

**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.

**HIGHMARK INC. (“Highmark”) RESPONSE TO INFORMATION
REQUEST 5.6.1 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

REQUEST 5.6.1:

Identify and analyze the potential impact of the Transaction on the availability of health insurance and health care services (including public accessibility to medical professionals and facilities) in each area in Pennsylvania in which a Highmark Entity or BCNEPA Entity has current or future plans to do business, and demonstrate that the Transaction will not be hazardous or prejudicial to the insurance buying public.

RESPONSE:

Highmark certifies to the best of its knowledge, information and belief as follows:

Highmark’s vision for the northeastern Pennsylvania area is to continue the long-standing commitments of BCNEPA to its policyholders/subscribers, employees, providers and the communities that BCNEPA has served for more than 75 years. Highmark believes that merging BCNEPA with Highmark will ensure the long-term financial stability of Blue-branded business, consumer access to innovative products and services and broad provider networks in the region.

Further, Highmark believes that the Transaction will provide long-term opportunities for consumers to maintain access to seamless, high-quality, cost-competitive and understandable products, effective population health management programs and broad access to regional providers within the BCNEPA service area and in the contiguous counties where Highmark today offers products and services to its subscribers.

Highmark believes that the Transaction will preserve Highmark’s existing business interests in the northeastern Pennsylvania region and surrounding contiguous service areas where Highmark already has subscribers through more seamless product offerings, health and wellness

programs, administration and provider networks across the two currently separate service areas. Highmark also believes that the Transaction will position Highmark to participate more effectively in federal and state sponsored health insurance programs.

Highmark believes that the Transaction also will allow Highmark to gain additional economies of scale that will produce synergies and benefits not only for customers/subscribers in the BCNEPA service area, but also in Highmark's other service areas as well.

In addition, Highmark believes that its current Blue-branded products and its position in the contiguous counties that border the BCNEPA service area, its broad professional network, its commitment to other parts of Pennsylvania through its commercial and government business segments, and its ownership of a diversified portfolio of dental, vision and stop loss companies, will assure the best possible positioning of the Blue brand in the BCNEPA service area, as well as best serve the regional employment and other needs of the northeastern Pennsylvania community.

Highmark currently provides insurance products and services to more than 50,000 Highmark subscribers in the BCNEPA service area, who are subscribers through employers located outside the BCNEPA service area, and more than 200,000 Highmark subscribers in counties contiguous to the BCNEPA service area. These Highmark customers and subscribers require access to seamless, high-quality and affordable health care from hospitals, physicians and other care providers in the communities where they live and work, regardless of where their providers are located. Many of these Highmark subscribers from the contiguous geographic area receive care from providers located inside the BCNEPA service area on an annual basis under BCNEPA's provider contracts with hospitals and Highmark's Premier Blue Shield professional network for physician services.

The BCNEPA service area is important to Highmark's interest in providing comprehensive products to large employers operating within Pennsylvania and nationally. A significant number of Highmark's largest employer group customers with operations in Pennsylvania have employees who reside in the BCNEPA service area. In these highly-competitive areas where Highmark competes with larger commercial carriers, efficient and seamless administration, choice of provider networks and availability of innovative products and services are what differentiate health carriers.

Highmark believes that introducing seamless product and benefit designs and provider pay-for-value programs that better address the market dynamics across the BCNEPA service area and the contiguous counties is one of the benefits of the Transaction. In addition to merging BCNEPA's provider strategy and provider contracting functions with Highmark's to drive consistency as described above, Highmark intends, following closing of the Transaction, to introduce its innovative group and retail products and benefit designs and provider pay-for-value programs, which will integrate with its disease management and wellness programs, including its provider-driven ACO (accountable care organization) and PCMH (patient centered medical home) programs, which BCNEPA does not currently have, except in a pilot form, to the northeastern Pennsylvania region.

Highmark has substantial experience implementing these products and service delivery models in other regions of Pennsylvania as well as in Delaware and West Virginia. Highmark intends to build upon its investments in these subscriber centric benefit designs and clinical programs within and across the BCNEPA service area and contiguous counties, and to shift the consumer and provider experience toward value-based care and products. Highmark believes that these programs will enable it to work more closely with subscribers and physicians and hospitals in northeastern and north central Pennsylvania. Highmark also believes that its experience and capability investments will open a collaborative working relationship with providers in the region, reducing member confusion while improving member health status.

Highmark believes that the Transaction not only will enable better alignment of products and services that are currently confusing to local employers, producers, providers, and subscribers, but also will allow subscribers to gain access to more comprehensive and integrated capabilities products and services that are not available from BCNEPA today. Highmark believes that these integrated products and benefit programs will more effectively compete with similar capabilities from large national competitors and integrated offerings from other competitors.

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