

**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 5.6.14 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

REQUEST 5.6.14:

Discuss the manner in which the Transaction meets Highmark’s and BCNEPA’s overall strategic objectives.

RESPONSE:

BCNEPA certifies to the best of its information, knowledge and belief the following with respect to the manner in which the Transaction meets BCNEPA’s overall strategic objectives:

BCNEPA selected Highmark because it best met the Goals of the Transaction that are included in the BCNEPA “Perspective on the Merger with Highmark”, Tab F, of the Form A filing with the Department. These specific goals can be consolidated into three key issues:

- Is the bidder a strong strategic partner?
 - ability/capabilities to address the market challenges outlined in BCNEPA’s RFP
- What commitments is the bidder willing to make to BCNEPA and the community?
 - jobs, presence, financial support, local input, etc.
- Can the bidder close a deal?
 - BCNEPA could not afford to go through a prolonged exercise that did not result in a transaction while the market dynamics continue to evolve

Strategic Partner:

- Natural extension of our long term relationship
- Minimize disruption to customers and providers
- Significant resources and enhanced capabilities
 - products & services for consumers
 - programs & tools to support the transformation to accountable care including patient-centered medical homes (PCMHs) and Accountable Care Organizations (ACOs)
 - significant IT expertise
 - historical success with similar affiliations in West Virginia and Delaware

Commitments to BCNEPA and the Community:

- Employee Protection: 18 months
- Presence/Economic Impact: Regional operations, 4 year commitment to job levels
- Local Input: Local advisory board and 4 BCNEPA representatives on Highmark Inc. Board
- Financial Commitment: Up to \$100M to benefit the region

Ability to Close a Deal:

- Success in similar affiliations with BC/BS of Delaware and BC/BS of West Virginia

More details regarding the selection of Highmark are included in the BCNEPA “Perspective on the Merger with Highmark”, Tab F, of the Form A filing with the Department.

**Hospital Service Association of
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