

**Testimony to the Pennsylvania Insurance Department regarding the proposed affiliation between Highmark, Inc. and the West Penn Allegheny Health System**

Barbara McNees, Executive Vice President, Allegheny Conference on Community Development  
Tuesday, April 17, 2012

My name is Barbara McNees and I am the Executive Vice President of Public Affairs for the Allegheny Conference on Community Development. Thank you for the opportunity to be here today and to provide comments on the proposed affiliation between Highmark, Inc. and the West Penn Allegheny Health System.

Our organization represents the private sector in southwestern Pennsylvania. We are led by the chief executive officers of our region's most significant employers including hospitals and universities, and our mission is to improve the economy and quality of life of the 10-county Pittsburgh region.

Speaking on behalf of employers across the region, we want our employees to have access to high quality, cost-effective, and transparent health care. This kind of access is a high priority to us. These attributes are of critical significance to all members of our community, and we would advocate that any successful affiliation between Highmark and the West Penn Allegheny Health System should place great emphasis on them.

With that in mind, I would like to state that the Allegheny Conference supports the proposed affiliation of Highmark and the West Penn Allegheny Health System. We believe that an affiliation of the two entities is important to the health of our regional economy, and would lead to both an improved business climate and a better quality of life in Southwestern Pennsylvania.

The health care industry is a key part of our regional economy, We have more than 500 health care and life sciences institutions and companies in our region, which employ more than 125,000 people. The West Penn Allegheny Health System currently employs 11,500 people.

In our region, more than \$560 million is spent every year on Life Sciences research and development activities with significant research funding flowing from the federal government to our research hospitals. According to West Penn Allegheny Health System, there are more than 400 active research projects in progress throughout the System, with nearly 150 West Penn Allegheny faculty serving as principal investigators.

One facet of our organization focuses on business attraction and retention. Health care costs are a factor in how organizations view our business climate just like taxes and regulatory policies. Businesses that want to remain, expand or locate here are taking a hard look at the cost of providing health care insurance to their employees.

We have heard anecdotally from various businesses that if we continue to see increases in health care costs, we may see companies start to look to other regions for continued investment and expansion. A recent study by the Pittsburgh Business Group on Health shows that the Pittsburgh region has higher costs for health care compared to benchmark regions.

A competitive health care environment is important to our business climate because competition in the provider market can lead to greater cost efficiency and better quality of care. Stabilizing the West Penn Allegheny Health System through a successful affiliation with Highmark would be a step in the right direction of increased competition.

We believe that competition in the health care industry will drive costs and prices down, and ultimately – we believe – make health care more affordable here. In addition, I would like to reference the recent ruling of the federal Department of Justice's Antitrust Division. The Division was investigating whether the proposed affiliation would pose a threat to competition in the region, but it announced on April 10, 2012 that it was closing its investigation, having found

no such threat. We were pleased to learn of this outcome and will continue to monitor any further developments from the Department.

We are in a time of increased uncertainty in the health care climate, both in our region and across the country. During this time of transition, we believe that the appropriate and responsible step to take is to preserve the viability of the West Penn Allegheny Health System to ensure continued competition in the provider market. Highmark's proposal to affiliate with the Health System does that.

The Conference understands that Pennsylvania Insurance Department must undertake a thorough process of review, but we would encourage timely approval of this transaction. A prompt approval will be essential so Highmark can begin to institute the operating efficiencies necessary to begin a successful affiliation process with West Penn Allegheny Health System.

Thank you for the opportunity to appear before you today and to share the sentiments of our region's business community.