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Brackbill, Robert

From: Creeger, Christine [cakentera@cvty.com] on behalf of Guarneschelli, Tim [tguarneschelli@cvty.com]
Sent: Thursday, April 12, 2012 8:37 AM
To: Brackbill, Robert
Cc: Guarneschelli, Tim; Dikker, Julia; Eyles, Matthew; Marcocci, Kendall; Fields, David; Peretin, Donna
Subject: April 17, 2012, Public Informational Hearing
Attachments: HealthAmerica CEO David Fields Testimony-PID Public Hearing-Highmark WPAHS-04 17 2012.pdf

Sensitivity: Confidential

Dear Mr. Brackbill:

David Fields, President & CEO of HealthAmerica Pennsylvania, Inc. is registered to speak at the April 17, 2012, Public Informational Hearing regarding Highmark's proposed affiliation with West Penn Allegheny Health System. Attached please find Mr. Fields' written statement.

Should you have any questions, please do not hesitate to call me at 717-541-5957.

Very truly yours,
Tim Guarneschelli

<<HealthAmerica CEO David Fields Testimony-PID Public Hearing-Highmark WPAHS-04 17 2012.pdf>>

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**Public Informational Hearing
The Insurance Department
Pittsburgh, Pennsylvania -- April 17, 2012**

**Application for Approval to Acquire Control of Highmark, Inc. and its
Pennsylvania Domiciled Insurance Subsidiaries**

**Written Statement of David Fields
President and CEO of HealthAmerica**

Thank you for the opportunity to offer comments and recommendations to Pennsylvania Insurance Department's (PID) Public Information Hearing on the proposed acquisition of Allegheny General Hospital and the West Penn Health System by Highmark.

On behalf of HealthAmerica, I want to express our appreciation for the efforts by you and the PID staff to hold today's fact-finding hearing on the very important topic that will have serious and long-term ramifications for the health care market in western Pennsylvania.

HealthAmerica Overview

HealthAmerica is a leading health insurer in the commercial sector and government programs, such as Medicare and Medicaid. We provide quality, accessible, and affordable health care coverage to the citizens of the Commonwealth and have done so for nearly 40 years. We offer a wide portfolio of products to nearly 12,000 employers and approximately 450,000 members in Pennsylvania and eastern Ohio. Through our provider network, we serve all 67 counties in Pennsylvania. In fact, we are one of the few health plans in Pennsylvania to offer access to a directly contracted, statewide network.

HealthAmerica is locally-managed with offices in Pittsburgh, Erie, Harrisburg, Plymouth Meeting, and King of Prussia. In conjunction with our corporate parent, Coventry Health Care, Inc., we have approximately 2,500 employees across the state, making Pennsylvania the single largest employment site for the corporation. All our employees are offered comprehensive health benefits, so access to high-quality providers is critical to us as both an insurance carrier and an employer.

Perspective on Competition and the Highmark-WPAHS Affiliation

HealthAmerica supports competition among health care providers and insurers, consumer choice, and health care accessibility and affordability. We believe that legislative and regulatory actions are necessary to achieve and ensure these goals for the patients and health care consumers in western Pennsylvania.

Let me be clear: HealthAmerica supports the affiliation of Highmark and West Penn Allegheny Health System (WPAHS) “if” this affiliation fosters provider competition that benefits the consumers of western Pennsylvania. We do not support the affiliation if a combined Highmark – WPAHS entity is used to stifle competition, increase health care costs, and further Highmark’s monopoly in the region.

Today, UPMC is the dominant health care delivery system in the region. As a result, it is critical to have a viable competitor and alternative to UPMC. Without competition for UPMC, our experience suggests that the cost of health care will greatly increase. Similarly, Highmark is the region’s dominant health insurer. Therefore, it is essential that Highmark’s regional dominance not be increased by the acquisition and that other insurers are allowed access to WPAHS in order to compete with Highmark on a more level playing field.

Given the current competitive landscape, we support the Highmark – WPAHS acquisition because of the competitive counterbalance it poses to UPMC, but only if the Commonwealth simultaneously imposes certain conditions, including appropriate oversight and enforcement mechanisms, that guarantee the ability of other insurers to fairly compete with Highmark in the marketplace.

Principles for Evaluating Highmark – WPAHS Deal and Conditions of Approval

In the following section, HealthAmerica respectfully offers three guiding principles that the Commonwealth should use to evaluate the Highmark – WPAHS affiliation. In addition, we provide recommendations for conditions that the Commonwealth should impose as part of any approval to ensure continued access to WPAHS by other insurers at competitive rates and to ensure that Highmark cannot leverage the acquisition to increase its market share in western Pennsylvania.

With respect to the guiding principles to evaluate the proposed Highmark – WPAHS acquisition, HealthAmerica respectfully offers that:

1. It must not diminish the overall level of competition or affordability in the health care market in western Pennsylvania.
2. It must not increase costs or limit choice for the region’s patients and health consumers.
3. It must not limit the ability of WPAHS to independently contract with other insurers at market competitive rates and terms.

Principle 1: Maintaining Competition and Affordability in Western PA

Competition among insurers and providers can help reduce the rate of growth in medical costs. In western Pennsylvania, Highmark’s dominance has grown over the last decade for one simple reason: Highmark has a significant medical-cost advantage granted to it by key providers in the marketplace. This advantage for Highmark has historically discouraged competitors from entering the market – with the exception of a few carriers, including HealthAmerica.

Competition is vital to the sustainability of the western Pennsylvania health care market. The key issue is whether Highmark's affiliation with WPAHS would produce an unfair, strategic advantage over competitors. In other words, Highmark could use the affiliation to bolster its own health plan at the expense of competitors in several ways.

For example, Highmark could:

- restrict access to West Penn by other insurers, thereby eliminating competition in the health care provider market.
- force competitors to pay inflated reimbursement rates to West Penn while Highmark receives favorable rates. Competitors would then be forced to pass on those costs to employers, patients, and consumers by charging higher premiums.
- "bundle" West Penn's services into contracts that require the use of other WPAHS facilities and services. That is, Highmark could require "all or nothing" in terms of contracting with other WPAHS facilities for medical services.

HealthAmerica recommends that the Highmark's ability to pursue any of these strategies be limited as a condition of approval. If Highmark is allowed to implement these strategies, it would reduce the level of competition in the health care market that, over time, would diminish access to high quality, affordable health care.

Principle 2: Not Increasing Costs or Limiting Consumer Choice

Another major concern for HealthAmerica is that the Highmark – WPAHS affiliation would increase costs and limit choice for the region's patients and health consumers. Markets with competing insurance carriers typically enjoy lower health insurance premiums than in regions where one payer is dominant. The Pittsburgh health insurance market is highly concentrated with Highmark controlling more than 70 percent of the market.

As a prerequisite to approval of the Highmark – WPAHS affiliation, we recommend that the Commonwealth conduct an independent audit. This audit should evaluate the overall cost savings to the region and include an analysis of savings by the insurance industry at large and by providers for unreimbursed care. If the Commonwealth's independent audit does not confirm that such savings are reasonably likely to occur, the affiliation should not be approved.

In addition, given Highmark's market dominance and its long-standing contractual relationship with UPMC at artificially low, below-market rates, it is imperative that no actions are taken that would extend the existing Highmark-UPMC contract beyond its scheduled termination date of June 30, 2013. Any such actions to extend the termination date would, in fact, have a harmful impact on competition and consumer choice in the market.

Principle 3: Not Limiting WPAHS' Ability to Independently Contract

Finally, the proposed Highmark – WPAHS acquisition must not empower Highmark to limit the ability or authority of WPAHS to independently contract with other insurers at competitive rates and terms.

HealthAmerica is a key stakeholder in these discussions. Like Highmark, HealthAmerica has a long-standing relationship with WPAHS. In fact, until HealthAmerica recently broadened its contractual relationship with UPMC, WPAHS was the primary tertiary-care facility in our western Pennsylvania network. In the past three years, we have had more than 13,000 inpatient admissions and 265,000 outpatient visits at WPAHS facilities.

HealthAmerica believes the transaction is acceptable so long as it is negotiated in good faith and includes conditions to guarantee continued access to WPAHS at competitive rates. As a result, we recommend that the Commonwealth impose the following conditions:

- Current insurer contracts with WPAHS will remain in place; longer term extensions of these contracts will be required.
- Facility and owned physicians, including facilities and providers acquired by Highmark in the future, will continue their participation with all health plans.
- Rates will be market-based and comparable to today's environment; any rate increases will be based on reasonable underlying medical cost trends that are offset by quality and technology-driven efficiencies.
- WPAHS contracts will not be tied to an obligation to contract with other potential Highmark or WPAHS providers or facilities.

Conclusion

HealthAmerica's primary concern with the proposed Highmark – WPAHS acquisition is the potential to reduce the quality of care, limit choice and competition, and increase costs for patients and consumers. If the Committee focuses on the three core principles identified above and imposes appropriate conditions on the acquisition, HealthAmerica is confident that the citizens of western Pennsylvania will enjoy a healthy, sustainable, and vibrant health care market place well into the future.

Once again, thank you for inviting HealthAmerica to participate in this important community discussion about the future of health care delivery and access in the Pittsburgh region. We look forward to your response.