Inc.
 - Highmark Inc. Statutory Financial Statements
 - Highmark Inc. Combined GAAP Financial Statements (filed as a confidential document with the Department)
- Highmark Domestic Insurer Subsidiaries:
 - First Priority Life Insurance Company, Inc.
 - Gateway Health Plan, Inc.
 - Healthguard of Lancaster, Inc. (2006 only)
 - Highmark Casualty Insurance Company
 - Highmark Senior Resources Inc.
 - HM Casualty Insurance Company (2007-2010)
 - HM Health Insurance Company
 - HM Life Insurance Company
 - HMO of Northeastern Pennsylvania, Inc.
 - Inter-County Health Plan, Inc.
 - Inter-County Hospitalization Plan, Inc.
 - Keystone Health Plan West, Inc.
 - United Concordia Companies, Inc.

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- United Concordia Dental Plans of Pennsylvania, Inc.
- United Concordia Life and Health Insurance Company

- Highmark Non-domestic Insurance Subsidiaries:
 - Gateway Health Plan of Ohio, Inc.
 - HCI, Inc. (annual only)
 - Highmark West Virginia Inc., d/b/a Highmark Blue Cross Blue Shield of West Virginia
 - HM Captive Insurance Company (2007-2010) (annual only)
 - HM Life Insurance Company of New York
 - United Concordia Dental Corporation of Alabama (annual only)
 - United Concordia Dental Plans, Inc.
 - United Concordia Dental Plans of Arizona, Inc. (2006 only)
 - United Concordia Dental Plans of California, Inc. (annual only)
 - United Concordia Dental Plans of Delaware, Inc. (2006 only)
 - United Concordia Dental Plans of Florida, Inc.
 - United Concordia Dental Plans of Illinois, Inc. (2006 only)
 - United Concordia Dental Plans of Kentucky, Inc.
 - United Concordia Dental Plans of Texas, Inc.
 - United Concordia Dental Plans of the Midwest, Inc.
 - United Concordia Insurance Company
 - United Concordia Insurance Company of New York

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Item 13: Signature and Certification

Pursuant to the requirements of Section 1402 of the Act, UPE has caused this Application to be duly signed on its behalf in the City of Pittsburgh and Commonwealth of Pennsylvania on the 7th day of November, 2011.

(SEAL)

APPLICANT

By: Kenneth R. Melani
Kenneth R. Melani, M.D.

Title: President and Chief Executive Officer

Attest:

By: Maura L. Hegl

Title: Corporate Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated November 7, 2011 for and on behalf of Applicant; that he is the President and Chief Executive Officer of such company; and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Signature: Kenneth R. Melani
Typed Name: Kenneth R. Melani, M.D.