

CAPITAL BLUECROSS AND SUBSIDIARIES

REVISED APPLICATION FOR 2006 COMMUNITY HEALTH REINVESTMENT

SUBMITTED FOR REVIEW TO THE PENNSYLVANIA DEPARTMENT OF INSURANCE

Per Application for 2006 CHR (AS REVISED 2-24-06)

1. Determination of CHR

Factors	1.6%	1.0%
	2006 (p) <u>Sch T col 3 & 6</u>	2006 (p) <u>Sch T col 4 & 5</u>
Capital Blue Cross Capital Advantage Ins Co Keystone Health Plan Central Avalon Health, Ltd	[REDACTED]	[REDACTED]
Totals	[REDACTED]	[REDACTED]
(A) Sub-Total before Credits	[REDACTED]	[REDACTED]
Credits:		
<u>Premium Tax Credits:</u>		
Capital Blue Cross Capital Advantage Ins Co Keystone Health Plan Central	[REDACTED]	
<u>Income Tax Credits:</u>		
Capital Blue Cross Capital Advantage Ins Co Keystone Health Plan Central	[REDACTED]	
(B) Total Credits	[REDACTED]	
(A) Gross before credits	30,823,952	
(B) Credits	<u>(23,993,000)</u>	
CHR	\$ 6,830,952	
Commonwealth Directed (60%)	4,098,571	
Credits: Bid Protest Credit	<u>\$ (1,500,000)</u>	
Net Commonwealth Directed Portion	\$ 2,598,571	
<u>Quarterly Installment Due March 1, 2006 =====></u>	<u>649,643</u>	

(1) per settlement agreement

2. Proposed Utilization/Disbursement of CHR

Under paragraph 5 of the Agreement on Community Health Reimbursement (the "Agreement"), dated February 2, 2005, among the Pennsylvania Insurance Department and the four Pennsylvania Blue Plans, the CHR amount is to be utilized each year in each Plan's service area for designated purposes:

- (a) 60% of the CHR amount (the "Commonwealth Directed Low Income Health Insurance Portion") is to be dedicated to providing health insurance through programs for persons of low income, such as the adultBasic program or an alternate program to benefit persons of low income, all as contemplated by the Agreement; and
- (b) 40% of the CHR amount is to be dedicated to other community health related expenses (including, among others, rate subsidies for individual programs).

Commonwealth Directed Low Income Health Insurance Portion

Capital BlueCross is currently discussing participation in adultBasic or an alternative program, along with the application of any corresponding credits therefrom, with the Pennsylvania Insurance Department.

Other Community Health Related Expenditures

40% of the CHR amount is approximately \$2.7 million. Consistent with its historical practice and as demonstrated by prior filings with the Pennsylvania Insurance Department, Capital BlueCross' current rate subsidies for individual programs exceed the amount to be utilized for Other Community Health Related Expenditures.

Capital BlueCross staff are available to discuss any questions that you may have. Please call me at 541-6223 if you would like to discuss this matter.

Sincerely,



Gary St. Hilaire
Senior Vice President
Chief Financial Officer