

PENNSYLVANIA INSURANCE DEPARTMENT
PUBLIC INFORMATIONAL HEARING

RE: PROPOSED MERGER BETWEEN :
HIGHMARK, INC., and BLUE CROSS :
OF NORTHEASTERN PENNSYLVANIA :

TRANSCRIPT OF PROCEEDINGS

Public hearing held in the Casey
Ballroom of the Hilton Scranton & Conference Center,
100 Adams Avenue, Scranton, Pennsylvania, on
Wednesday, November 12, 2014, commencing at
7 o'clock p.m., stenographically recorded by Steven
R. Mack, Certified Realtime Reporter.

BEFORE: PENNSYLVANIA INSURANCE DEPARTMENT

MICHAEL F. CONSEDINE, Commissioner
KIMBERLY RANKIN, Director
YEN LUCAS, ESQ., Chief Counsel

* * *

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1 COMMISSIONER CONSEDINE: Well,
2 good evening everybody and welcome to the 7 p.m.
3 session of the Pennsylvania Insurance Department's
4 public informational hearing on Highmark's proposed
5 acquisition of control of Blue Cross of Northeastern
6 Pennsylvania (BCNEPA) and its insurance company
7 subsidiaries.

8 I am still Mike Consedine,
9 insurance commissioner of the Commonwealth of
10 Pennsylvania, and as commissioner I am told I will
11 make the ultimate decision to approve or disapprove
12 of the transaction.

13 Just by way of a little bit of
14 background -- and you can tell we're a little punchy
15 after an entire day of hearings here.

16 In February of this year Highmark
17 submitted the filing to the Department which is the
18 subject of today's hearing. In the filing Highmark
19 asked the Insurance Department to approve its
20 acquisition of control of BCNEPA and its insurance
21 company subsidiaries through the merger of BCNEPA
22 and its subsidiaries into Highmark.

23 The Department will make its
24 decision based on a statute called the Insurance
25 Holding Companies Act. This act requires the

1 Department to look at a number of factors, including
2 the impact of the transaction on competition in
3 insurance, the effect of the transaction on
4 policyholders, and whether the transaction is likely
5 to be hazardous or prejudicial to the
6 insurance-buying public.

7 Another factor that the Department
8 will evaluate is the competence, experience, and
9 integrity of company management.

10 The purpose of today's hearing is
11 not to reach a final decision on the Form A filing,
12 but the purpose is to receive comments from
13 interested persons to aid the Department in
14 ultimately reaching a decision on the filing and to
15 allow Highmark and BCNEPA to discuss the details of
16 the proposed transaction.

17 The entire record of the filing,
18 including the transcript of today's -- of the
19 hearing, including this morning's very substantive
20 session, will be reviewed by the Department before
21 any final conclusions are reached. The Department
22 will closely consider any comments about the filing
23 presented here today. Once again, no final decision
24 will be rendered at the conclusion of our hearing
25 today.

1 This is a public informational
2 hearing, and all interested persons are invited to
3 provide their comments or ask questions about the
4 filing. However, I must ask you to address your
5 comments to the given subject and be as concise as
6 possible.

7 The Department's chief counsel,
8 Yen Lucas, will provide a little bit more
9 information about the procedures for tonight's
10 session. Yen?

11 MS. LUCAS: Thank you,
12 Commissioner, and welcome to our evening session
13 everyone. My name is Yen Lucas, and I'm the chief
14 counsel for the Insurance Department and a member of
15 the Governor's Office of General Counsel.

16 As Commissioner Consedine stated,
17 the purpose of today's hearing is not to reach a
18 final decision on the filing but rather to receive
19 comments. The Department is going to continue its
20 review and analysis of the Form A filing that is
21 before it.

22 The Department will review the
23 transcript of today's hearing as a part of its
24 examination of the filing. The Department will make
25 the transcript available on its internet website at

1 www.insurance.pa.gov.

2 The purpose of this evening's
3 hearing is to provide a public forum for all
4 interested persons to give information and comments
5 concerning the Form A filing. We ask that all
6 preregistered speakers check in with Chris Bybee at
7 the registration table. If you are not a
8 preregistered speaker and wish to offer comments,
9 please see Chris at the registration table.

10 We will begin with short
11 presentations from NEPA, Highmark, and then followed
12 by their economist, Dr. Cory Capps of Bates White.
13 This will shortly be followed by presentations from
14 the Department's consultants, The Blackstone Group
15 as well as Compass Lexecon.

16 Then the public comment portion of
17 the hearing will begin with presentations from those
18 who have registered to speak. If you are speaking,
19 please indicate if you are speaking on your own
20 behalf or in the capacity for another organization,
21 and please state the relationship of your -- of your
22 representation to the party.

23 We ask that you address your
24 remarks to the Form A filing that is before the
25 Department. Because of today's -- the nature of

1 today's hearing, which is a public hearing, there
2 will be no sworn testimony. Cross examination or
3 other interrogation of speakers will not be
4 permitted. However, you may ask questions of
5 Highmark or BCNEPA during your oral comments.

6 Following today's hearing the
7 Department will require responses in writing to all
8 questions raised by the Department and the public
9 during the hearing and will make the responses
10 available on its website.

11 Please limit your remarks to about
12 ten minutes. And once all the preregistered
13 speakers have given their comments, the Department
14 will allow for any of the nonregistered speakers to
15 offer comments if they so desire. Thank you.

16 COMMISSIONER CONSEDINE: Thank
17 you, Yen.

18 As Yen indicated, this evening
19 we'll be starting off with brief presentations by
20 BCNEPA, Highmark, and Highmark's economist. I will
21 just note for the record that we did have very
22 comprehensive presentations from all of the parties
23 this morning which will be reflected in the record,
24 and I know for purposes of this evening we will be
25 receiving abbreviated versions of those at least for

1 purposes of the public who may be joining us this
2 evening. So we appreciate the brevity.

3 We'll start off with Denise
4 Cesare. I'm going to ignore the incorrect phonetic
5 pronunciation this time around, Denise, and who is
6 the president and CEO of BCNEPA. Ms. Cesare --

7 MS. CESARE: Thank you,
8 Commissioner.

9 COMMISSIONER CONSEDINE: -- you
10 are free to give your presentation. Thank you.

11 MS. CESARE: Thank you.

12 And thank you to you and your
13 department for holding this hearing and offering the
14 public this opportunity to provide input into this
15 important transaction.

16 As you noted, I am Denise Cesare.
17 I am president and chief executive officer of Blue
18 Cross of Northeastern Pennsylvania. I have served
19 in that role since 1999 and have proudly worked with
20 this organization for nearly 35 years.

21 With me today is John Moses,
22 chairman of the Board of Directors of Blue Cross of
23 Northeastern Pennsylvania.

24 I am pleased to be here to discuss
25 the proposed merger between Blue Cross of

1 Northeastern Pennsylvania and Highmark. In my
2 remarks today I will discuss why BCNEPA decided to
3 pursue a transaction, the process we used, why we
4 chose Highmark, and how this merger will benefit the
5 people and communities of Northeastern and North
6 Central Pennsylvania.

7 Industry and marketplace changes
8 accelerated by the Federal Affordable Care Act are
9 transforming the nation and regional health care
10 landscapes, posing serious challenges to health
11 plans of our size turning long -- concerning
12 long-term viability, sustainability, and the ability
13 to serve customers and providers.

14 As a smaller insurer, we are
15 confronted with numerous challenges in terms of
16 remaining an independent entity:

- 17 1. The inability to sustain our
18 mission;
- 19 2. Our heightened exposure to
20 risk;
- 21 3. Our need for significant
22 investment;
- 23 4. Our inability to easily access
24 capital;
- 25 5. The capital strength of our

1 competitors;

2 6. Our scale limitations; and

3 7. Our ability to participate in
4 broader geographic market opportunities.

5 So why now pursue a merger? Our
6 current market and financial position is strong, but
7 we knew that the long-term outlook as an independent
8 entity was not favorable. In fact, the analysis
9 done by a nationally recognized consultant confirmed
10 that future environmental and business conditions
11 were going to adversely affect our financial
12 position and threaten long-term sustainability. We
13 needed a solution that would preserve a strong Blue
14 option and robust products and services for
15 consumers and would preserve jobs for our local
16 economy, and we needed to act while our position was
17 strong to deliver the best results.

18 Let me speak about the selection
19 process. BCNEPA engaged in a rigorous process to
20 explore its options for a strategic relationship and
21 to select a transaction partner that best positions
22 the company to continue serving the long-term needs
23 of our customers and the community.

24 Our goals were as follows:

25 1. Ensure high-quality,

1 affordable products and services were offered to the
2 consumers within Northeastern and North Central
3 Pennsylvania;

4 2. Retain jobs within the
5 Northeastern and North Central Pennsylvania markets;

6 3. Create a charitable foundation
7 to serve the needs of our community; and

8 4. Retain local representation
9 and governance for a specified period of time.

10 The company retained financial and
11 legal experts to support our decision-making.

12 The Rationale for the Selection of Highmark

13 After this careful review and
14 consideration, the BCNEPA Board of Directors
15 concluded that a merger with Highmark is in the best
16 interest of our customers, our employees, and the
17 community. Highmark was chosen based on the
18 strength of its proposal and its responsiveness to
19 our goals and business objectives.

20 Specific examples of Highmark
21 commitments include maintaining regional operations
22 and substantial continued employment in the region
23 for at least four years, continued employment for
24 existing employees or a severance in the event they
25 are displaced, local input through a local advisory

1 board and four additional board members from the
2 region on the Highmark Inc. Board of Directors, and
3 up to \$100 million to benefit the region through
4 charitable entities.

5 The expected benefits of the
6 merger? From our perspective, the BCNEPA-Highmark
7 merger will benefit consumers, our provider
8 partners, the community, and the company.

9 Consumers will see enhanced
10 product offerings and more innovative tools and
11 technology that improve care quality and patient
12 health and wellness. They will continue to have the
13 confidence that comes from the availability of
14 products offered under the Blue brand.

15 Consumers and providers alike will
16 gain from the development of new delivery models to
17 support the transition to accountable care in which
18 payment will be increasingly based on value rather
19 than the service delivered. Providers will also
20 benefit from the streamlined relationships that this
21 merger should produce, which can reduce their
22 administrative burdens.

23 Thanks to the commitments that
24 Highmark is making as a part of this agreement, our
25 community in Northeastern and North Central

1 Pennsylvania will maintain the economic benefits of
2 continuing to have the presence of a major health
3 care employer in the region, as well as the health
4 benefits of the investment of up to \$100 million in
5 community health and wellness endeavors in our
6 region.

7 Finally, through this merger the
8 region will continue to benefit from an insurance
9 company with a nonprofit model and similar corporate
10 mission.

11 In conclusion, for the reasons I
12 outlined in my remarks, we request that the
13 Department approve this merger. Once again, thank
14 you for this opportunity to discuss BCNEPA's reasons
15 for the merger and why it is good for Northeastern
16 and North Central Pennsylvania, including our
17 individual subscribers, employer groups, providers,
18 the community in which we operate, and the people in
19 our region. Thank you.

20 COMMISSIONER CONSEDINE: Thank you
21 very much, Ms. Cesare.

22 Mr. Moses.

23 MR. MOSES: Thank you.

24 Thank you, Commissioner Consedine,
25 for your leadership in overseeing the review process

1 and holding this public hearing. This will be a
2 summary of the presentation made earlier today.

3 I am proud to share with you a
4 summary of one of the most important aspects of this
5 merger transaction: an unprecedented financial
6 commitment to charitable endeavors supporting the
7 health and welfare of the people of our region.

8 BCNEPA's History of Community Support

9 A community commitment is vital to
10 the success of this transaction, and was a condition
11 insisted upon by BCNEPA in our negotiations, because
12 of BCNEPA's legacy of community commitment since its
13 creation in 1938.

14 Highmark, which shares BCNEPA's
15 long history as a nonprofit community-minded
16 organization, recognized the importance of such
17 charitable support to the community and to its
18 future success in this region. We successfully
19 worked with Highmark to include two important
20 provisions in our merger agreement.

21 First, the agreement provides for
22 up to \$100 million in funds to be set aside to
23 benefit the people and communities of our region.

24 Second, it allows for the transfer
25 of stock in BCNEPA's subsidiary AllOne Health

1 Resources Corporation, hereinafter called AllOne, a
2 company not included in the merger, to a charitable
3 organization to benefit the local community.

4 It was determined during our
5 negotiations with Highmark that AllOne's core
6 offerings did not align with Highmark's ancillary
7 products strategy. As a result, AllOne would not be
8 part of the merger transaction along with BCNEPA and
9 its other affiliates.

10 It is expected that the company's
11 increasing value over time will accrue to a local
12 charitable organization that holds its stock, and as
13 it grows we will look to create as many jobs as
14 possible here in Northeastern Pennsylvania without
15 jeopardizing the financial viability of the company.

16 The Structure of the New Charitable Organization

17 It was determined that those
18 assets would need to be directed into two entities:
19 a private foundation, formed by restructuring and
20 renaming BCNEPA's existing foundation, The Blue
21 Ribbon Foundation of Blue Cross of Northeastern
22 Pennsylvania; and two, a newly created public
23 charity.

24 You may ask, why two entities?
25 Under the Internal Revenue Code, a not-for-profit

1 corporation that is exempt from federal income tax
2 as a private foundation would be subject to
3 significant excess business holdings penalties if it
4 held more than a permitted percentage of stock in a
5 for-profit company.

6 Although two legal entities are
7 needed, they will be structured to have some shared
8 board members for leadership continuity and will
9 also share staff and facilities for maximizing
10 operating efficiencies.

11 The Private Foundation

12 The name of the foundation will
13 change to AllOne Foundation and will no longer be
14 affiliated with BCNEPA or the Blue Cross Blue Shield
15 Association. The foundation will maintain its
16 health and wellness mission.

17 The Public Charity

18 The outstanding capital stock of
19 AllOne will be contributed to the public charity,
20 making AllOne a wholly owned subsidiary of the
21 public charity. Like the private foundation, the
22 public charity will make grants to not-for-profit
23 organizations to benefit the health and welfare of
24 the people of the community. As a public charity it
25 will conduct fundraising activities to further its

1 mission.

2 Common Mission and Complementary Roles

3 The private foundation and the
4 public charity will share a mission and vision. Our
5 mission is to make a real and substantive impact on
6 the health and welfare of the people of Northeastern
7 and North Central Pennsylvania by improving access,
8 affordability, and quality of health care.

9 Our vision is to work
10 independently or in collaboration with others to
11 enhance the present health care delivery system of
12 Northeastern and North Central Pennsylvania and to
13 be innovative in creating new ways of improving the
14 health and welfare of the people of Northeastern and
15 North Central Pennsylvania.

16 The private foundation will make
17 extensive targeted grants to not-for-profits across
18 the region and to undertake larger programmatic
19 activities or develop and fund self-designed
20 charitable initiatives that are broad in stroke.

21 The public charity will make
22 smaller unrestricted grants that focus on health,
23 education, and disease prevention, human services
24 activities, and other purposes that complement or
25 supplement the historic mission of BCNEPA.

1 Timing of the Charitable Investments

2 Immediately prior to the closing
3 of the merger transaction, if it is approved,
4 between BCNEPA and Highmark Inc., BCNEPA will be
5 transferring 90 million from its capital reserves in
6 the following manner:

7 Approximately \$60 million will be
8 contributed to the private foundation to support its
9 grant-making and programmatic activities.
10 Approximately \$10 million will be contributed to the
11 public charity to support its grant-making
12 activities. Approximately \$20 million will be
13 contributed to AllOne to be used to support its
14 future growth and enhance its future value for the
15 benefit of the community, including an increase in
16 employment.

17 The merger agreement also provides
18 that Highmark will contribute up to \$10 million in
19 additional funds to these charitable entities if the
20 merged organization meets certain financial
21 milestones in 2015.

22 In conclusion, let me state that
23 the merger agreement between BCNEPA and Highmark
24 Inc. provides for an unprecedented charitable
25 investment in the future health and welfare of the

1 residents of Northeastern and North Central
2 Pennsylvania.

3 This investment will make a
4 substantial impact on health across Northeastern and
5 North Central Pennsylvania and will provide an
6 avenue for the growth of AllOne to create as many
7 jobs as possible here in Northeastern Pennsylvania
8 without jeopardizing the financial viability of the
9 company.

10 Thank you for the opportunity to
11 offer comments on this important aspect of the
12 merger. I'm happy to respond to whatever questions
13 you might have.

14 COMMISSIONER CONSEDINE: Thank you
15 very much, Mr. Moses and Ms. Cesare.

16 Again, we had I think some very
17 good, robust Q and A this morning, which again is
18 reflected in the record, focusing in particular on
19 the reasons for the merger, alternatives considered,
20 benefits to policy -- direct benefits to
21 policyholders and the community, as well as some
22 confirmations around the job protections for BCNEPA
23 employees.

24 And again, that's all reflected in
25 the record, and, as noted, we likely will have some

1 additional follow-up questions in the areas, some of
2 the areas surrounding the structure of the
3 foundation and charity, the need for two entities;
4 as well as probably some additional clarity around
5 the board composition and compensation of the
6 various entities involved in the transaction.

7 And again, we'll follow up on
8 those, but I do not believe we have additional
9 questions at this time.

10 MR. MOSES: Thank you.

11 COMMISSIONER CONSEDINE: So with
12 that, we will turn next to the Highmark portion of
13 the presentation and turn to David Holmberg and
14 Deborah Rice-Johnson to kick off the Highmark
15 remarks.

16 MR. HOLMBERG: Thank you,
17 Commissioner.

18 Good evening. My name is David
19 Holmberg, and I am the president and CEO of Highmark
20 Health. With me this evening is Deborah
21 Rice-Johnson, president of Highmark Health Plan, a
22 diversified health and wellness enterprise based in
23 Pittsburgh. We appreciate the opportunity to
24 present information about the proposed merger of
25 Highmark Inc. and Blue Cross of Northeastern

1 Pennsylvania.

2 Highmark Health serves as the
3 parent company of Highmark Inc., the applicant in
4 the Form A filing with the Pennsylvania Insurance
5 Department. Highmark Inc. and its affiliated
6 companies comprise one of the largest health
7 insurance organizations in the United States and the
8 fourth-largest Blue Cross and Blue Shield affiliated
9 organization. Highmark and its affiliates operate
10 health insurance plans in Pennsylvania, Delaware,
11 and West Virginia that serve more than 4 and a half
12 million people.

13 The Highmark Health enterprise
14 also includes the Allegheny Health Network,
15 comprised of eight hospitals, physicians'
16 organizations, a group purchasing organization, and
17 ambulatory surgery centers.

18 In April of 2014 the enterprise
19 established a new affiliate, Highmark Health
20 Solutions, which delivers robust information
21 technology platforms and is focused on meeting the
22 business needs of Highmark Health, Highmark Inc.,
23 and other health insurance plans.

24 With a health plan and a hospital
25 as well as diversified businesses that support

1 financial stability and growth, Highmark Health has
2 the pieces to change and invest in the new reality
3 of health care. We are building a seamless system
4 that will better serve our primary goal: meeting
5 the needs of our customers.

6 It is important to emphasize that
7 the customer is at the heart of our motivation for
8 success. Health care is personal; it's about
9 people. We are working to deliver a different, more
10 positive experience and better health outcomes while
11 ensuring that we leave people standing financially.
12 The future of health care will be shaped by growing
13 consumer engagement, and we intend to lead that
14 change.

15 Highmark's merger with Blue Cross
16 of Northeastern Pennsylvania is an important part of
17 Highmark Health's overall strategy. Highmark is
18 uniquely positioned to continue to serve the
19 residents of Northeastern Pennsylvania and North
20 Central Pennsylvania through a merged company. A
21 merger of NEPA and Highmark will assure that the
22 needs of the consumers in the BCNEPA area -- excuse
23 me -- have the ability to -- okay. That cost me
24 three seconds, so I want to -- I'll catch up here.

25 A merger of BCNEPA with Highmark

1 supports both companies' shared goal of assuring
2 that consumers have access to innovative,
3 high-quality, and high-value products and services,
4 including Blue-branded products and services,
5 offered by a financially stable health plan with
6 sufficient scale and scope will make a difference.

7 Highmark care -- or Highmark
8 health care is changing rapidly as technology
9 advances, access to coverage expands, and reforms to
10 the delivery of care evolve. To adapt to these
11 changes and succeed, health plans must have the
12 scale needed to compete and the financial strength
13 necessary to sustain long-term viability.

14 In the increasingly cost-conscious
15 and consumer-centric market that exists today,
16 delays in responding to changes in the competitive
17 environment can have significant negative
18 consequence. Smaller insurers, like NEPA, are
19 challenged by the needs to take -- or to make
20 investments in capabilities to assure long-term
21 sustainability in this new environment.

22 By contrast, Highmark can fund the
23 infrastructure investments necessary to operate
24 efficiently, comply with new government regulations,
25 and develop new products and services. Highmark has

1 the scale, capabilities, and experience to address
2 and ensure the long-term availability of affordable
3 and high-quality health care to consumers in
4 Northeastern and North Central Pennsylvania. A
5 Highmark-NEPA merger will benefit the customers and
6 communities both companies serve.

7 While I think it's important to
8 broadly describe the Highmark Health enterprise,
9 this merger is about our health plan and the
10 strategic partnerships that will provide its
11 customers with a more seamless experience, so I'm
12 going to turn it over to Deb Rice-Johnson.

13 MS. RICE-JOHNSON: Thank you.

14 I'm Deb Rice-Johnson, and I'm the
15 president of the Highmark Health Plan. Thank you
16 for the opportunity to speak and share with you the
17 benefits that the proposed merger of Highmark and
18 Blue Cross NEPA will have for consumers.

19 The merger of Highmark and BCNEPA
20 will ensure that consumers in the current BCNEPA
21 service area will continue to have access to
22 high-quality health insurance products and services,
23 including high-quality Blue-branded products and
24 services.

25 Highmark and BCNEPA already work

1 together in various forms for -- of business
2 partnership to serve the Northeastern and North
3 Central Pennsylvania region. This partnership has
4 existed for many years and is currently built around
5 four primary arrangements.

6 First, Highmark is a minority
7 shareholder in two of BCNEPA's key subsidiaries:
8 First Priority Life and Health Insure -- First
9 Priority Life Insurance Company and First Priority
10 Health.

11 Second, Highmark provides the
12 "Shield" portion of the Highmark and BCNEPA's joint
13 Blue Cross Blue Shield insurance products in the 13
14 counties comprising BCNEPA's service area.

15 Third, Highmark and BCNEPA
16 participate in a risk-sharing arrangement around
17 Highmark's Medicare Advantage product.

18 And then finally, Highmark is
19 BCNEPA's primary supplier for data center, claims
20 and BlueCard processing, and other shared services
21 that provide a portion of the infrastructure
22 required to support BCNEPA's business.

23 Given these existing relationships
24 with BCNEPA and our long-lasting history of
25 partnership, Highmark believes that it is uniquely

1 positioned to meet the needs of BCNEPA's current
2 customers and to continue BCNEPA's historical
3 mission of serving the health insurance needs of the
4 residents of the communities they serve.

5 Highmark provides insurance
6 products and services to subscribers in counties
7 contiguous to the BCNEPA service area. Many of
8 these subscribers receive care from providers
9 located inside the BCNEPA service area. Subscribers
10 access this care through BCNEPA's provider contracts
11 with hospitals and Highmark's Premier Blue Shield
12 professional network for physician services.

13 A merger between Highmark and
14 BCNEPA will lead to more efficient administration of
15 products and services, ultimately improving the
16 service to Highmark customers in the contiguous
17 counties and for our large employers and national
18 business as well.

19 The contribution to Highmark in
20 terms of the economies of scale and portfolio
21 diversification that will result from the merger are
22 important to the financial strength and stability of
23 Highmark in its other core local service areas of
24 Central and Western Pennsylvania. The merger will
25 bring growth opportunities and scale-based cost

1 efficiencies and is accretive to Highmark across key
2 financial aspects of the business.

3 Although BCNEPA currently uses a
4 number of Highmark systems, with the merger of
5 BCNEPA into Highmark, Highmark expects to realize
6 additional scale improvements to serve
7 administrative efficiency. Highmark's intention is
8 to leverage the full breadth of Highmark's core
9 administrative platform, business processes,
10 business contracts, and experience to improve the
11 administrative -- administrative efficiency and
12 enhance the customer experience.

13 Highmark does not currently offer
14 medical insurance products in the BCNEPA service
15 area independent of BCNEPA. With the merger and
16 resulting elimination of the contiguous county
17 border and the BlueCard distinction that currently
18 separates the 13-county BCNEPA service area from
19 Highmark's other Pennsylvania regions, Highmark will
20 achieve seamless administration of products,
21 services, and customer experience across
22 Pennsylvania.

23 Being able to offer customers
24 products that enhance value is an imperative for
25 Highmark. BCNEPA currently does not have, except

1 for one pilot, programs such as accountable care
2 organizations and patient-centered medical home
3 programs that shift consumer and provider
4 experiences towards value-based care and products
5 and services that support that.

6 Backed by Highmark's substantial
7 experience in implementing innovative models in
8 these regions, we intend to introduce these types of
9 programs in the BCNEPA service area following the
10 merger. The introduction of these value-based
11 products and programs should allow us to improve the
12 health care quality of the region while still
13 managing costs.

14 In summary, the merger of Highmark
15 and BCNEPA will result in additional scale,
16 reduction in need for the capital expenditures
17 needed to manage in a changing market, and provide
18 synergy opportunities. These benefits will enable
19 the combined company to continue to offer affordably
20 priced products in the Northeastern and North
21 Central region while simultaneously allowing the
22 enhancement of products, services, and population
23 health management programs offered in the region and
24 in contiguous areas.

25 I would like to take just one

1 moment to address two other very important areas of
2 the BCNEPA and Highmark merger.

3 The merger agreement provides for
4 the creation of a local Advisory Board drawn from
5 the current BCNEPA Board of Directors. Denise
6 mentioned that the merger agreement provides for the
7 appointment of four additional members to the
8 Highmark Board of Directors, also drawn from the
9 current BCNEPA Board. Highmark's commitment to
10 these arrangements last for four years. Highmark
11 believes that the Advisory Board will provide a
12 valuable -- will provide valuable insights and
13 support in matters relating to the former BCNEPA
14 businesses.

15 With respect to the BCNEPA
16 workforce, Highmark recognizes the importance of
17 BCNEPA's employees to the economic vitality of the
18 Northeastern and North Central regions and has made
19 a commitment to maintain operations in the BCNEPA
20 region.

21 Highmark also has agreed that for
22 the first four years following the merger Highmark
23 will use commercially reasonable efforts to maintain
24 local employment levels, including employment in
25 Highmark's affiliated companies in the region, that

1 are consistent with BCNEPA's pre-merger employment
2 levels.

3 As in the case of many mergers,
4 the merger of BCNEPA and Highmark will produce
5 opportunities for administrative efficiencies across
6 the combined company's workforce. While
7 organizational efficiencies will drive
8 administrative synergies when the two companies'
9 operations are integrated, we expect to occur --
10 this will occur over time with much of the change
11 resulting from normal attrition. The merger will
12 afford Highmark the ability to integrate talented
13 staff from BCNEPA into very important functions in
14 Highmark.

15 In conclusion, a merger between
16 Highmark and BCNEPA is important -- is an important
17 next step to the evolution of health care financing
18 and the delivery of care in the Commonwealth. For
19 the reasons I have discussed, the merger will only
20 benefit those in -- those companies as well as
21 benefit providers and consumers in our regions.

22 Thank you.

23 COMMISSIONER CONSEDINE: Thank you
24 both. And again, the questions this morning that we
25 had of Highmark really focused on sort of the

1 corporate bandwidth to take on another significant
2 transaction, some of the near-term and long-term
3 strategic plans for BCNEPA that Ms. Rice-Johnson
4 just alluded to, as well as some additional
5 questions regarding commitments to maintain BCNEPA
6 employees and the presence here in this portion of
7 the state.

8 So I think the record reflects
9 some good discussion on those issues, and again
10 we'll follow up as needed. Let me see if there are
11 any follow-up questions here?

12 Okay. If not, that takes us to
13 our last presenter, Dr. Cory Capps, who is the
14 Highmark-retained economist.

15 DR. CAPPS: Thank you. Hello. Is
16 this on?

17 COMMISSIONER CONSEDINE: Yeah.

18 DR. CAPPS: There we go.

19 As you said, I'm Cory Capps. I'm
20 an economist with Bates White: Economic Consulting,
21 and I was retained by Highmark to evaluate
22 competitive overlap and synergies in relation to the
23 proposed merger.

24 In summary, I had three key
25 opinions. First, the merger will not substantially

1 lessen competition, and this is primarily because
2 Highmark and BCNEPA do not compete.

3 Second, the merger is likely to
4 result in substantial efficiencies related to
5 administrative costs, technological capabilities,
6 and medical costs.

7 And third, over time the benefits
8 of the merger are likely to be shared with consumers
9 and customers and employers in the BCNEPA service
10 area. All of these you can read about in great
11 detail in the three reports that I've submitted to
12 the division.

13 Turning briefly to competitive
14 overlap: I applied the framework of Article XIV of
15 the Pennsylvania Insurance Company Law as well as
16 the economics of competition in health insurance
17 markets to analyze the proposed transaction.

18 What I find is that with very
19 minor exceptions Highmark and BCNEPA are not
20 competitors. That is, they do not sell similar
21 products to the same customers. They do sell some
22 similar products but to different customers. There
23 are also products BCNEPA doesn't sell and one
24 product with very negligible overlap.

25 Next slide, please. So again,

1 depending on the products at hand, one of three
2 factors explains why the merger will not
3 substantially lessen competition.

4 The first explanation for some
5 products is that Highmark and BCNEPA are partners,
6 not competitors. This includes FPH and FPLIC where
7 Highmark is a minority joint venture partner.
8 BCNEPA runs the show on a day-to-day basis, but
9 Highmark is a partner there and is not competing
10 otherwise for commercial insurance in the Northeast
11 Pennsylvania region.

12 The second area in which they are
13 partners and not competitors is Medicare Advantage
14 where they have a financial partnership, although
15 it's really Highmark's product and not BCNEPA's.
16 BCNEPA has no Medicare Advantage product of its own.

17 The third category, third product
18 in that category of partnership, not competitors, is
19 Medigap where BCNEPA provides the hospital service
20 component of the insurance coverage and Highmark
21 provides the professional service and outpatient
22 component. Put those together and you have one
23 product. They're not competing alternatives.

24 The second category of reasons why
25 competition is not lessened is markets in which

1 BCNEPA or product categories in which BCNEPA simply
2 does not participate. These include dental and
3 vision where BCNEPA sells Highmark's products but it
4 doesn't have its own. Likewise, BCNEPA does not
5 have workers' comp, disability, long-term care,
6 Medicaid, or Medicare Part D prescription drug
7 products. So in each of those categories there is
8 no competition now, and thus, competition will not
9 be reduced.

10 A residual category is stop loss
11 insurance. This is sold to self-funded entities,
12 used to provide risk against unusual or extremely
13 high medical expenditures for those employers who
14 choose to bear the risk of high medical costs.

15 In this case it's just money.
16 There's no provider contract or anything of the like
17 being insured or as part of the insurance coverage,
18 and for that reason it's not localized in the same
19 way that most health insurance products are. That
20 is, the region -- the relevant geographic area
21 analyzed is probably nationwide and certainly no
22 smaller than the Commonwealth of Pennsylvania.

23 With respect to stop loss
24 insurance, BCNEPA has less than a .5 percent share,
25 so again that's a very negligible competitive

1 presence and not a violation of any competitive
2 standard.

3 The next category: synergies. By
4 synergies I mean benefits or efficiencies from the
5 merger that are likely to occur more quickly, more
6 effectively, or at lower cost because of the merger.

7 The three categories of synergies
8 that I considered are administrative costs, medical
9 costs, and quality. On each account the merger is
10 likely to bring benefits to the residents of the
11 NEPA service area.

12 In addition, and this leads into
13 all three, the merger is likely to bring technology
14 improvements to BCNEPA more rapidly and for a lower
15 capital expenditure than BCNEPA could achieve on its
16 own, and that technology improvement will facilitate
17 over time the reduction in administrative costs,
18 improvements in medical costs through medical
19 management programs, and an overall improvement of
20 quality.

21 Turning to each of these briefly:
22 With respect to administrative costs, BCNEPA has
23 long had high administrative costs. In large part,
24 as we've heard, that reflects the fact that it's a
25 small, a relatively small health plan, especially in

1 comparison to entities like Highmark, as well as the
2 national players such as United Healthcare, Aetna,
3 Cigna, and so on.

4 Quantitatively, the cost per
5 member per month for FPH and FPLIC are \$12 higher
6 than they are for similar products offered by
7 Highmark. That's over \$140 per enrollee per year in
8 excess costs under BCNEPA's cost structure that will
9 not be present were Highmark's cost structure to
10 prevail for BCNEPA's enrollees.

11 If you scale that up across the
12 entire membership, you actually see the potential
13 for about \$25 million in annual recurring savings if
14 BCNEPA can be moved to Highmark's administrative
15 cost structure. And that is the goal of the merger.
16 Of course that won't be an immediate event upon
17 consummation of the merger but rather something that
18 is likely to happen over time.

19 To put further context into this,
20 it's important to note that FPH and FPLIC are
21 projecting substantial losses through 2017, and they
22 just haven't projected beyond that.

23 On its own, because BCNEPA has
24 struggled to lower its administrative costs, that
25 leaves one lever for closing out those operating

1 losses, and that's the revenue side, meaning premium
2 increases.

3 Highmark, however, will have two
4 levers and will be able over time to realize cost
5 savings, and that will help close out the operating
6 loss and of course will add for . . . as happens in
7 this economy. But ultimately Highmark will be able
8 to close that operating loss with a lower rate of
9 premium increases over time than could BCNEPA on its
10 own because of the cost savings, and this of course
11 will benefit consumers in the BCNEPA service area.

12 In fact, if you look at the \$12
13 administrative cost difference that I've mentioned
14 before between BCNEPA and Highmark, closing about 70
15 to 80 percent of that gap, you don't have to get all
16 the way, would actually eliminate the operating
17 losses for FPH and FPLIC. So we can move to a more
18 sustainable position with only a fraction, the
19 majority of the potential cost savings being
20 realized.

21 And of course that's if -- that
22 movement towards eliminating the operating loss
23 assumes there are no savings in other areas. In
24 fact there are likely to be savings in other areas.

25 One important category is

1 prescription drug pricing. Highmark is a much
2 larger entity. It brings more to the table,
3 including a lower cost to serve, when it negotiates
4 with a pharmacy benefit management provider over the
5 terms and prices at which drugs will be provided to
6 Highmark's enrollees.

7 I've looked at the most recent
8 contracts negotiated by both Highmark and BCNEPA,
9 and if BCNEPA's members were to be -- receive their
10 prescription drugs at the prices Highmark has
11 negotiated, the result would be a savings per year
12 of well over \$5 million, so that's another category
13 of savings from the merger.

14 The next category is medical
15 management. For decades the health care system has
16 struggled to move away from what's come to known --
17 be known as the fee-for-service or pay-for-volume
18 method of financing health care delivery.

19 Now efforts are underway to pay
20 for quality, to pay for cost-effectiveness, and to
21 pay for value; and you see a variety of models being
22 experimented with, including pay-for-performance
23 programs, pay-for-value programs, patient-centered
24 medical homes, and accountable care organizations.

25 I will talk just about one, which

1 is patient-centered medical homes. That is a model
2 in which a group of primary-care physicians takes on
3 the responsibility for quality of care and the
4 cost-effectiveness of care for a defined population
5 of patients.

6 Under Highmark's PCMH model,
7 physicians who participate in that program, if they
8 do well on both the quality metrics and the total
9 cost of care metrics, receive substantial increases
10 in the total payments, over 20 percent, for those
11 who do well relative to those who do not.

12 This reflects a program that
13 Highmark first launched as a pilot in 2011. That
14 pilot achieved about a 2 percent overall cost of
15 care reduction as well as improvements on an array
16 of well-recognized quality metrics.

17 Since the successful launch of the
18 pilot Highmark has continued to expand the program.
19 It now is nearing or maybe just passed 1 million
20 members under the care of a PCMH or a related health
21 care organization model. It's been adding new
22 providers quarterly ever since 2011 and ongoing, and
23 in the more recent cohorts the results have shown
24 about a break-even with respect to cost but still
25 substantial improvements in quality.

1 So at least in the short term, the
2 effect appears to be quality improvements at no net
3 change in cost, and there's at least the promise, as
4 demonstrated by the pilot, for medical cost savings
5 in addition.

6 By way of order of magnitude, the
7 2 percent cost savings that the PCMH pilot for
8 Highmark achieved would imply \$16 million in lower
9 medical expenditures if that were to be realized
10 throughout FPH and FPLIC.

11 In comparison to Highmark, BCNEPA
12 does have programs intended to pay for value, but
13 they're much newer, much less mature, and they're
14 operating on a less-modern information technology
15 infrastructure. So BCNEPA launched its first PCMH
16 pilot last summer of 2013 -- I'm sorry, November of
17 2013, one year ago, and the second pilot the summer
18 of 2014, and the results from those apparently are
19 not yet available.

20 Ultimately then, the likely and
21 significant efficiency of the proposed merger is
22 that it will bring Highmark's programs and
23 supporting technology and knowledge to BCNEPA's
24 service area much more quickly than BCNEPA could do
25 on its own and likely at lower cost.

1 I alluded to infrastructure in
2 discussing medical management. Compared to
3 Highmark, BCNEPA's information technology
4 infrastructure is outdated and fragmented, and it's
5 less well-supported to paying for value rather than
6 paying for volume. So it lacks the functionality
7 required for large-scale accountable care and
8 pay-for-value programs such as the PCMH that I just
9 described.

10 As well as efforts like disease
11 management that identify ways to better manage the
12 care, cost of care for the chronically ill, those
13 with other high-cost conditions.

14 It also lacks functionality for
15 provider portals that help providers identify ways
16 that they can cut costs and improve quality at the
17 same time and patient portals that help patients
18 engage in their own health care management.

19 Shifting business information
20 technology functions from BCNEPA's platform to
21 Highmark's platform will allow for improvements on
22 all of those dimensions more rapidly than BCNEPA
23 could achieve on its own.

24 An independent consultant in 2011
25 did an analysis for BCNEPA, basically assessing,

1 among other questions, what would it take for BCNEPA
2 to have the technology that it needed to offer the
3 modern suite of products and functionality, and that
4 consultant concluded that it would be at least 75
5 million and a multi-year process.

6 In comparison to that, Highmark
7 expects to spend much less than that on the
8 integration. Thus, in addition to the recurring
9 savings on the administrative cost and the medical
10 cost side, there are likely to be one-time savings
11 from reduced capital expenditures.

12 If I could summarize by recapping
13 the consumer side of the equation. As I said
14 before, the -- given Highmark's lower cost
15 structure, the operating losses and financial
16 condition of BCNEPA are likely to be brought into a
17 more stable position with lower premium increases
18 over time under Highmark's lower cost structure than
19 it could on BCNEPA's acting alone, and that of
20 course, lower health care expenditures and lower
21 premiums, will benefit employers as well as the
22 individuals who have insurance coverage.

23 I also described medical
24 management as delivering higher-value care with a
25 higher volume of care and also an array of quality

1 metrics that have been shown to go up after -- or
2 under Highmark's PCMH programs. So quality
3 improvements are also likely, and of course
4 quality -- more quality is inherently good for the
5 enrollees and -- or sometimes patients covered by
6 BCNEPA's products.

7 And with that, I'm happy to take
8 any questions if there are any.

9 COMMISSIONER CONSEDINE: Thank you
10 very much, Dr. Capps. Any questions?

11 Okay. That concludes our first
12 panel here, and we'll take just a brief break as we
13 switch out the folks, but again our thanks to both
14 BCNEPA and Highmark for your excellent presentations
15 throughout the course of the day. Thank you very
16 much.

17 MR. MOSES: Thank you.

18 COMMISSIONER CONSEDINE: Okay.
19 The next section is to briefly hear an abbreviated
20 version of the presentations we had this morning
21 from the Department's retained consultants, starting
22 first from Martin Alderson Smith from Blackstone,
23 the Department's financial advisors. Martin?

24 MR. SMITH: Thank you very much
25 indeed; thank you very much indeed, Commissioner.

1 Good evening ladies and gentlemen.
2 My name is Martin Alderson Smith. I'm employed by
3 The Blackstone Group.

4 COMMISSIONER CONSEDINE: Martin,
5 do you want to check to see if your mike is on?

6 MR. SMITH: That's better. Sorry.

7 Good evening ladies and gentlemen.
8 My name is Martin Alderson Smith. I am employed by
9 The Blackstone Group, which is a leading financial
10 services firm primarily engaged in financial
11 advisory services and principal investments. I work
12 in Blackstone's mergers and acquisitions advisory
13 group, and my title is senior managing director.

14 Blackstone has been retained to
15 conduct an independent review for the Pennsylvania
16 Insurance Department of specific financial aspects
17 of the Form A application that has been submitted in
18 connection with the proposed transaction between
19 Blue Cross Blue Shield of Northeastern Pennsylvania,
20 or BCNEPA, and Highmark Inc.

21 Blackstone has significant
22 experience in advising state insurance regulators on
23 various life insurance and health insurance
24 transactions. This has included advising the
25 Pennsylvania Insurance Department on the previously

1 proposed consolidation of Highmark and Independence
2 Blue Cross and on the completed affiliation of
3 Highmark with the West Penn Allegheny Health System,
4 and also advising the Delaware Department of
5 Insurance on the completed affiliation of Blue Cross
6 Blue Shield of Delaware with Highmark.

7 It is worth noting that in
8 connection with all of our past work and
9 transactions Blackstone has recommended both
10 approving and denying the proposed transactions.

11 There are multiple financial
12 aspects of the BCNEPA-Highmark transaction statutory
13 criteria applicable to the proposed change of
14 control of BCNEPA that are within the scope of
15 Blackstone's engagement.

16 First, Blackstone is analyzing
17 whether after the change of control anticipated in
18 the Form A filing the domestic insurers included in
19 the Form A filing would be able to satisfy the
20 requirements for the issuance of a license to write
21 the line or lines of insurance for which they are
22 presently licensed.

23 Second, Blackstone is analyzing
24 whether the financial condition of the acquiring
25 party is such as it might jeopardize the financial

1 stability of the domestic insurers included in the
2 filing or prejudice the interest of their
3 policyholders.

4 Third, Blackstone is analyzing
5 whether the change of control, if approved, would be
6 unfair and unreasonable to policyholders of the
7 domestic insurers included in the filing and not in
8 the public interest.

9 And fourth, Blackstone is
10 analyzing whether the proposed change of control, if
11 approved, is likely to be hazardous or prejudicial
12 to the insurance-buying public.

13 In connection with our review of
14 each of the foregoing financial aspects of the
15 proposed change of control, Blackstone is developing
16 several analyses, including, but not limited to, the
17 following:

18 First, Blackstone is analyzing
19 whether the post-transaction domestic insurance
20 entities will meet all of the requirements necessary
21 to write the lines of business that they currently
22 write. This analysis entails ensuring that each of
23 the surviving BCNEPA insurance entities will meet
24 statutory capital, surplus, and net worth
25 requirements necessary for the issuance of insurance

1 licenses post-transaction.

2 Second, Blackstone is analyzing
3 the financial profile of Highmark Inc. as the
4 surviving party in this transaction. Our assessment
5 includes reviewing Highmark's current financial
6 condition, its risk-based capital levels, credit
7 ratings, and its forecasted financial results.
8 We're also analyzing the implications of a stress or
9 downside financial case on the future
10 Highmark-BCNEPA entity.

11 Third, Blackstone is analyzing
12 whether the proposed transaction is unfair to
13 policyholders and not in the public interest and is
14 likely to be hazardous or prejudicial to the
15 insurance-buying public.

16 Blackstone's work related to each
17 of these aspects of the proposed change of control
18 is currently ongoing, and we continue to work
19 diligently towards our conclusions. Blackstone's
20 work will be based on all of the information
21 provided to the Department by BCNEPA and Highmark,
22 which we will assume is complete and accurate, and
23 any public comments submitted to the Department.

24 In addition, Blackstone has
25 participated, and will continue to participate, in

1 face-to-face meetings and conference calls to
2 discuss the filings with both BCNEPA and Highmark
3 and in discussions with stakeholders, including
4 insurers, health care service providers, customers,
5 and community groups.

6 As part of its engagement
7 Blackstone will submit to the Department a final
8 report on all the required work. This report will
9 address each of the financial aspects of the filing
10 within the scope of Blackstone's engagement as
11 previously described.

12 This concludes my prepared
13 comments. Thank you.

14 COMMISSIONER CONSEDINE: Thank you
15 very much, Mr. Smith.

16 Next we will hear from Margaret
17 Guerin-Calvert, who is the Department's retained
18 economist from Compass Lexecon. Thank you.

19 MS. GUERIN-CALVERT: Thank you,
20 Commissioner, and good evening ladies and gentlemen.
21 My name is Margaret Guerin-Calvert. I am a senior
22 economist and formerly the vice chairman of Compass
23 Lexecon, which is a consulting firm that specializes
24 in antitrust economics and applied microeconomics.
25 I personally have worked as an economist in both

1 public and private sectors on issues related to
2 competition and competition policy involving a
3 variety of industries and markets since 1979.

4 I gave a longer version of these
5 comments this morning, but let me touch on the
6 highlights here.

7 Compass Lexecon has been retained
8 by the Pennsylvania Insurance Department through its
9 counsel, Blank Rome LLP, to conduct an independent
10 review of the competitive effects and the asserted
11 benefits to the insurance public of the proposed
12 transaction between BCNEPA and Highmark as set forth
13 in their Form A application.

14 Some of our analysis will be
15 performed in conjunction with The Blackstone Group.
16 We have just heard from Mr. Smith in terms of what
17 the financial aspects and the other inquiries that
18 will be conducted.

19 We have in -- at Compass Lexecon
20 and the team working on this matter significant
21 experience in health care, including insurance and
22 hospital mergers and acquisitions, and in advising
23 state insurance or health regulators as well as
24 antitrust agencies, providers, and insurers on
25 various health insurance or other transactions.

1 Among them has been our work
2 advising the Pennsylvania Insurance Department on
3 the completed affiliation of the Highmark companies
4 with the West Penn Allegheny Health System where we
5 submitted a comprehensive report on both competition
6 and on other aspects, including efficiencies and
7 benefits.

8 Let me turn here to the two topics
9 that we will specifically be addressing in our
10 inquiry for the Pennsylvania Insurance Department on
11 this particular transaction.

12 The first is the evaluation of the
13 competitive effects of the merger. In specific, we
14 will evaluate, I quote, the effect of the merger,
15 consolidation, or other acquisition of control would
16 be to substantially lessen competition in insurance
17 in this Commonwealth or tend to create a monopoly
18 therein.

19 A competitive effects analysis
20 such as the one that we are undertaking focuses on
21 whether there remain sufficient competitive
22 alternatives to the merged parties to constrain
23 price and quality competition, or alternatively,
24 whether the transaction materially or substantially
25 reduces that competition to the detriment of

1 consumers.

2 We're conducting our analysis and
3 our evaluation of dynamic factors, including entry
4 and expansion, for the full range of insurance
5 products and services offered by Highmark and BCNEPA
6 and focusing on a full range of candidate
7 geographies including, but not limited to,
8 Northeastern Pennsylvania.

9 Our analysis will take into
10 consideration that Highmark and BCNEPA currently
11 have two commercial insurance joint ventures, and we
12 will also be evaluating any impacts, if there are
13 any, on negotiated contracts with physicians and
14 hospitals.

15 The second topic to which we are
16 turning is an evaluation of the merger and whether
17 it is likely to be hazardous or prejudicial to the
18 insurance-buying public. There we specifically will
19 be evaluating the benefits and efficiencies, or
20 synergies, including those claimed by Highmark, to
21 arise from the proposed transaction and their
22 impacts on costs or quality of products or services.

23 We are focusing particularly here
24 on the merger-specific benefits, including those
25 identified by Highmark, BCNEPA, and their economic

1 expert, Dr. Capps.

2 I would note here that in doing
3 our analysis we will conduct our own, but we will
4 also take into consideration the economic analysis,
5 facts, and data provided by the Highmark expert as
6 well as information on the public record, interviews
7 of industry participants, community stakeholders,
8 proprietary and public information.

9 Our work is ongoing as of now, and
10 we are working toward our conclusions which will be
11 provided to the Department in an expert report that
12 will take into consideration that full range of
13 information.

14 That concludes my prepared
15 remarks.

16 COMMISSIONER CONSEDINE: Thank you
17 both for your presentations.

18 That really concludes the
19 Department's consultant portion of tonight's
20 hearing. I'll turn next back to Ms. Lucas to just
21 deal with the public portions, which may be very
22 abbreviated it appears.

23 MS. LUCAS: Yes. Our registered
24 speakers, are any of them in the audience? No?
25 Okay. Hearing none, if there are anyone who would

1 like to offer comments who have not registered,
2 you're welcome to do so at this time.

3 COMMISSIONER CONSEDINE: Okay.

4 Well, then that brings us to the wrap-up, and I will
5 keep this very brief but do want to take the
6 opportunity again to sincerely thank everybody for
7 attending this evening session, and for many of you
8 it has been a long day of sessions for our public
9 informational hearing, and to really extend the
10 Department's appreciation for the remarks and the
11 input that we've received over the course of today's
12 hearing.

13 Your comments will be of
14 significant benefit and assistance to the Department
15 as we complete our review of Highmark's Form A
16 filing, and we do seriously take into significant
17 consideration the comments and input we receive from
18 the voting public, and again it's important for us
19 to be up here in Scranton to get those in person.

20 As you reflect on today's
21 informational hearing, and this again is for the
22 benefit of those who may be watching this via the
23 webcast, additional comments may occur to you. The
24 Department certainly invites you to submit your
25 additional comments, and we look forward to

1 reviewing them.

2 The public comment period will
3 remain open until 30 days after the Department's
4 consultants have issued their reports, and we expect
5 to receive those reports in the near future. We
6 look forward to reviewing your comments on the
7 reports as well, which will be a significant part of
8 what the Department relies on for our decision.

9 So again, in closing, let me thank
10 you all for attending and participating in today's
11 public informational hearing, and unless there is
12 anything further, I will recess this informational
13 hearing. Thank you all very much.

14 (Hearing adjourned at 7:56 p.m.)

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I hereby certify that the evidence
and proceedings are contained fully and accurately
in the notes taken by me of the within hearing and
that this is a correct transcript of the same.

Steven R. Mack
Certified Realtime Reporter
Notary Public

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