



Capital BlueCross

March 30, 2011

The Honorable Michael F. Consedine
Acting Commissioner
Pennsylvania Insurance Department
13th Floor
Strawberry Square
Harrisburg, PA 17120

Dear Commissioner Consedine:

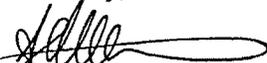
Enclosed please find a copy of Capital BlueCross' filing required under Act 62 of 2008. It includes our anticipated expenditures for the State Fiscal year July 2011 through June 2012, as requested by the Pennsylvania Insurance Department. As we have explained in past filings, Capital BlueCross budgets on a calendar year basis, which does not correspond to the Commonwealth's fiscal year. Accordingly, the numbers included in the filing are estimates generated from our calendar year 2011 forecast. Further, because we are a not-for-profit community health plan – and as part of our basic mission – we are often called upon to respond to pressing community and business needs. As a result of all of the foregoing, these expenditures are not easily quantified in advance.

Please note that the total amounts shown on the attached form far exceed the value of state tax exemptions attributable to our not-for-profit status because of our substantial premium tax payments; our subsidization of low income programs; and other voluntary contributions we make in response to pressing community needs. Additionally, we have not claimed any credits or offsets to expenditures included on the form for advertising expenses or sponsorships.

As a final, but very important point, I should explain that this year's filing is different from past years due to the expiration of the Community Health Reinvestment Agreement (CHR Agreement) on December 31, 2010. As a result, the expenditure amounts are reported in the statutory columns this year and not the columns that apply to the CHR Agreement. However, Capital BlueCross remains dedicated to our community endeavors and is continuing our funding of these efforts – just as we did before the CHR Agreement was created.

Thank you, in advance, for your time and attention in this matter.

Sincerely,


A. M. Abraham, Esq.
Government Counsel

Enclosure

Health care benefit programs issued or administered by Capital BlueCross and/or its subsidiaries, Capital Advantage Insurance Company® and Keystone Health Plan® Central. Independent licensees of the Blue Cross and Blue Shield Association. Communications issued by Capital BlueCross in its capacity as administrator of programs and provider relations for all companies.

**PLAN PROPOSAL FOR
COMMUNITY HEALTH REINVESTMENT ACTIVITIES**

Proposal for Fiscal Year 2011 – 2012.

FEIN: 2 3 0 4 5 5 1 5 4

NAIC: 5 4 7 2 0

I. HOSPITAL PLAN CORPORATION OR PROFESSIONAL HEALTH SERVICE PLAN CORPORATION NAME AND ADDRESS:

CAPITAL BLUECROSS
2500 ELMERTON AVENUE
HARRISBURG, PA 17177

ATTN: Aji Abraham

II. PLANNED EXPENDITURES ⁽¹⁾:

	Projected Expenditures
1. Proposed annual community health reinvestment activities for health care coverage for persons unable to pay for coverage (list and describe proposed endeavors below):	
a. Company projects explicit subsidies for certain individual products (i.e., Traditional, Security65, SpecialCare, CHIP, etc.). Does not include additional anticipated losses incurred under these programs in excess of the subsidy.	\$13,750,000
2. Proposed annual community health reinvestment activities for health care services for persons uninsured and unable to pay for services (list and describe proposed endeavors below):	
a. Community Health Initiatives (in partnership with hospitals, physicians and other providers) that provide health services including, but not limited to, community health clinics, dental vans, nurse training programs, and other programs focused primarily on the provision of health care services.	\$2,500,000
3. Proposed annual community health reinvestment activities for programs for prevention and treatment of disease or injury or the promotion of health or wellness (list and describe proposed endeavors below):	
a. Community Health Education Initiatives that include participation in health fairs, senior outreach events, childhood obesity education and other educational programs directed for public health.	\$700,000
4. Community health reinvestment activities proposed in your application under paragraph 3 of the Agreement dated February 5, 2005 and published at 35.Pa.B. 4155 or any successor or other agreements (list and describe proposed endeavors below):	
<u>CHR Agreement Commonwealth Directed Portion (60%)</u>	No longer applies due to expiration of Community Health Reinvestment Agreement on December 31, 2010

CHR Agreement Company Directed Portion (40%) Payments due under the CHR Agreement Company directed portion (40%) are substantially exceeded by Capital BlueCross' Community Health Endeavors as set forth below.	No longer applies due to expiration of Community Health Reinvestment Agreement on December 31, 2010
5. Other proposed annual community health reinvestment activities (list and describe proposed endeavors below):	
a. Donations to nonprofit community organizations such as the PA Breast Cancer Coalition, Weller Health Education Center, United Disability Services, March of Dimes, American Heart Association, Kidney Foundation of Central PA, United Cerebral Palsy, Easter Seals, Multiple Sclerosis Society. Pursuant to Act 62 of 2008, this amount does not include sponsorships.	\$500,000.
TOTALS	\$17,450,000

***NOTE: IF A PROPOSED ACTIVITY APPLIES TO MORE THAN ONE CATEGORY, IT MAY BE REPORTED IN EACH APPLICABLE CATEGORY; HOWEVER, THE PROJECTED EXPENDITURE MAY ONLY BE COUNTED ONCE.**

(1) For budgeting and accounting purposes this figure represents Capital's combined CHR expenditures for fiscal year 2010-2011. Capital is reporting its CHR activities under Act 62 of 2008.