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State Senator
Don White
41st Senatorial District



Senate of Pennsylvania
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April 17, 2013

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The Honorable Tom Corbett
255 Main Capitol
Harrisburg, PA 17120

**INSURANCE DEPARTMENT
LEGISLATIVE OFFICE**

Dear Governor:

The recent release of the consultant reports evaluating Highmark's proposed acquisition of the West Penn Allegheny Health System (WPAHS) coupled with the Insurance Department's (PID) expedited public comment period lead us to conclude that your administration is on the verge of not only approving the WPAHS acquisition, but will do so by April 30th in accordance with Highmark's request. We wish to congratulate your administration on conducting a thorough review in such rapid fashion.

The consultant reports seem to be quite thorough and clearly make the case for two competing provider networks in the western Pennsylvania marketplace. We wholeheartedly agree that, under ideal circumstances, two competing provider networks are in the best interests of the consumer. However, the reports also note significant risks associated with the WPAHS acquisition, demonstrating this acquisition will occur under less than ideal circumstances.

While the abbreviated public comment period makes it difficult to fully analyze the consultant reports, based on our initial review it appears they raise several concerns over Highmark's forecasts and portray the proposed acquisition as carrying significant risks for not only Highmark's policyholders, but also the employees of WPAHS and the several community hospitals throughout western Pennsylvania. Therefore, we believe it is important to point out a few key concerns that must be addressed before any approval is issued by your administration:

1 - The aggressive media campaign Highmark has recently undertaken to encourage your administration to approve the WPAHS acquisition because it is "about the need for action to preserve West Penn Allegheny and affordable, quality health care choices -- and preserve 12,000 jobs that are an important part of our region's economy," should be ensured. Since Highmark is leading the public to believe the 12,000 WPAHS jobs will be preserved, they should be held accountable for that promise. It would certainly be unfortunate if your administration would approve the acquisition under the belief Highmark will preserve every job at WPAHS only to realize in the future that has not occurred. Therefore, for the peace of mind of the WPAHS employees, any approval should require binding assurances that the jobs provided at WPAHS at the time of acquisition will be maintained. Frankly, given Highmark's belief that admissions to WPAHS will increase annually by roughly 30,000, this should not be a difficult condition to meet.

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2 – Should your administration approve the WPAHS acquisition, it will again raise the question of whether Highmark and UPMC will continue a contractual relationship beyond 1-1-15. The people of western Pennsylvania will be done a disservice if your administration does not address the contractual issue in conjunction with approving the WPAHS deal. Therefore, we recommend approval of this acquisition include a condition that Highmark – absent a new contract - file a plan of transition for its policyholders as it prepares for the end of the UPMC contract. Requiring a transition plan as part of any approval will give consumers the knowledge and predictability they need to make choices on insurance and medical care. Otherwise calls for the General Assembly and your administration to address the concerns of a panicked public (which will peak in 2014) seeking unprecedented legislative intervention in contract negotiations between Highmark and UPMC will grow. Upon your administration issuing approval of the WPAHS acquisition, the lack of a clear transitional plan will result in a confused public while paralyzing the health insurance marketplace.

3 – Any approval by your administration should include conditions to protect community hospitals. The consultant reports note admissions at WPAHS will have to increase by 30,000 annually for the system to remain viable. While Highmark continues to claim these admissions will come at the expense of UPMC, it is hard to imagine community hospitals will not be at risk. Highmark must be held to its commitment to preserving community hospitals and reducing health care costs by keeping care in the community. Approval of the acquisition by your administration should include safeguards to ensure WPAHS is not saved through the demise of community hospitals.

Relative to this point, we note the consultants conclude the prospect of success in turning WPAHS around depends almost entirely on Highmark's ability to move patient volume into the system quickly. The reports go on to state such a large shift in volume only occurs if the contractual relationship between Highmark and UPMC ends on 1-1-15. If Highmark's stated desire to continue a long term relationship with UPMC is realized, it will significantly diminish their ability to move patient volume to WPAHS. As a result, community hospitals will likely face a significant drop in patient volume as Highmark will have no choice but to move patients to the WPAHS that otherwise would have come from UPMC. This matter must be addressed as part of your administration's approval of the acquisition.

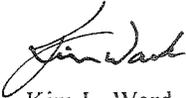
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We appreciate your consideration of the issues we raise and are confident you will be able to address them as needed. The entire Commonwealth will be affected by your administration's decision on this matter as it will undoubtedly become precedent setting for similar situations that will certainly occur throughout Pennsylvania.

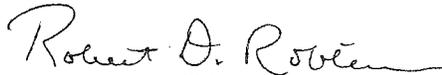
Sincerely,



Don White
Senator, 41st District



Kim L. Ward
Senator, 39th District



Robert D. Robbins
Senator, 50th District



Elder Vogel
Senator, 47th District

cc: The Honorable Joe Scarnati
The Honorable Dominic Pileggi
The Honorable Michael Consedine