

0904

**Brackbill, Robert**

---

**From:** Brackbill, Robert  
**Sent:** Wednesday, September 26, 2012 8:16 AM  
**To:** 'jack.stover@bipc.com'  
**Cc:** 'ronald.chronister@bipc.com'  
**Subject:** Highmark/UPE Form A Filing: Letter from Deputy Commissioner Steve Johnson  
**Attachments:** 20120926080715612.pdf

Mr. Stover,

Please see the attached.

**Robert E. Brackbill, Jr.** | PIR | Chief, Company Licensing Division  
Insurance Department | Office of Corporate and Financial Regulation  
1345 Strawberry Square | Harrisburg, PA 17120  
Phone: 717.783.2143 | Fax: 717.787.8557  
[www.insurance.pa.gov](http://www.insurance.pa.gov) | [www.chipcoverspakids.com](http://www.chipcoverspakids.com)

0904



September 26, 2012

Jack M. Stover, Esquire  
Buchanan Ingersoll & Rooney PC  
One South Market Square  
213 Market Street, 3<sup>rd</sup> Floor  
Harrisburg, PA 17101-2121

RE: Application of UPE for Approval of the Acquisition of Control of Highmark, Inc. and its Pennsylvania Domiciled Insurance Subsidiaries - Amendment 1 and Addendum 1 Supplemental Information Requests

Dear Mr. Stover:

The Pennsylvania Insurance Department (the “Department”) has made a preliminary review of Amendment No. 1 (“Amendment No. 1”) to the Form A, Statement Regarding The Acquisition of Control of or Merger With Domestic Insurers (the “Form A”), filed on July 13, 2012 by UPE, a Pennsylvania nonprofit corporation (the “Applicant” or “UPE”). The Department also has reviewed Addendum No. 1 to Amendment No. 1 to Form A (“Addendum No. 1”), which was filed on August 24, 2012. Amendment No. 1, together with Addendum No. 1, are collectively referred to as the “Supplemental Filing”).

Since the original filing of the Form A on November 7, 2011, there have been significant developments and changes in the proposed transaction, including:

- **Scope.** The November 2011 public filing focused on the change of control, the establishment of UPE and UPE Provider Sub and the proposed affiliation with WPAHS. In the Form A, the “Provider Group” (the “Provider Group”) as shown in Tab N was identified as a subsidiary of Highmark, Inc. (“Highmark”). In the Supplemental Filing, the focus is now on the Integrated Delivery Network strategy, of which the proposed affiliation of WPAHS continues to be a significant part. The assets associated with the Provider Group are proposed to be transferred and be under the control of UPE Provider Sub. As such, those assets will belong to a charitable nonprofit corporation under the control of Highmark’s parent, UPE.

- **Integrated delivery network expenditures/Increase in Expenditures.** The initial filing publicly disclosed the proposed \$475 million expenditure for the proposed affiliation with WPAHS. In addition to the WPAHS expenditures, which remain at \$475 million, the Supplemental Filing describes \$525 million of additional expenditures related to Highmark’s implementation of a broader integrated delivery network, including an affiliation with Jefferson Regional Medical Center (JRMC).

- **UPMC Contract Extension.** The original filing in November 2011 anticipated that contracts between Highmark and the University of Pittsburgh Medical Center (“UPMC”)

19

would be terminated effective June 30, 2012, with a one-year runout period. Those contracts have now been extended and the Supplemental Filing describes the impact of that extension.

- **Proposed Affiliation Between Highmark and Jefferson Regional Medical Center.** The proposed affiliation between Highmark and JRMC was announced in June 2012 and the Supplemental Filing describes generally that proposed affiliation.
- **Change in UPE/Highmark CEO and description of leadership.** The Supplemental Filing describes the appointment of William R. Winkenwerder, Jr., M.D., M.B.A. as President and Chief Executive Officer of UPE and Highmark. That filing also describes the proposed management of the Integrated Delivery Network and WPAHS, if the filing is approved.
- **Governance and Reserved Powers.** Since the November 2011 filing, the proposed governance structure has changed and powers proposed to be reserved to UPE have been clarified. The Supplemental Filing provides a revised description of the proposed governance structure and discloses proposed amended and restated Bylaws of Highmark, including powers to be reserved to UPE.
- **Financial Projections:** Due to various changing circumstances described in the Supplemental Filing, the financial conditions described in the November 2011 filing have also changed. For example, the extended contract with UPMC requires Highmark to pay to UPMC higher contracting rates for both physicians and renewing facilities. Thus, the financial information submitted with the Form A filing needed to be substantially revised to reflect the effects of the extension of the UPMC contract. The Supplemental Filing also shows changes in financial projections regarding WPAHS.
- **Other Developments.** The Supplemental Filing describes other developments that are relevant to the Integrated Delivery Network strategy and the affiliations with WPAHS and JRMC.

The transaction for which approval of the Department is being sought has been substantially expanded. The Department's review of the Supplemental Filing indicates a number of areas with respect to which additional information is needed. Based upon our preliminary review, the Department has compiled the following questions and requests for information (The requests for information contained in this letter are collectively referred to as the "Amended Information Request").

This Amended Information Request focuses on changes that have occurred since the Form A originally was filed in November 2011 and is intended to supplement the questions and requests for information in the Department's January 9, 2012 letter as supplemented by its subsequent letters (collectively "January 9 Information Request"). In order to avoid confusion, the numbering system from and the text of the January 9 Information Request has been maintained in this Amended Information Request.

**Supplemental requests for information and questions contained in this Amended Information Request are identified under the heading "Supplemental Filing Request" in**

**bold directly below the applicable Request number. Additional material within the questions (for example in Section 1 (Definitions)) is shown with *both in italics and in bold.***

**The fact that no Supplemental Filing Request is included in this letter does not indicate a conclusion by the Department that a complete response to the original information request has been submitted. This Amended Information Request in no way diminishes the priority or necessity of UPE fully responding to each request for information set forth in the January 9 Information Request.**

**Please note that the Department does not intend to require duplicate submission of material responsive to this Supplemental Filing Request that was previously or is hereafter filed in response to the January 9 Information Request .**

Your responses and any related documents will become part of the public file, unless (a) you assert that specific information is confidential; (b) cite specific authority pursuant to which you assert confidentiality; and (c) the Department accepts such assertion. Several of the questions request that you produce “all” third party expert opinions, advices or reviews (collectively “Expert Opinions”) concerning certain topics.

When preparing your response, please reference the item number to which you are responding. If you have provided with the Form A or the Supplemental Filing information that is responsive to the specific item number in this Amended Information Request, please refer to a specific page or pages in the tab or section of the Form A material that is responsive to the item number.

1. **Definitions.** *Definitions are being revised to add additional defined terms as provided in Section 7 of this Amended Information Request.*
2. **Transaction and Supplemented Transaction.**

2.1 Risk analysis issues.

2.1.1 Discuss the economic benefits and risks of the Transaction. Provide a full and complete copy of all Expert Opinions and/or external consultant reports supporting or not supporting the reasonableness of your response.

2.1.1.1 **Supplemental Filing Requests:**

(A) **Discuss the economic benefits and risks of the Supplemented Transaction. Provide a full and complete copy of all Expert Opinions and/or external consultant reports supporting or not supporting the reasonableness of your response.**

(B) **Provide any and all additional information available to UPE, UPE Provider Sub, Highmark and/or the Highmark Affiliates regarding the benefits and/or costs/liabilities of implementation of the IDN Strategy, in addition to the costs associated with the change of control and affiliation with WPAHS. Alternatively,**

**distinguish those costs or benefits that accrue to the change of control or affiliation with WPAHS that are separate from the remaining aspects of the IDN Strategy.**

2.1.2 Provide a full and complete analysis of the risk of potential loss with regard to each Proceeding (as defined in the Affiliation Agreement) and the amount and extent of insurance available for such Proceeding.

**2.1.2.1 Supplemental Filing Request: Provide a full and complete analysis of the risk of potential loss with regard to the entire Supplemented Transaction. This request is intended to exclude any risk of potential loss referenced in Request 2.1.2 of the January 9 Information Request with respect to which a full and complete response has been filed.**

2.1.3 Provide a full and complete copy of any analysis performed by any Highmark and WPAHS Entity in connection with the consideration, execution, delivery or performance of the Transaction, including without limitation, the repayment of funding commitments to be classified as loans.

**2.1.3.1 Supplemental Filing Request: Provide a full and complete copy of any analysis performed by or for UPE or Highmark with respect to any part of the Supplemented Transaction. This request is intended to exclude any risk of potential loss referenced in Request 2.1.3 of the January 9 Information Request with respect to which a full and complete response has been filed.**

2.1.4 Provide a full and complete analysis of the rights and remedies available to Highmark for any breach or default under the Affiliation Agreement or any other agreement between Highmark and any WPAHS Entity both before and after completion of the Transaction, and a description of any reserves, funds or escrows providing security for such obligations.

2.1.5 Provide an analysis of the risks that any assets, properties or reserves of Highmark or the Highmark Affiliates will be subject to any claims, debts or obligations of the WPAHS Entities, together with the methods or approaches by which such risk are being mitigated.

**2.1.5.1 Supplemental Filing Request: In addition to the information for the WPAHS Entities previously provided, please provide an analysis of the risks that any assets, properties or reserves of Highmark or the Highmark Affiliates will be subject to any claims, debts or obligations of any UPE Entity, together with the methods or approaches by which such risks are being mitigated.**

2.1.6 Provide a full and complete listing of any matters or events that are contained in the WPAHS Due Diligence Information (as defined in the Affiliation Agreement) that are referred to as exceptions to, or disclosure of information for, the representations and warranties contained in the Affiliation Agreement, together with the Section of the Affiliation Agreement to which they relate.

2.1.6.1 **Supplemental Filing Request:** Provide a full and complete copy of any agreement between or among JRMC and Highmark, any Highmark Affiliate, UPE and/or UPE Provider Sub (collectively “Agreements between JRMC and Highmark/UPE”) together with any exhibits or schedules to such agreements.

2.1.7 Provide a full and complete copy of any updates to the Schedules or the WPAHS Due Diligence Information as and when made.

2.1.7.1 **Supplemental Filing Request:** Provide a full and complete copy of any updates to any schedules or exhibits to any agreements referred to in Request 2.1.6.1.

2.1.8 Provide an analysis of the effect of the Transaction on any existing insurance policies of the WPAHS Entities, including if the Transaction results in a termination of any claims made policies or requires the purchase of any tail or extended reporting policy.

2.1.8.1 **Supplemental Filing Request:** Provide an analysis of the effect of the Supplemented Transaction on any existing insurance policies of JRMC, including if the Supplemented Transaction results in a termination of any claims made polices or requires the purchase of any tail or extended reporting policy.

2.1.9 Describe the risks to the Highmark and WPAHS Entities in not obtaining a private letter ruling as provided in the Side Letter dated October 31, 2011.

## 2.2 Change of Control.

2.2.1 Except for reserved powers specifically described in Exhibit F to the Affiliation Agreement, provide a full description of any contracts, arrangements or understandings with respect to any membership interest, investment interest or other interest by which UPE Controls or has a right to Control any of Highmark, Highmark Affiliate, WPAHS, or WPAHS Affiliate in which the Applicant, its Affiliates or any Person listed in Item 3 of the Form A is involved (or is expected to be involved in the future), including but not limited to transfer of any interest, joint venture, loan or option arrangement, puts or calls, guarantees of loans, guarantees against loss, or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. The description shall identify the Person with whom such contracts, arrangements or understandings have been entered into.

2.2.1.1 **Supplemental Filing Request:** Please provide a full description of any contracts, arrangements or understandings by which UPE Controls or has a right to Control JRMC.

2.2.2 Are there any inter-Entity agreements between or among one or more of the Highmark and WPAHS Entities that: (i) are anticipated to be executed if the Transaction is approved; or (ii) were executed contemporaneously with or subsequent to the execution of the June 28, 2011 term sheet that was signed by Highmark and WPAHS. If so, provide full and complete copies of all current draft or executed agreements.

## 2.3 Bond Obligations

2.3.1 **Supplemental Filing Request.** Please provide: (i) a full and complete copy of any tax-exempt bond (the "JRMC Bonds") documents relating to JRMC; (ii) provide (A) an analysis of UPE's and/or UPE Provider Sub's or Highmark's obligations with respect to such bonds; and (B) a summary of the analysis of any rating agency with respect to JRMC or the JRMC Bonds; and (iii) a copy of any notice of default relating to the JRMC Bonds and identify any events or circumstances, which, with the passage of time or the giving of notice or both, would constitute a default or event of default under or with respect to the JRMC Bonds.

2.3.2 Provide a full and complete copy of any analysis of the obligations under the Master Indenture and the WPAHS Tax-Exempt Bonds, as defined in the Affiliation Agreement and the effect on the obligations of any WPAHS Entity under the Master Indenture and the WPAHS Tax-Exempt Bonds of (i) the Transaction and/or (ii) the financial condition or performance of WPAHS.

2.3.3 Provide a full and complete copy of any analysis, opinion or memorandum of law of bond counsel or counsel for any Highmark and WPAHS Entity that relates to, is required by, or is to be furnished in connection with, the subject matter of Section 6.13 ("Bond Compliance") of the Affiliation Agreement.

2.3.4 Without limiting the scope of Section 2.3.2, describe any consents, notices to or approvals of bond trustees, bondholders or others who have an interest in bond obligations of Highmark or WPAHS Entities.

2.3.5 In connection with the WPAHS Tax-Exempt Bonds, provide a full and complete copy of any notice or other communication received by any WPAHS Entity from and after June 28, 2011 from any bond trustee, master trustee, bondholder or the Municipal Securities Rulemaking Board regarding or in connection with the Transaction, and any response to such notice or communication.

2.3.5.1 **Supplemental Filing Request:** Please certify that all communications referred to in Request 2.3.5 have been filed with the Department. Additional relevant documents should be filed as soon as they are prepared/received.

## 2.4 Distribution of funds.

2.4.1 In addition to the funding commitments described in Article 2 of the Affiliation Agreement, provide a full description of any plans of the Applicant or any Highmark and WPAHS Affiliate to declare or cause to be declared any extraordinary dividend, liquidate any of the Domestic Insurers, sell, transfer, donate, assign or create any lien or encumbrance upon its assets or merge them with any Person or to make any other material change in their business operations, corporate structure or management. Do not cross reference to other information. Please list and describe each such plan.

**2.4.1.1 Supplemental Filing Request: Please provide: (i) a list by each UPE Entity any funding commitments or intended donations, transfers, loans, sales, assignments, or the incurrence of any obligation that are intended to occur between one UPE Entity and another in connection with the Supplemented Transaction or otherwise; and (ii) a description of the category of assets for which expenditures will be made in connection with the IDN Strategy (e.g., equipment, real estate, intangibles, etc.) and how such expenditures or investments will be accounted for on the financial statements of Highmark, UPE or UPE Provider Sub (or its Affiliates). The intention of this Supplemental Filing Request is to have in one place a complete list and a total of any and all monetary transfers or obligations to make monetary transfers, no matter how denominated, between or among UPE Entities as a result of, in connection with or that have been made within two years before, and that are estimated to be made during the two years after the consummation of the Supplemented Transaction or any part thereof.**

2.4.2 In addition to the information provided in the Strategic Plan, provide a copy of any most current or final plan or plans drafted or adopted by or for the Applicant, UPE Provider Sub and/or all or any Highmark and WPAHS Entities regarding implementation or performance of the Transaction, including but not limited to documents describing strategies or plans relating to integration, funding, implementation or strategy, irrespective of the name of the document.

**2.4.2.1 Supplemental Filing Request: In addition to the information provided pursuant to Request 2.4.2, provide a copy of the most current or final plan or plans drafted or adopted by any UPE Entity regarding implementation or performance of the Supplemented Transaction, including but not limited to documents describing strategies or plans relating to integration, funding, implementation or strategy, irrespective of the name of the document.**

2.4.3 With regard to funding commitments:

2.4.3.1 Describe the amount and source of funds for any funding, contributions, loans or advances currently anticipated to be made by Highmark, any Highmark Affiliate, (including but not limited to the UPE and/or by the UPE Provider Sub) to

2.4.3.2 UPE;

2.4.3.3 the UPE Provider Sub;

2.4.3.4 WPAHS;

2.4.3.5 any WPAHS Affiliate;

2.4.3.6 Highmark; and/or

2.4.3.7 any other Highmark Affiliate.

2.4.3.8 If any of the funds or other consideration (collectively, the

“Consideration”) used or to be used by any of Applicant or Highmark and WPAHS Entity in effecting, consummating or performing the Transaction (no matter how described in the Affiliation Agreement or other document) is represented or is to be represented by funds or other property borrowed or otherwise obtained for the purpose of acquiring or holding any interest in any Highmark and WPAHS Entity, furnish a description of the transaction relating thereto, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements related thereto.

2.4.3.9 Explain in detail the criteria used in determining the nature and amount of the Consideration and provide a copy of all Expert Opinions relating thereto.

2.4.3.10 **Supplemental Filing Request:** Please respond to each part of Request 2.4.3 with respect to each UPE Entity. With respect to the term “Consideration”) please include any of the funds or other consideration to be transferred to or used by any UPE Entity. If information previously has been provided with respect to any UPE Entity, please reference by Bates range where that information has been provided.

3. Governmental, regulatory, corporate and/or contractual consents and approvals

3.1 Are there any pre- and/or post-closing governmental regulatory, corporate and/or contractual notices, filings, consents and/or approvals that are or reasonably may be required for or in connection with the Transaction, other than those contained in Schedules 8.4 and 9.4?

3.1.1 **Supplemental Filing Request:**

3.1.1.1 Please describe any pre- and/or post-closing governmental regulatory, corporate and/or contractual notices, filings, consents and/or approvals that are or reasonably may be required for or in connection with the Supplemental Transaction that have not to date been disclosed to the Department.

3.1.1.2 Applicant has stated in the Supplemental Filing that the \$200 million of advances to WPAHS and that the transaction with JRMC is not dependent upon approval of the Department. Please provide an analysis of any limitation on this authority under Section 6124 of the Hospital Plan Corporation law (40 Pa.C.S. § 6124) as it relates to the effect of the Supplemental Transaction on any potential reserves of any domestic insurer or any other limitations under applicable law.

3.2 **Supplemental Filing Request:** Please respond to each of the items in this Section 3.2 for each response to Supplemental Filing Request 3.1.1. For each governmental, regulatory, corporate and/or contractual notices, filings, consents and/or approvals that are or reasonably may be required for or in connection with the Transaction provide:

3.2.1 The name, address of the entity that must give the consent or approval;

3.2.2 The specific notices, filings, consents or approval(s) that will be required.

3.2.3 The timing of the notices, filings, consents or approvals, together with citation to the statutory, regulatory or contractual provision requiring such notice, consent or approval.

3.2.4 Whether contact has been made with the entity regarding the Transaction and, if so, provide the name, address, telephone number and e-mail address of the individual(s) at the entity who was contacted.

3.2.5 Provide a complete copy of any written material that has been submitted to any Person (other than Highmark and WPAHS Entities and their directors, officers, employees and agents) regarding the Transaction and any response to such written material.

3.3 **Supplemental Filing Request: Please respond to each of the items in this Section 3.2 for each response to Supplemental Amendment Request 3.1.1.** Explain the process for obtaining each consent and approval set forth this Section 3 and the expected timeline or schedule for each.

3.4 Please provide a full and complete copy of any analysis, opinion or other document prepared by or for the Applicant or any Highmark Entity regarding the necessity to make a Hart/Scott/Rodino filing.

3.4.1 Representatives of Highmark have informed the Department that no Hart/Scott/Rodino filing needs to be made or will be made by the Applicant and/or any Highmark and WPAHS Entity in connection with the Transaction. Provide a full and complete copy of any analysis, opinion or other document prepared by or for the Applicant or any Highmark and WPAHS Entity regarding the necessity for the making of a Hart/Scott/Rodino filing in connection with the Transaction.

3.4.2 Provide a full and complete copy of all communications (whether by letter, e-mail or otherwise) and/or other documents provided to and/or received from the Pennsylvania Attorney General's Office concerning the making of a Hart/Scott/Rodino Filing in connection with the Transaction.

3.4.3 Provide a full and complete copy of all communications (whether by letter, e-mail or otherwise) and/or other documents provided to and/or received from any other governmental or regulatory authority concerning the need for making a Hart/Scott/Rodino Filing in connection with the Transaction. This includes, but is not limited to, other state insurance departments, the United States Department of Justice, and the Federal Trade Commission.

3.5 Provide a full and complete copy of any communication (whether by letter, e-mail or otherwise) and/or other document provided to and/or received from any governmental or regulatory entity related to the Transaction that is not otherwise required to be submitted in connection with this PID Information Request. "Governmental or regulatory entity" includes, but is not limited to, the Pennsylvania Attorney General's Office, the Pennsylvania General

Assembly, departments or agencies of the Commonwealth (other than the Pennsylvania Insurance Department), other state insurance departments, the United States Department of Justice, the Federal Trade Commission, other departments or agencies of the United States or any other state, and any political subdivision or other governmental unit.

**3.5.1 Supplemental Filing Request. Please provide the foregoing information with regard to the Supplemented Transaction, except for information previously provided in response to the January 9 Information Request.**

3.6 List all notices, filings, consents and/or approvals needed by or from the National Blue Cross Blue Shield Association ("BCBSA") or other Blue Cross licensing body with respect to the Transaction.

3.6.1 For each such notice, filing, consent or approval, provide the information required by Section 3.2 above.

3.6.2 Provide a full and complete copy of any documents filed with, provided to or received from the BCBSA related to the Transaction.

3.7 Provide a full and complete copy of any written testimony given on behalf of the Applicant or any Highmark and WPAHS Entity regarding or referencing the Transaction.

3.8 Provide a full and complete copy of any press release or public announcement, issued by the Applicant or any Highmark and WPAHS Entity regarding or referencing the Transaction.

**4. Compliance with the Statutory Standards**

4.1 In addition to information otherwise requested in this PID Information Request that may be relevant to the issues addressed in this Section, provide the following information relating to 40 P.S. § 991.1402(f)(1)(i) for each applicable domestic insurer, which states: *"After the merger, consolidation or other acquisition of control, the domestic insurer... would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed."*

4.1.1 Provide a listing of all of the Highmark Affiliates that are licensed to write insurance in Pennsylvania.

4.1.2 Identify Highmark's and each Highmark Affiliate's current status as a licensee under the Pennsylvania Insurance Code, Hospital Plan Corporation Act and/or Professional Health Services Plan Corporation Act, as well as any potential changes to this status, for Highmark or any Highmark Affiliate, as a result of or in connection with, the Transaction.

4.1.3 Provide references to the Pennsylvania Insurance Code, Hospital Plan Corporation Act and/or Professional Health Services Plan Corporation Act for applicable licensing standards for each Highmark Affiliate that operates in Pennsylvania.

4.1.4 Provide an analysis for Highmark and each Highmark Affiliate of the adequacy of capital and liquidity so as to meet relevant requirements.

4.1.4.1 In connection with such analysis, describe the assumptions underlying the analysis and the reasonableness of such assumptions.

4.1.4.2 **Supplemental Filing Request: In addition to the information previously requested for Highmark and each Highmark Affiliate, please provide an analysis for each UPE Entity of the adequacy of capital and liquidity so as to meet relevant requirements to fully implement the Supplemented Transaction. In connection with such analysis, describe the assumptions underlying the analysis and the reasonableness of such assumptions. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.1.5 Identify any other factors or circumstances that affect the ability (or will affect the ability after the Transaction is completed) for Highmark or any Highmark Affiliate licensed in Pennsylvania to meet requirements for obtaining a license to write insurance in Pennsylvania.

4.1.5.1 **Supplemental Filing Request. Identify any other factors or circumstances that affect the ability (or will affect the ability after the Supplemented Transaction is completed) for Highmark or any Highmark Affiliate licensed in Pennsylvania to meet requirements for obtaining a license to write insurance in Pennsylvania. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.2 In addition to the summary conclusions contained in Tab 7 of the information with respect to which the Applicant has requested confidential treatment, provide a detailed legal analysis concerning whether the effect of the Transaction would be to substantially lessen competition in insurance in the Commonwealth or tend to create a monopoly therein, including without limitation (i) the application of 40 P.S. § 991.1402(f)(1)(ii) that incorporates by reference provisions of 40 P.S. § 991.1403; and (ii) an analysis of precedents in other jurisdictions that rely on NAIC model provisions similar to Pennsylvania law.

4.2.1 For the purpose of responding to the following provisions of this Section, assume that the provisions of 40 P.S. §§ 991.1403 apply, regardless of your response to Section 4.2. Assuming the application of 40 P.S. §§ 991.1403, provide a detailed legal analysis of the following:

4.2.1.1 Whether there would be a prima facie violation of the competitive standard under 40 P.S. §§1403(d)(2)(i),(ii), discussing the involved insurers and the relevant product and geographical markets;

4.2.1.2 Whether the transaction would have an anticompetitive effect under 40 P.S. § 991.1403(d)(2)(iv) or otherwise, discussing the following:

- (A) market shares;
- (B) volatility of ranking of market leaders;
- (C) number of competitors;
- (D) concentration;
- (E) trend of concentration in the industry; and
- (F) ease of entry and exit into the market;
- (G) any other material factors that relate to any anticompetitive effect;

4.2.1.3 Any pro-competitive justifications for the Transaction;

4.2.1.4 Whether the Transaction will yield substantial economies of scale or economies of resource allocation providing specific data to support such justifications; and

4.2.1.5 Whether the Transaction will substantially increase the availability of insurance.

4.2.2 Provide detail for all market share and geographical market data relied on or considered in responding to the above questions or compiling the Statement Regarding Compliance With the Competitive Standard of 40 P.S. § 991.1403(d) and describe the source and the basis for the selection of the market share and geographical data.

4.2.3 Provide a full and complete copy of all Expert Opinions supporting or not supporting your response to the above questions or the Statement Regarding Compliance with the Competitive Standard of 40 P.S. § 991.1403(d).

4.2.4 For each product identified in your response to the above questions or the Statement Regarding Compliance With the Competitive Standard of 40 P.S. § 991.1403(d), identify whether the product is offered on a Blue-branded or unbranded basis.

4.2.5 Provide all studies, surveys, analyses and reports that were prepared by or for any officer(s), director(s), board(s) of director(s), committee(s) or committee member(s), task force(s), individual(s) or other entities related directly or indirectly to any Highmark and WPAHS Entity for the purpose of evaluating or analyzing the Transaction with respect to market shares, competition, competitors, markets, potential for sales growth or expansion into product or geographic markets. Indicate (if not contained in the document itself) the date of preparation, and the name and title of each individual who prepared each such document. To the extent that responsive studies, surveys, analyses and reports are being provided in response to another part of this PID Information Request, identify the specific section and study, survey, analysis or report being provided so that a comprehensive list of all studies, surveys, analyses and reports is submitted in response to this Section 4.2.5.

4.2.6 Provide any documents, studies, projections, estimates, evaluations, analysis, reports, discussions or other communications relating to:

4.2.6.1 The definition or scope of the geographical markets involved in the Transaction, including whether there is a national, local, regional or other geographic scope for the health insurance market.

4.2.6.2 For each identified geographical market, the share of Highmark and each Highmark Affiliate in that market before and after the Transaction and include any studies, evaluations, analysis, reports, discussions or other communications relating to future projections of market share for a period of 5 years.

4.2.6.3 The definition of the insurance product or service markets involved in the Transaction, including any subcategory or line of business thereof.

4.2.6.4 For each identified insurance product or service market, the share of Highmark and each Highmark Affiliate in that market before and after the Transaction and include any such studies, evaluations, analysis, reports, discussions or other communications relating to future projections of market share for a period of 5 years.

4.2.6.5 The definition of the healthcare provider market involved in the Transaction and any subcategory or specialty thereof.

4.2.6.6 For each identified healthcare provider market involved in the Transaction, the share of providers affiliated with or providing services through WPAHS Entities in that market before and after the Transaction and include any such studies, evaluations, analysis, reports, discussions or other communications relating to future projections of market share for a period of 5 years.

4.2.6.7 The definition of the hospital market involved in the Transaction, including any subcategory or level of care involved.

4.2.6.8 For each identified hospital market involved in the Transaction, the share of WPAHS Entities in that market before and after the Transaction and include any such studies, evaluations, analysis, reports, discussions or other communications relating to future projections of market share for a period of 5 years.

4.2.7 Provide any documents, studies, projections, estimates, evaluations, analysis, reports, discussions or other communications relating to foreclosure of competition or competitors in any of the markets identified in response to Section 4.2.2 that may take place by reason of the Transaction, whether through exclusive dealing arrangements, tying arrangements, or other methods.

4.2.8 Provide any documents, studies, projections, estimates, evaluations, analysis, reports, discussions or other communications relating to adverse effects on businesses in any of the identified geographic markets by reason of the Transaction.

4.2.9 Provide any documents, studies, projections, estimates, evaluations, analysis, reports, discussions or other communications relating to any identified or potential trend towards concentration, or trend towards vertical integration in any of the markets identified in response to Section 4.2.6.

4.2.10 Provide any documents, studies, projections, estimates, evaluations, analysis, reports, discussions or other communications relating to actual or potential barriers to entry in any of the markets identified in response to Section 4.2.6.

4.2.11 Provide detail concerning the selection of the appropriate product markets, including a full and complete copy of all documents regarding your selection of the appropriate product markets.

4.2.12 Provide detail concerning your selection of the appropriate geographic markets, including a full and complete copy of all documents regarding your selection of the appropriate geographic markets.

4.2.13 Provide a listing of all insurance product lines, by geographic area, offered by Highmark or any Highmark Affiliate, both which are and which are not the subject of the Form A filing. For each product line, identify whether the product line is Blue-branded or unbranded. Please describe if any of such insurance lines were not considered for the purpose of the analysis under 40 P.S. § 991.1403(d)(i) and, if not, why not.

4.2.14 Describe any plans to expand or terminate products or services offered by any and all Highmark and WPAHS Entities and the competitive effects thereof.

4.2.14.1 **Supplemental Filing Request: Describe any plans to expand, terminate, reduce, add or change any products or services offered by any and all UPE Entities in connection with the Transaction or within two years of the consummation of the Transaction and the competitive effects thereof. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.2.15 Describe any plans to expand or restrict the geographic area of any products or services provided by any and all Highmark and WPAHS Entities and the competitive effects thereof.

4.2.15.1 **Supplemental Filing Request: Describe any plans to expand or restrict the geographic area of any products or services provided by any and all UPE Entities and the competitive effects thereof. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.2.16 Discuss the expected impact of the Transaction on the overall level of health care utilization in each area in Pennsylvania in which a Highmark and WPAHS Entity does business.

4.2.17 Provide a list of third party payors with which WPAHS and WPAHS Affiliates currently contract, along with the related lines of services.

4.2.18 Identify any plans by WPAHS and WPAHS Affiliates to contract with (or terminate or amend any relationship with) any insurance carrier after the completion of the Transaction and discuss their impact on Highmark and the Highmark Affiliates.

4.2.19 Identify any anticipated changes to current or new payor contracts between or among the Highmark and WPAHS Entities and discuss their impact on Highmark and the Highmark Affiliates.

4.2.20 Discuss the potential impact of the Transaction on Highmark's ability to pursue expansion plans in geographic markets other than in areas in Pennsylvania in which any Highmark and WPAHS Entity currently does business.

4.3 In addition to information otherwise requested in this PID Information Request that may be relevant to the issues addressed in this Section, provide the following information relating to 40 P.S. § 991.1402(f)(1)(iii) - *"The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer or prejudice the interest of its policyholders."*

4.3.1 Provide GAAP and Statutory financials for Highmark Affiliates for years 2006-2010.

4.3.2 Provide GAAP and Statutory, if relevant, financials for WPAHS and WPAHS Affiliates for years 2006-2010.

4.3.3 Provide a full and complete copy of representation letters to, and audit reports, management letters or management reports, or other correspondence or reports to the board or committees of the board from each Highmark and WPAHS Entity's independent auditors during the past for the years 2006 - 2010.

**4.3.3.1 Supplemental Filing Request. Provide any and all planning documents, presentations or materials considered by the Board of Directors or committees of each of Highmark, UPE or any other Highmark Affiliates that assess or evaluate the contribution or effect of JRMC and each other entity comprising the Supplemented Transaction to the overall success or goal of the IDN Strategy.**

4.3.4 Provide a full and complete copy of the following reports and financial projections for each Highmark and WPAHS Entity. These reports and financial projections should be provided separately for Highmark's insurance and provider operations and should include details of any transfer of resources between the two operating segments. Provide detailed discussion of these projections, including income statement, balance sheet (GAAP/SAP and RBC calculation), and cash flow statement.

4.3.4.1 Financial projections for 2012 to 2016 based on the assumption that the Transaction is approved and that a contract with UPMC is successfully renegotiated.

(A) **Supplemental Filing Request: Please provide financial projections for 2012-2016 based on the assumption that the Transaction is approved and that an extension of the current contract with UPMC beyond 2014 is not successfully negotiated.**

4.3.4.2 Financial projections for 2012 to 2016 based on the assumption that the Transaction is not approved and that a contract with UPMC is successfully renegotiated.

(A) **Supplemental Filing Request: Please provide an update to the previously provided financial projections for 2012-2016 based on the assumption that the Transaction is not approved and that an extension of the current contract with UPMC beyond 2014 is successfully negotiated.**

4.3.4.3 Financial projections for 2012 to 2016 based on the assumption that the Transaction is not approved and that a contract with UPMC is not successfully renegotiated.

4.3.5 **Supplemental Filing Request (Please see additional language below).** Provide a full and complete copy of functional excel backup to each set of financial projections requested in items 4.3.4.1 to 4.3.4.3 **(including items 4.3.4.1(A) and 4.3.4.2(A))**, as well as for financial projections for 2012 to 2016 based on the assumption that the Transaction is approved and that Highmark does not renew a contract with UPMC. Include income statement, balance sheet (GAAP/SAP), and cash flow statement in excel backup. To the degree possible, provide functional excel analysis of each Highmark and WPAHS Entity's Reserves and RBC (if applicable) impact if all financial commitments made and any expenditures contemplated as part of the Transaction result in write-offs (i.e. 'worst case scenario').

4.3.6 **Supplemental Filing Request (Please see additional language below).** Provide an analysis of the reasonableness of each assumption underlying each set of projections requested in items 4.3.4.1 to 4.3.4.3 **(including items 4.3.4.1(A) and 4.3.4.2(A))** (as well as for the previously submitted financial projections for 2011 to 2015 based on the assumption that the Transaction is approved and that a contract with UPMC is not successfully negotiated) for financial statements (income statement, balance sheet (GAAP/SAP), and cash flow statement) including any product/service price increases or decreases, changes in utilization, membership/customer increases/decreases by product or service, detailed breakdown of capital expenditures, and detailed breakdown of any projected operating synergies.

4.3.7 Identify and analyze any material contingent liabilities relating to the Highmark and WPAHS Entities and any potential claims that could be asserted against Highmark or the Highmark Affiliates relating to the Transaction. If any insurance for such contingent liabilities or potential claims exist, identify such insurance, the amount of such insurance and any limitations, exclusions, deductibles or co-insurance.

**4.3.7.1 Supplemental Filing Request: Identify and analyze any material contingent liabilities relating to each UPE Entity and any potential claims that could be asserted against Highmark or the Highmark Affiliates relating to the Supplemented Transaction. If any insurance for such contingent liabilities or potential claims exist, identify such insurance, the amount of such insurance and any limitations, exclusions, deductibles or co-insurance. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.3.8 Provide a detailed description of any material strategic/financial initiatives at any Highmark and WPAHS Entity other than those contemplated in the Transaction (*i.e.* other acquisitions, divestitures, capital raises, etc.) to include projected financial obligations/commitments and organizational impact, and describe any potential or proposed consolidation, merger, or acquisition of control involving any other Pennsylvania Blue plan or other professional health service corporation, hospital plan corporation or insurer that were contemplated, investigated or negotiated by Highmark or any Highmark Affiliate prior to the execution of the Affiliation Agreement.

**4.3.8.1 Supplemental Filing Request. Provide a detailed description of any material strategic/financial initiatives of any UPE Entity other than those contemplated in the Supplemented Transaction (*i.e.* other acquisitions, divestitures, capital raises, etc.) to include projected financial obligations/commitments and organizational impact. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.3.9 Provide assessments for the cost and timeline of integrating the Highmark and WPAHS Entities into the organizational structure proposed to exist after the Transaction is completed, along with any third party reports supporting such cost estimates.

**4.3.9.1 Supplemental Filing Request. Provide assessments for the cost and timeline of integrating each UPE Entity into the organizational structure proposed to exist after the Supplemented Transaction is completed, along with all third party reports supporting such cost estimates. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.3.10 Provide a full and complete copy of all grant and loan agreements for all financial commitments made from Highmark and/or Highmark Affiliates to WPAHS and/or WPAHS Affiliates.

**4.3.10.1 Supplemental Filing Request. In addition to the information previously provided for WPAHS and/or the WPAHS Affiliates, please provide a full and complete copy of all grant and loan agreements for all financial commitments made from Highmark and/or Highmark Affiliates to any UPE Entity. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.3.11 Provide a full and complete copy of all documents evidencing the guarantee by any other entity of any obligation of any Highmark and WPAHS Entity or any Highmark and WPAHS Entity's guarantee of any obligation of any other Person. If otherwise included in the Form A filing and accompanying material, specifically identify the relevant document(s) and where such documents are included in the Form A filing and accompanying material.

4.3.11.1 **Supplemental Filing Request.** In addition to the information for Highmark and each WPAHS Entity previously provided, please provide a full and complete copy of all documents evidencing the guarantee by any other entity of any obligation of any UPE Entity guarantee of any obligation of any other Person. If otherwise included in the Form A filing or Supplemental Filing and accompanying material, specifically identify the relevant document(s) and where such documents are included in the Form A filing or Supplemental Filing and accompanying material. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.

4.3.12 Discuss any changes to the tax status of Highmark, any Highmark Affiliate, WPAHS and/or WPAHS Affiliate as a result of the Transaction or anticipated within the next 5 years.

4.3.12.1 **Supplemental Filing Request.** Discuss any changes to the tax status of JRMC or any other UPE Entity as a result of the Supplemented Transaction or anticipated within the next 5 years. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.

4.3.13 Provide a full and complete copy of any materials submitted to credit rating agencies by any Highmark and WPAHS Entity related to the Transaction.

4.3.13.1 Discuss any changes in credit rating or outlook for Highmark, any Highmark Affiliate, WPAHS and/or WPAHS Affiliate related to the Transaction.

4.3.13.2 **Supplemental Filing Request.** Provide a full and complete copy of any materials submitted to credit rating agencies by any UPE Entity related to the Supplemented Transaction. This Supplemental Filing Request does not include materials previously submitted in response to Request 4.3.13. Also, discuss any changes in credit rating or outlook for any UPE Entity related to the Supplemented Transaction. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.

4.3.14 Provide a full and complete copy of any valuation materials prepared or reviewed by Highmark and/or WPAHS related to any Highmark and WPAHS Entity and/or the Transaction.

4.3.14.1 **Supplemental Filing Request.** Provide a full and complete copy of any valuation materials prepared or reviewed by UPE, Highmark, JRMC

**or any other UPE Entity related to any UPE Entity or the Supplemented Transaction. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.3.15 Provide a full and complete copy of any tax opinions or analyses of taxation issues concerning the Transaction that have been or will be obtained.

4.3.15.1 **Supplemental Filing Request. Provide a full and complete copy of any tax opinions or analyses of taxation issues concerning the affiliation with JRMC or otherwise with respect to the Supplemented Transaction that have been or will be obtained. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.3.16 Provide an update to Schedule 5.6 to the Affiliation Agreement to include a description of the status of all litigation, audit and administrative proceedings concerning all Highmark and WPAHS Entities, including current status, deadlines and, if applicable, amounts claimed to be payable by the applicable Highmark and WPAHS Entity and cross-reference to the matters described in the response to Section 4.4.7.

4.3.16.1 For all matters where liability of any Highmark and WPAHS Entity is claimed to be in excess of \$1,000,000 or where injunctive relief is sought, file a schedule of all documents produced by the Highmark and/or Highmark Affiliates in discovery in such matters.

4.3.16.2 **Supplemental Filing Request. Provide a list of all litigation, audit and administrative proceeding concerning all UPE Entities where liability of any UPE Entity is claimed to be in excess of \$1,000,000 or where injunctive relief is sought, file a schedule of all documents produced by the UPE Entity in discovery in such matters. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.3.17 Identify all presently effective statute of limitation waivers, extensions or tolling agreements filed by or on behalf of any Highmark and WPAHS Entity; identify all such matters and provide a summary of each.

4.3.17.1 **Supplemental Filing Request. Identify all presently effective statutes of limitation waivers, extensions or tolling agreements filed by or on behalf of any UPE Entity; identify all such matters and provide a summary of each. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.3.18 Identify and provide a summary and the status of each matter, if any, in which any Highmark and WPAHS Entity is the subject of any investigation or legal action that could result in debarment, suspension, license or permit revocation by any governmental agency; the imposition of a civil monetary penalty; or in the imposition of any criminal penalty.

4.3.18.1 **Supplemental Filing Request: Identify and provide a summary and the status of each matter, if any, in which any UPE Entity is the subject of any investigation or legal action that could result in debarment, suspension, license or permit revocation by any governmental agency; the imposition of a civil monetary penalty; or in the imposition of any criminal penalty. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.3.19 Does any Highmark or WPAHS Entity have knowledge of any claim, potential claim or potential liability with respect to false statements/false claims; violations of fraud and abuse, civil monetary penalty, HIPAA, HITECH and/or any anti-kickback statute?

4.3.19.1 **Supplemental Filing Request: Does any UPE Entity have knowledge of any claim, potential claim or potential liability with respect to false statements/false claims; violations of fraud and abuse, civil monetary penalty, HIPAA, HITECH and/or any anti-kickback statute? This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.3.20 Provide a full and complete copy of any analysis of alternatives to entering into the Transaction, including but not limited to 'worst case' or similar analysis, performed for or provided to WPAHS or any WPAHS Affiliate and the assumptions underlying such analysis.

4.4 In addition to information otherwise requested in this PID Information Request that may be relevant to the issues addressed in this Section, provide the following information relating to 40 P.S. § 991.1402(f)(1)(iv) - *"The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable and fail to confer benefit on policyholders of the insurer and are not in the public interest."*

4.4.1 Identify and provide a description of any claims against any Highmark and WPAHS Entity by any Highmark and WPAHS Entity that are being, have been or will be settled or resolved in connection with the Transaction or since the execution of the June 28, 2011 term sheet between Highmark and WPAHS.

4.4.1.1 **Supplemental Filing Request. In addition to the information for Highmark and each WPAHS Entity previously provided, identify and provide a description of any claims against any UPE Entity that are being, have been or will be settled or resolved in connection with the Supplemental Transaction. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.4.2 In addition to the information provided in response to other items in this PID Information Request:

4.4.2.1 Provide a detailed description of governance, reporting lines and structure for regulatory oversight of economic transfers between UPE, the UPE Provider Sub and/or any Highmark and WPAHS Entity.

(A) **Supplemental Filing Request. Provide a detailed description of governance, reporting lines and structure for regulatory oversight of economic transfers between UPE Entities in light of the Supplemented Transaction and with respect to transfers to or within the IDN. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.4.2.2 Provide a full and complete copy of all materials describing operational integration plans for the Highmark and WPAHS Entities.

(A) **Supplemental Filing Request. Provide a full and complete copy of all materials describing operational integration plans for the UPE Entities. While this Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department, it is requested that UPE provide any update to materials previously requested.**

4.4.3 Compensation.

4.4.3.1 Explain any changes to the compensation arrangements of the officers of each Highmark and WPAHS Entity that will occur if the Transaction is completed.

(A) **Supplemental Filing Request. Explain any changes to the compensation arrangements of the officers of each UPE Entity that will occur if the Supplemented Transaction is completed. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.4.3.2 Summarize in an excel table the before and after compensation for the senior management team of each Highmark and WPAHS Entity and also detail any payments or other changes in compensation (including any bonus or incentive plans or payments) that are expected to result specifically from the Transaction.

(A) **Supplemental Filing Request. Summarize in an excel table the before and after compensation for the senior management team of each UPE Entity and also detail any payments or other changes in compensation (including any bonus or incentive plans or payments) that are expected to result specifically from the Supplemented Transaction. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.4.3.3 Discuss and provide a full and complete copy of all new and/or amended employment agreements, retention bonuses, bonuses, severance packages or other forms of compensation related to or resulting from the Transaction. Explain why the proposed compensation arrangements are reasonable.

(A) **Supplemental Filing Request.** Discuss and provide a full and complete copy of all new and/or amended employment agreements, retention bonuses, bonuses, severance packages or other forms of compensation related to or resulting from the Supplemented Transaction. Explain why the proposed compensation arrangements are reasonable. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.

4.4.3.4 Identify any financial obligations to any employee or agent of any Highmark and WPAHS Entity if the Transaction is not consummated in accordance with its terms.

(A) **Supplemental Filing Request.** Discuss and provide a full and complete copy of all new and/or amended employment agreements, retention bonuses, bonuses, severance packages or other forms of compensation related to or resulting from the Supplemented Transaction. Explain why the proposed compensation arrangements are reasonable. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.

4.4.3.5 Provide a full and complete copy of all Expert Opinions supporting or not supporting the reasonableness of the compensation arrangements. Explain all limitations on, and guidelines for, post-consolidation compensation.

(A) **Supplemental Filing Request.** Provide (i) a full and complete copy of all Expert Opinions supporting or not supporting the reasonableness of the compensation arrangements disclosed pursuant to Request 4.4.3.4(A). Explain all limitations on, and guidelines for, post-consolidation compensation; and (ii) a summary of pension obligations of JRMC and any Expert Opinions relating thereto.

4.4.4 Identify any changes to employment levels of each Highmark and WPAHS Entity, by function, that are anticipated to occur if the Transaction is approved.

4.4.4.1 **Supplemental Filing Request.** Identify any changes to employment levels of each UPE Entity, by function, that are anticipated to occur if the Supplemented Transaction is approved. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.

4.4.5 Discuss any termination provisions contemplated by the Transaction, including any payments, terms or financial arrangements that may result from a termination of the Affiliation Agreement or other termination of the Transaction.

4.4.5.1 **Supplemental Filing Request.** Discuss any termination provisions contemplated by the Supplemented Transaction, including any payments, terms or financial arrangements that may result from a termination of the affiliation arrangement with JRMC and/or with any other UPE Entity and/or other termination of

**the Supplemented Transaction. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.4.6 Provide the most current ‘integration planning team’ documentation regarding any organizational integration plan.

**4.4.6.1 Supplemental Filing Request. Provide the most current “integration planning team” documentation (or other similar documentation by whatever name such is called) regarding any organizational integration plan for each aspect of the Supplemented Transaction.**

4.4.7 Charitable and community activities.

4.4.7.1 What changes in charitable and community activities and in charitable contributions are expected to be made by each Highmark and WPAHS Entity in the four years after the Transaction either is approved or not approved?

**(A) Supplemental Filing Request. In addition to the information for Highmark and each WPAHS Entity previously provided, describe what changes in charitable and community activities and in charitable contributions are expected to be made by JRMC and each other UPE Entity in the four years after the Supplemented Transaction either is approved or not approved? This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.4.7.2 Assuming that the Transaction is approved, describe in detail the charitable and community activities in which UPE and UPE Provider Sub will engage and the charitable contributions that UPE and UPE Provider Sub will make in the four years after the Transaction is approved.

4.4.8 Community benefit programs.

4.4.8.1 Describe community benefit programs undertaken by WPAHS and each WPAHS Affiliate in the past four years.

**(A) Supplemental Filing Request. Describe community benefit programs undertaken by JRMC in the past four years.**

4.4.8.2 Provide copies of any community health needs assessment, community benefit report or similar document (in draft or final form) prepared by or for WPAHS or any WPAHS Affiliate in the past four years.

**(A) Supplemental Filing Request. Provide copies of any community health needs assessment, community benefit report or similar document (in draft or final form) prepared by or for JRMC in the past four years.**

4.4.8.3 Describe how community benefit programs of WPAHS and each WPAHS Affiliate will be affected by the Transaction.

(A) **Supplemental Filing Request. Describe how community benefit programs of WPAHS and each WPAHS Affiliate will be affected by the Transaction.**

4.5 In addition to information otherwise requested in this PID Information Request that may be relevant to the issues addressed in this Section, provide the following information relating to 40 P.S. § 991.1402(f)(1)(v) – *The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of the policyholders and of the public to permit the merger, consolidation or other acquisition of control.*”

4.5.1 Discuss the experience of the proposed management and Board of Directors of UPE with regard to operation and management of a vertically integrated enterprise that includes a healthcare delivery system.

4.5.2 Discuss the experience of the proposed management and Board of Directors of UPE with regard to the management of healthcare providers.

4.6 In addition to information otherwise requested in this PID Information Request that may be relevant to the issues addressed in this Section, provide the following information relating to 40 P.S. § 991.1402(f)(1)(vi) - *“The merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.”*

4.6.1 Identify and analyze the potential impact of the Transaction on the availability of health insurance and health care services (including public accessibility to medical professionals and facilities) in each area in Pennsylvania in which a Highmark and WPAHS Entity has current or future plans to do business, and demonstrate that the Transaction will not be hazardous or prejudicial to the insurance buying public.

4.6.1.1 **Supplemental Filing Request. Identify and analyze the potential impact of the Supplemented Transaction on the availability of health insurance and health care services (including public accessibility to medical professionals and facilities) in each area in Pennsylvania in which a UPE Entity has current or future plans to do business, and demonstrate that the Supplemented Transaction will not be hazardous or prejudicial to the insurance buying public. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.6.2 Explain the advantages and disadvantages of the Transaction for members, subscribers, enrollees, policy holders, hospital providers, other health care providers, pharmacies and other affected persons.

4.6.2.1 **Supplemental Filing Request. Explain the advantages and disadvantages of the Supplemented Transaction for members, subscribers, enrollees, policy**

**holders, hospital providers, other health care providers, pharmacies and other affected persons. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.6.3 Describe all agreements, contracts or commitments that will be in effect or are contemplated to be in effect any time after the Transaction is completed which agreements, contracts or commitments will limit in any way the freedom of any Highmark or WPAHS Entity to engage in any line of business, to do business with one or more third parties or to compete with any other person or entity. Please file a copy of any such agreement, contract or commitment.

**4.6.3.1 Supplemental Filing Request. Describe all agreements, contracts or commitments that will be in effect or are contemplated to be in effect any time after the Supplemental Transaction is completed which agreements, contracts or commitments will limit in any way the freedom of any JRMC or any other UPE Entity to engage in any line of business, to do business with one or more third parties or to compete with any other person or entity. Please file a copy of any such agreement, contract or commitment. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.6.4 Provide detail concerning how employees (and number of jobs and offices) will be affected by the Transaction.

**4.6.4.1 Supplemental Filing Request. Provide detail concerning how employees (and number of jobs and offices) will be affected by the Supplemental Transaction, with specific focus on the affect on employees of JRMC and other employees of the IDN. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department**

4.6.5 Describe whether and to what extent the Transaction is likely to have any impact on any current provider contract? Do any of the provider contracts permit early termination upon any change in control?

**4.6.5.1 Supplemental Filing Request. Describe whether and to what extent the Supplemental Transaction is likely to have any impact on any current provider contract. Do any of the provider contracts not previously disclosed permit early termination upon any change in control? This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.6.6 Describe any meetings or discussions between any of the Highmark and WPAHS Entities with health care providers or health care professional groups about the Transaction.

**4.6.6.1 Supplemental Filing Request. Describe any meetings or discussions between any of the UPE Entities with health care providers or health care professional groups about the Supplemental Transaction. While This Supplemental Filing**

**Request is not intended to require additional disclosure of materials previously filed with the Department, it specifically requires disclosure of meetings or discussions with health care providers or health care professional groups regarding JRMC and/or the IDN Strategy.**

4.6.7 Summarize any assurances or statements made by anyone representing any Highmark and WPAHS Entity regarding changes in provider relationships in connection with or resulting from the Transaction.

**4.6.7.1 Supplemental Filing Request. Summarize any assurances or statements made by anyone representing any UPE Entity regarding changes in provider relationships in connection with or resulting from the Supplemented Transaction. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.6.8 Provider reimbursement.

4.6.8.1 Are there any projected or anticipated changes in provider reimbursements as a result of or after the Transaction?

4.6.8.2 If so, describe any projected or anticipated changes in provider reimbursement for Highmark or any Highmark Affiliate.

**4.6.8.3 Supplemental Filing Request. Are there any projected or anticipated changes in provider reimbursements as a result of or after the Supplemented Transaction? If so, describe any projected or anticipated changes in provider reimbursement to be paid to any UPE Entity or from any Highmark or any Highmark Affiliate. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

4.6.9 Provide a full and complete copy of any presentations to the Board of Directors and/or any board committees of any Highmark and WPAHS Entity regarding consideration of the Transaction, including the rationale, projected financial commitment and financing alternatives, and comparison to any other strategic acquisition alternatives considered.

**4.6.9.1 Supplemental Filing Request. Provide a full and complete copy of all minutes of, and resolutions adopted at, any meeting where any aspect of all or any portion of the Supplemented Transaction was discussed of (1) the Board of Directors and/or board committees of any UPE Entity; and (2) any joint committee, task force or other body set up between or among UPE Entities. Please provide full copies of any attachments to the minutes or documents distributed at or in preparation for the meeting and full and complete copies of any presentations made at the meetings. The purpose of this Supplemental Filing Request is to provide the Department with a complete record of consideration of the Supplemented Transaction by each UPE Entity Board, committee, joint committee, task force or other body. While this Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department,**

**additional disclosure is required if necessary to give the Department a complete record of such consideration of any aspect of the Supplemented Transaction.**

4.6.10 Summarize the social and charitable mission of each Highmark and WPAHS Entity and describe the specific manner in which the Transaction will impact the ability of each Highmark and WPAHS Entity to fulfill its social and charitable mission.

4.6.11 Provide a full and complete copy of any presentations to the Highmark Board of Directors regarding consideration of the proposed Affiliation with WPAHS, including the rationale, projected financial commitment and financing alternatives, and comparison to any other strategic acquisition alternatives considered by the Board.

4.6.12 Provide a full and complete copy of any WPAHS Board of Directors documentation regarding consideration of an affiliation or other relationship between WPAHS and any WPAHS Affiliate and Highmark or any other insurer or with respect to any plan for resolving financial difficulties.

4.6.13 Discuss the manner in which the Transaction meets Highmark's overall strategic objectives.

4.6.13.1 **Supplemental Filing Request: Discuss the manner in which the Supplemented Transaction meets Highmark's overall strategic objectives. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department; however it is intended to elicit discussion of the affiliation with JRMC and implementation of the IDN.**

4.6.14 Discuss the anticipated target range for the surplus levels of Highmark and each Highmark Affiliate for the next five years, expressed in both dollars and RBC ratio, and include discussion of whether that target range is optimal for policyholders and subscribers.

4.6.14.1 **Supplemental Filing Request. Has UPE's response to 4.6.14 changed in any way due to the increase in expenditures needed to implement the Supplemented Transaction? If so, please describe such change(s).**

4.6.15 Describe any other potential or proposed consolidation, merger, or acquisition of control involving or any investment in or to any other health system, hospital, physician practice or other health care provider or supplier that were or are being contemplated, investigated or negotiated by any Highmark and WPAHS Entity either prior to or after the execution of the Affiliation Agreement.

4.6.15.1 **Supplemental Filing Request. Describe any other potential or proposed consolidation, merger, or acquisition of control involving, or any potential or proposed investment in, any other health system, hospital, physician practice or other health care provider or supplier that were or are being contemplated, investigated or negotiated by any UPE Entity either prior to or after January 1, 2012. This**

**Supplemental Filing Request is not intended to required additional disclosure of materials previously filed with the Department.**

4.6.16 Provide a full and complete copy of each Highmark and WPAHS Entity's investment plan and proposed changes to the plan and as a result of the Transaction.

4.6.16.1 **Supplemental Filing Request. Has the investment plan of any UPE Entity changed (or will the investment plan of any UPE entity change) as a result of implementation of the Supplemental Transaction? If so, describe how any such investment plan has or will change.**

5. Organization and background of entities involved in the Transaction.

5.1 Information related to all Highmark and WPAHS Entities.

5.1.1 For (i) the Applicant; (ii) Highmark; (iii) each Highmark Affiliate; (iii) UPE Provider Sub; (iv) WPAHS; and (v) each WPAHS Affiliate provide copies of:

5.1.1.1 Articles of incorporation or other formation document, except for those entities for which such documents have been provided. Identify the entities for which such documents have been provided and where such documents are located in the Form A filing and accompanying material.

5.1.1.2 Bylaws, operating agreement or similar document, except for those entities for which such documents have been provided. Identify the entities for which such documents have been provided and where such documents are located in the Form A filing and accompanying material.

5.1.1.3 With respect to each entity listed in Section 5.1.1 that will have its Articles of Incorporation and/or Bylaws amended when the Transaction is completed, provide a comparison document showing the changes that are proposed to be made in such document when the Transaction is completed.

5.1.1.4 Certificates of authority issued by any insurance department, or any other Commonwealth department of agency, or a department or agency of another state (other than corporation bureau certificates of authority).

5.1.1.5 License agreements.

5.1.1.6 Any contract, agreement or document that defines or restricts the geographic area in which the entity does business or the product(s) it offers.

5.1.1.7 A full and complete copy of Form 1023 filed to apply for recognition under Section 501(c)(3) of the Internal Revenue Code, if applicable, and any communication (whether by letter, e-mail or otherwise) and/or other document provided and/or received by the entity regarding any Form 1023 filing and any amendments thereto.

5.1.1.8 IRS Determination Letter certifying the tax status and evidence that the tax exemption is in good standing/valid, if applicable.

5.1.1.9 To the extent not disclosed in the Form A filing and accompanying material, provide a full and complete listing of each class of membership interests in each of Highmark, Highmark Affiliate, WPAHS and WPAHS Affiliate, summarize any rights of Control with respect to each such class, and refer to the agreement or document to which such right of Control relates. If disclosed in the Form A filing and accompanying material, identify where such disclosure is located in the Form A filing and accompanying material.

**5.1.1-A Supplemental Filing Request. Provide the same information requested for the entities in Request 5.1.1 (i.e. information requested in Requests 5.1.1.1 to 5.1.1.9) for all other UPE Entities.**

5.1.2 Provide any materials or presentations prepared by or for or sent to the Applicant and/or any Highmark and WPAHS Entity, or sent by or for the Applicant and/or any Highmark and WPAHS Entity to any other Person, setting forth or regarding the potential rationale for and/or risks associated with the Transaction.

**5.1.2.1 Supplemental Filing Request. Provide any materials or presentations prepared by or for or sent to any UPE Entity, or sent by or for any UPE Entity to any other Person setting forth or regarding the potential rationale for and/or risks associated with the Supplemented Transaction. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

5.1.3 Explain the current or anticipated use by or among one or more Highmark and WPAHS Entities of “most favored nation” clauses or similar provisions (“MFN’s”), whether or not currently used, in any contract by or among one or more Highmark and WPAHS Entities, including, but not limited to, provider and/or health care services payment or reimbursement contracts. Provide samples of MFN language used in existing provider or other agreements. Explain the impact of the Transaction on existing or contemplated MFN agreements.

**5.1.3.1 Supplemental Filing Request. Provide the same information required under Request 5.1.3 for each UPE Entity not included in the list of entities covered by the request in Request 5.1.3. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

5.1.4 Describe any fundamental corporate changes, other than the Transaction (including but not limited to acquisitions, sales, reorganizations, affiliations, mergers, conversions, divisions or changes in ownership) that are currently planned or are being investigated or considered by any Highmark and WPAHS Entity.

**5.1.4.1 Supplemental Filing Request. Provide the same information requested in Request 5.1.4 for any UPE Entity that is not a “Highmark and WPAHS Entity.”**

5.1.5 Identify and assess the magnitude and likelihood of impediments or risks relating to the Transaction.

**5.1.5.1 Supplemental Filing Request. Identify and assess the magnitude and likelihood of impediments or risks relating to the Supplemented Transaction. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.**

5.2 Highmark and Highmark Affiliates

5.2.1 Describe the powers that will be reserved to UPE as the corporate member of Highmark and provide documentation of such powers. Describe the powers, if any, that will be reserved to UPE in the articles of incorporation, bylaws or other document of any Highmark Affiliates and provide a copy of such.

**5.2.1.1 Supplemental Filing Request. Please provide an analysis of the compliance of the proposed Second Amendment and Restated Bylaws of Highmark Inc. (“Proposed Bylaws”) with the provisions of the Insurance Holding Companies Law, including without limitation, 40 PS § 991.1405.**

**5.2.1.2 Please provide a summary of any other agreement or arrangement, including any restrictions or requirements under any licensing provisions of Blue Cross/Blue Shield Network that affect or apply to the governance or management of Highmark and provide an analysis of how the Proposed Bylaws comply with any such provisions.**

5.2.2 What limits, if any, will exist upon completion of the Transaction on the ability of UPE to amend (or cause the amendment) of the articles of incorporation or bylaws of Highmark or any Highmark Affiliate?

5.2.3 Describe the authority or power that Highmark will have over UPE, UPE Provider Sub and/or the WPAHS Affiliates or to direct or cause the direction of the management or affairs of each such entity upon the execution of the Affiliation Agreement and the consummation of the Affiliation Agreement.

5.2.4 Describe any changes or proposed changes to health care payment or reimbursement contracts by Highmark and/or any Highmark Affiliate implemented or to be implemented in connection with the Transaction.

5.2.5 Highmark and/or Highmark Affiliate provider network(s).

5.2.5.1 Provide a list of all providers and/or networks of providers with which Highmark and/or each Highmark Affiliate contracts or will contract after completion of the Transaction.

5.2.5.2 Are there any anticipated changes to the providers and/or networks of providers that will result from or exist following completion of the Transaction? If so, please describe the anticipated changes.

### 5.3 WPAHS and WPAHS Affiliates

#### 5.3.1 Background Material for WPAHS

5.3.1.1 Describe any limitations on the authority of UPE Provider Sub as the sole member of WPAHS with respect to the WPAHS or any WPAHS Affiliate.

5.3.1.2 Provide biographical affidavits of all WPAHS' Board of Directors, other governing bodies, if any, and its Senior Management Team.

5.3.1.3 What changes, if any, are expected to be made to the membership of WPAHS's Board of Directors, other governing bodies, if any, or Senior Management Team once the Transaction is completed?

5.3.1.4 Describe current WPAHS and WPAHS Affiliates' service offerings by location and a description of WPAHS and WPAHS Affiliates' service offerings by location once the Transaction is completed.

5.3.1.5 Describe any changes or proposed changes to health care delivery services by WPAHS or WPAHS Affiliates implemented or to be implemented in connection with the Transaction.

#### 5.3.2 WPAHS and/or WPAHS Affiliate provider network(s).

5.3.2.1 Provide a list of all providers and/or networks of providers with which WPAHS and/or each WPAHS Affiliate contracts or will contract after completion of the Transaction.

5.3.2.2 Are there any anticipated changes to the providers and/or networks of providers that will result from or exist following completion of the Transaction? If so, please describe the anticipated changes.

5.3.3 Identify each contract between WPAHS and/or any WPAHS Affiliate and any insurer, other hospital plan corporation or professional health services plan corporation in Pennsylvania and any changes that will or are expected to be implemented in connection with the Transaction or after the Transaction is completed.

### 5.4 UPE

5.4.1 Will the UPE be licensed or otherwise regulated by the Pennsylvania Insurance Department and/or any other agency of the Commonwealth? If so, describe and cite the licensure and/or regulation and the statutes and regulations pursuant to which the UPE will be licensed or regulated.

5.5 UPE Provider Sub

5.5.1 Describe the powers that will be reserved to UPE as the sole member of UPE Provider Sub.

5.5.2 Provide biographical affidavits of the proposed Board of Directors of the UPE Provider Sub and its proposed Senior Management Team.

5.5.3 Will the UPE Provider Sub be licensed or otherwise regulated by the Insurance Department of the Commonwealth of Pennsylvania, the Pennsylvania Department of Health, the Pennsylvania Department of Public Welfare and/or any other agency of the Commonwealth? If so, describe the type of license or regulation and cite the statutes and regulations pursuant to which the UPE Provider Sub will be licensed or regulated.

5.5.4 **Supplemental Filing Request.** Please describe any arrangement or agreement under which Highmark, UPE or UPE Provider Sub has the right to Control or power to Control directly or indirectly JRMC or any affiliate.

6. Other issues

6.1 If the entity is a membership corporation, discuss how each Highmark and WPAHS Entity has complied or plans to comply with section 5922(d) of the Non Profit Law and its bylaws concerning member or subscriber approval of the Transaction.

6.2 Identify all third party professionals (lawyers, accountants, investment bankers, financial advisors, etc.) advising or consulting with any Highmark and WPAHS Entity with respect to the Transaction. Provide both individual and firm names.

6.3 Identify all individuals and lobbying firms providing lobbying services to any Highmark and WPAHS Entity with respect to the Transaction. Provide both individual and firm names.

6.4 Provide a copy of the most current or final copy of any due diligence checklists or closing checklists circulated by or among the Applicant and any Highmark and WPAHS Entity regarding the Transaction. Also, provide copies of any documents provided in response to such checklists that are relevant to any of the issues or requests for information in this PID Information Request but that are not specifically requested in this PID Information Request.

6.4.1 **Supplemental Filing Request:** Provide a copy of the most current or final copy of any due diligence checklists or closing checklists circulated by or among the Applicant and any UPE Entity. Also, provide copies of any documents provided in response to such checklists that are relevant to any of the issues or requests for information in the Amended Information Request. This Request is intended to result in the production of information related to JRMC and each entity included in the IDN, but is not intended to require additional disclosure of materials previously filed with the Department.

7. Definitions. *Additional definitions have been added below and are shown in bold and with underline. Otherwise, the definitions in this section have not been changed from the January 9 Information Request. Other defined terms may be found in the text and are set out with parentheses and quotation marks.*

In addition to the words or terms otherwise defined in this PID Information Request, as used in this document, the following terms have the following meanings:

“Affiliate” means any Person that directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under Common Control with any other Entity. It includes all Persons in which any Highmark and WPAHS Entity has a membership interest.

“Affiliation Agreement” means the contract entered into between UPE, UPE Provider Sub, Highmark, WPAHS and certain subsidiaries of WPAHS as specified therein dated October 31, 2011 providing for the Transaction. A copy of the Affiliation Agreement was provided to the Department.

“Applicant” means UPE, a Pennsylvania nonprofit corporation, on behalf of which the Form A was filed.

“BCBSA” means the National Blue Cross Blue Shield Association.

“Consideration” shall have the meaning as stated in Section 2.4.3.8.

“Control,” “Controlling” or “Controlled by” or “under Common Control with” have the meaning given to those terms in 40 P.S. § 991.1401.

“Department” means the Insurance Department of the Commonwealth of Pennsylvania.

“Domestic Insurers” means the Pennsylvania domestic insurers to which the Form A applies. These are listed in the Form A as Highmark; 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; 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; and United Concordia Life And Health Insurance Company, a Pennsylvania stock insurance company.

“Expert Opinion” means a third party expert opinion, advice or review as described at the beginning of this PID Information Request.

“Highmark” means Highmark Inc., a Pennsylvania nonprofit corporation licensed to operate a hospital plan and a professional health plan and a professional health services plan.

“Highmark Affiliates” means all Affiliates of Highmark. The term includes, but is not limited to, all of the Domestic Insurers (other than Highmark).

“Highmark and WPAHS Entities” or “Highmark and WPAHS Entity” means Highmark, all Highmark Affiliates, WPAHS, and all WPAHS Affiliates. This term is used throughout this PID Information Request to specifically require a response with respect to each such entity.

**“IDN” means all aspects of and all entities involved with the integrated delivery network referred to in Addendum No. 1 and which is referenced on page 1 of Addendum No. 1 (wherein UPE states that “. . .UPE proposed the change in control as part of a strategy to implement an integrated delivery network (IDN)).” The IDN is further described throughout the Supplemental Filing and elsewhere in documents filed by UPE. The IDN includes, without limitation, the proposed affiliations with WPAHS and JRMC, the expansion of the provider network (physicians, community hospitals and medical malls), infrastructure development (physician practice management companies and group purchasing organizations), other relationships with individuals or entities included in the Provider Group and any other activity that has been, is being or is expected to be included in the IDN when the IDN is fully implemented.**

**“IDN Strategy” refers to the strategy to implement the IDN.**

**“JRMC” means Jefferson Regional Medical Center.**

“Master Indenture” shall have the meaning as defined in the Affiliation Agreement.

“Person” means any individual, corporation, partnership, limited liability company, trust, association, employee pension plan or stock trust or other entity or organization, including without limitation any governmental or political subdivision or any agency or instrumentality thereof.

“Proceeding” shall have the meaning as defined in the Affiliation Agreement.

**“Provider Group” refers to the individuals and entities included or to be included in the “Provider Group” shown on the Proposed Corporate Structure after Tab N to Amendment 1.**

“Statement Regarding Compliance With the Competitive Standard of 40 P.S. § 991.1403(d)” means the statement referred to in Section 4.2.2 of this PID Information Request.

**“Supplemented Transaction” means the “Transaction” as defined in the January 9 Information Request plus all aspects of the IDN Strategy; including, without limitation, the proposed affiliations with WPAHS and JRMC, the expansion of the provider network (physicians, community hospitals and medical malls), the development of infrastructure (physician practice management companies and group purchasing organizations), formation of other relationships with individuals or entities included in the Provider Group and any other activity that has been, is being or is expected to be included in the IDN when the IDN is fully implemented.**

“Transaction” shall have the meaning as set forth at the beginning of [this] January 9 Information Request and shall include the obligations under the Joint Venture contemplated between Highmark and WPAHS and described in the Joint Venture Option Agreement dated as of October 31, 2011.

“UPE” means the Pennsylvania nonprofit corporation of that name formed on October 20, 2011 being the ultimate parent entity.

**“UPE Entity” means UPE, UPE Provider Sub, Highmark, all Highmark Affiliates, WPAHS, and all WPAHS Affiliates, JRMC, and any entity currently Controlled by any of the foregoing.**

“UPE Provider Sub” means the Pennsylvania nonprofit corporation of that name formed on October 20, 2011 as referenced on page 7 of the Form A.

“WPAHS” means West Penn Allegheny Health System, Inc., a Pennsylvania nonprofit corporation.

“WPAHS Affiliates” means all Affiliates of WPAHS.

“WPAHS Due Diligence Information” shall have the meaning as defined in the Affiliation Agreement.

“WPAHS Entities” or “WPAHS Entity” means WPAHS and all WPAHS Affiliates.

“WPAHS Tax-Exempt Bonds” shall have the meaning as defined in the Affiliation Agreement.

#### Form of Response

Documents provided in response to this Amended Information Request should be reference the number of this Amended Information Request to which you are responding and be provided as follows:

(a) Consistent with the January 9 Information Request, please provide responses in a searchable format by name and also by reference to the number of this Amended Information Request to which the document is responsible.

(b) In addition, copies of any documents submitted in response to this PID Information Request must be submitted to the Department in hard copy form and on one or more compact discs or thumb drives. For security purposes we would suggest that you provide data by password protected CD's or thumb drives, and provide the passwords to us by separate cover. We would appreciate it if you would include Bates ranges on the CD label or information accompanying thumb drives. We would appreciate your continuing to use the same password as you have been using with respect to the responses to the January 9 Information Request.

(c) Please create an excel spreadsheet that indexes each document you provide. The index should correspond to the item number of this Amended Information Request. The spreadsheet should be updated and provided (in native format) to the Department with each production. Without limiting the fields of information supplied, we would suggest that the spreadsheet include at least the following fields of information:

- Bates number range of document
- Short description of the document
- Date of the document
- Date of production to the Department
- Public or Confidential
- Highmark, Highmark Affiliate, WPAHS, WPAHS Affiliate or other UPE Entity document
- Information request to which document responds
- Information request to which document responds

We expect that you will provide a significant amount of data under confidential designation. Please be sure that you explain the reasons why you believe a document is appropriately entitled to confidential treatment and the legal basis therefore. Any assertion of confidentiality is subject to review and evaluation by the Department. We expect to raise confidentiality issues on a rolling basis as well.

We remind you that the questions in this Amended Information Request are intended to be answered on a continuing basis. We expect that you will update your responses as you receive additional responsive information. Any updates should be accompanied by an updated excel spreadsheet showing the dates of the response to each item.

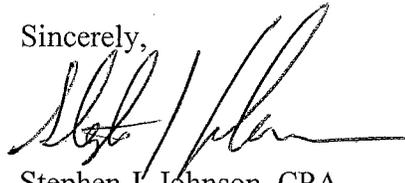
We expect that you will produce all responsive documents and we trust that it would only be in an extraordinary situation where documents are withheld. However, should that situation occur, we request that you provide an index of the withheld documents identifying them in the manner described above, along with an explanation of the reason that any document is withheld. If we do not receive a log of withheld documents for a particular question, we will presume that the Applicants are representing that no responsive documents in their possession or control (or in the possession or control of their employees or agents) have been withheld. If the Applicant is asserting any right of privilege to withhold material responsive to any Request, it must advise the Department of a claim of privilege and describe generally the material with respect to which this is claimed. The Department reserves the right to evaluate this privilege request.

Jack M. Stover, Esquire  
September 26, 2012  
Page | 37

Unless there is an explanation of why you are not following this course, we will expect the production of all attachments with any document.

Please be advised that the Department reserves the right to request additional information and documentation, above and beyond the requests set forth herein, based on its continued review of the Form A filings and the Supplemental Filing, including your responses to this letter. These requests are continuing requests and Applicants should promptly update their responses as soon as new information becomes available. Feel free to contact the Department for clarification of any of the requests made above.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Johnson', written over a horizontal line.

Stephen J. Johnson, CPA  
Deputy Insurance Commissioner  
Office of Corporate and Financial Regulation