

**BEFORE THE INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA**

**Statement Regarding the Acquisition of Control of or Merger with
Domestic Insurers:**

**Hospital Service Association of Northeastern Pennsylvania
d/b/a Blue Cross of Northeastern Pennsylvania;
First Priority Life Insurance Company, Inc.;;
HMO of Northeastern Pennsylvania, Inc.,
d/b/a First Priority Health**

By Highmark Inc.

**BCNEPA RESPONSE TO INFORMATION REQUEST 5.2.14.7 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

REQUEST 5.2.14.7:

Discuss the expected impact of the Transaction on the overall level of health care utilization in each area in Pennsylvania in which a Highmark and BCNEPA Entity does business.

RESPONSE:

BCNEPA certifies to the best of its information, knowledge and belief the following:

BCNEPA did not complete an analysis to determine the impact of the Transaction on health care utilization in the areas in which Highmark and BCNEPA do business.

As outlined in the Overview of BCNEPA Business Perspective, which was included in the Form A filing as Tab F, BCNEPA outlined in the section titled “Why BCNEPA is Pursuing a Merger” the areas of concern that led it to seek a strategic affiliation. Several of these concerns, left unresolved, would be expected to have a negative impact on the level of health care utilization in the area served by BCNEPA. Specifically a continued heightening exposure to risk and the inability to invest in tools and technology to transform to accountable care models are directly related to the appropriate management of utilization.

In selecting the appropriate strategic partner in Highmark, BCNEPA believes that its subscribers will be better served including in the area of health care utilization. A merger will expand access to capital for new investments to benefit BCNEPA subscribers through: innovative tools and technology that improve care quality and patient wellness; more cost-effective and quality-driven partnerships with providers; and expanded access to health insurance as the ACA is implemented, with efficiencies that can be passed on to customers.

**Hospital Service Association of
Northeastern Pennsylvania
d/b/a Blue Cross of Northeastern
Pennsylvania (“BCNEPA”)
19 North Main Street
Wilkes-Barre, PA 18711**