



March 9, 2007

VIA FACSIMILE AND FEDERAL EXPRESS

Randolph L. Rohrbaugh
Acting Insurance Commissioner
Commonwealth of Pennsylvania
1326 Strawberry Square
Harrisburg, PA 17120

RE: Amended 2007 Community Health Reinvestment Application

Dear Commissioner Rohrbaugh:

Independence Blue Cross (IBC) submits this letter as its amended Community Health Reinvestment (CHR) application for calendar year 2007, pursuant to our CHR Agreement of February 2, 2005. Based on the formula in the Agreement, and pursuant to Section 4 (c), which caps the annual increase to 7.5% over the preceding calendar year, IBC's projected CHR for 2007 will total \$50,076,000. A detailed description of IBC's calculations is attached.

Section 5 of the Agreement provides that 60% of IBC's projected 2007 CHR, or approximately \$30 million shall be "dedicated to providing health insurance through state-approved programs for persons of low income, including, but not limited to adultBasic..." It also provides that these funds "shall be expended, distributed, or utilized in the respective service area of [IBC]. After crediting the projected adultBasic underwriting losses for 2006 of \$4.6 million, and crediting the \$3.5 million adjustment for payment of 2006 based on the revised 2006 revenue forecast, the net 60% portion of IBC's 2007 CHR projected obligation is \$21.9 million. IBC is willing to fulfill the 60% portion of its projected net 2007 CHR obligation by making direct payment to the Commonwealth in four quarterly installments of \$5,477,750.

IBC continues to honor this agreement under the assurance made by the PID that IBC's 60% obligation has been and will continue to be spent to reduce the number of uninsured in our service area (Philadelphia, Bucks, Chester, Delaware and Montgomery Counties).

The remaining 40% of IBC's projected 2007 CHR, or approximately \$20 million will be directed towards a variety of "Permitted Community Health Reinvestment Endeavors". The following is a breakdown of those endeavors in which IBC is engaged, and the projected expenditures/distributions/utilizations for 2007:

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- subsidies to non-group programs, which currently includes Special Care (in excess of \$35 million)
- administrative subsidy to social mission and contribution to our Caring Foundation, (\$4.8 million)
- IBC Charitable Medical Care Grant Program, which gives financial support to area clinics providing care to the uninsured in our region (\$2 million)
- IBC Nurse Scholars Program, which addresses the nursing crisis through scholarships and related programs to regional nursing programs (\$1.5 million)
- contributions and sponsorships to a variety of organizations and institutions, whose purpose or mission is health care related (in excess of \$1 million)

Combined, support of these endeavors is expected to exceed this \$20 million component of IBC's Projected 2007 CHR.

As we have set forth in previous correspondence, IBC is reserving all of its rights and waiving none of its rights, including, but not limited to, its right to make adjustments to accurately reflect actual rather than estimated CHR obligations and account for any appropriate credits. Likewise, IBC is submitting this application without prejudice to its right to obtain relief from its Annual CHR obligation, as set forth in Section 8 of the CHR Agreement, in the event of a change in circumstance, which would compromise IBC's ability to meet its Annual CHR obligation.

Through this application, IBC is pleased to demonstrate our longstanding commitment to serving those in need. We look forward to our continued work together to improve the health of all Pennsylvanians. I can be reached at (215) 241-3027 with any questions.

Sincerely,



Stephen P. Fera
Vice President

Government & Social Mission Programs

Attachment