

**ORDER NO. ID-RC-13-06**

**RESPONSE OF HIGHMARK HEALTH  
TO  
UPMC JANUARY 19, 2016 LETTER**

At the request of the Pennsylvania Insurance Department (the “Department”), Highmark Health is providing this response to the letter, dated January 19, 2016 (the “UPMC Letter”), from C. Talbot Heppenstall, Jr., Executive Vice President and Treasurer, UPMC, to Mr. Joseph DiMemmo, CPA, Deputy Insurance Commissioner, regarding the AHN Corrective Action Plan hereafter referred to.

On September 30, 2015, Highmark Health filed a “Final Allegheny Health Network [(“AHN”)] Corrective Action Plan” (the “AHN Corrective Action Plan”) with the Department. By letter dated January 14, 2016, the Department provided its initial response to the AHN Corrective Action Plan, requesting certain additional information from Highmark Health. Highmark Health is working, and will continue to work, collaboratively with the Department to address the Department’s requests.

Five days following the date of the Department’s letter, UPMC sent its letter to the Department. After commending the Department on its “excellent response”, the UPMC Letter goes on to applaud the Department’s efforts to remedy what the letter calls “Highmark’s startling lack of transparency”. With no sense of irony, the UPMC Letter then goes on to refer to a private meeting which UPMC held on December 10, 2015 to present to the Department’s financial advisors UPMC’s “analysis” of the AHN Corrective Action Plan. The UPMC Letter states that this “analysis” also was provided privately to the Insurance Commissioner.

Highmark Health does not intend to address in this letter all of the misstatements of fact, faulty logic and spurious allegations that UPMC makes in the UPMC Letter. Suffice it to say that UPMC is not a disinterested observer of Highmark Health’s activities. Highmark Health, AHN and Highmark Inc. (“Highmark”) are UPMC’s major competitors for health care consumers in western Pennsylvania. The UPMC Letter and UPMC’s efforts behind the scenes to undermine the Highmark Health entities, including the content of the AHN Corrective Action Plan, have nothing at all to do with “ensuring that all stakeholders, including consumers, employers and credit rating agencies” have sufficient, unbiased information to “make appropriate decisions at this crucial time”. Rather, UPMC’s sole interest is in preventing robust health care competition in western Pennsylvania – an interest which runs directly contrary to the interests of the communities served by UPMC (and Highmark Health, AHN and Highmark) and, not incidentally, is antithetical to UPMC’s charitable nonprofit mission to serve those communities.

Contrary to UPMC’s wishful thinking, Highmark Health’s strategy to create a viable integrated delivery and financing system to compete with UPMC is succeeding: Highmark’s insurance membership remains strong as employers and individuals have continued to choose

Highmark despite UPMC's concerted efforts to disrupt and confuse the market, including, specifically, the senior market in direct violation of applicable consent decrees; and AHN's financial position continues to improve as its inpatient and outpatient volumes grow in the face of industry-wide declines. Highmark Health, AHN and Highmark continue and will continue to make investments in the future of health care in the western Pennsylvania region.

Contrary to the most malicious claims in the UPMC Letter, Highmark Health stands by the integrity of its financial statements. The books and records of Highmark Health, AHN and Highmark Inc. are kept in accordance with all applicable accounting guidelines and principles, whether generally accepted accounting principles, statutory accounting principles, or both. The books and records are subject to audit by independent third party auditors, and all audit opinions issued by the auditors have been unqualified or "clean" opinions. In short, the Highmark Health organization's assets and liabilities, including, without limitation, Highmark's investments in AHN and its statutory surplus, are properly recorded in its financial statements. UPMC's claims to the contrary are both inaccurate and irresponsible.

Despite what UPMC would have the public believe, Highmark remains financially strong and fully committed to making appropriate investments in AHN to preserve a competitive alternative to UPMC, ensuring access to high quality, low cost health care for patients and consumers.

March 15, 2016