



## News for Immediate Release

Jan. 23, 2013

### **Pennsylvania Insurance Department Receives Amended Highmark Filing**

**Harrisburg** – The Pennsylvania Insurance Department today announced that UPE/Highmark submitted its second amended filing today regarding its proposed change of control, affiliation with West Penn Allegheny Health System (WPAHS) and development of its integrated delivery network.

This latest supplemental filing describes additional and significant changes in the substance of the transaction. It also reflects an amendment to the proposed affiliation agreement between Highmark and WPAHS, and describes a proposed offer by Highmark to purchase WPAHS bonds.

"Both Highmark and West Penn have extraordinary track records in serving health consumers in Western Pennsylvania," Insurance Commissioner Michael Considine said. "As the insurance regulator, the department is charged with analyzing legal standards that look specifically at the overall effect any transaction would have on the insurance entity's financial stability, as well as any negative impact it may have on their policyholders and the public."

"Given the considerable increase in the costs associated with this transaction and the numerous and significant changes proposed, the filing will require close scrutiny to assure that the department's review meets statutory standards. We will continue to work as quickly as possible to review the transaction through a process that is transparent and provides an appropriate opportunity for public input and comment."

The latest supplemental filing describes developments that have occurred since Highmark's last significant amendments in August of 2012, including:

- Highmark's offer to purchase the outstanding WPAHS's series 2007A bonds for cash at 87.5 percent of par amount. This could lead to payments by Highmark of \$600 million or more.
- Principal and interest payments from WPAHS will be deferred until July 1, 2015 on Highmark held bonds.
- \$50 million aggregate increase in rates to be paid by Highmark to WPAHS over five years.
- \$75 million of funding previously earmarked for medical education in the original affiliation agreement will be redirected (as a grant) to WPAHS.
- Interest will not be payable on Highmark's loans, if WPAHS finances do not meet a specific standard.

The amended filing, public comments and related materials are available on the department's website. Visit [www.insurance.pa.gov](http://www.insurance.pa.gov) and click on "Highmark/West Penn Form A Filing."

The public comment period remains open to afford ample opportunity for interested parties to provide written comments on this new information.

Written comments should be directed to: Robert Brackbill, Chief, Company Licensing Division, PA Insurance Department, 1345 Strawberry Square, Harrisburg PA 17120, Fax: 717-787-8557, [rbrackbill@pa.gov](mailto:rbrackbill@pa.gov)

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