

**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 5.6.2 FROM  
THE PENNSYLVANIA INSURANCE DEPARTMENT**

**REQUEST 5.6.2:**

**Explain the advantages and disadvantages of the Transaction for members, subscribers, enrollees, policy holders, hospital providers, other health care providers, pharmacies and other affected persons.**

**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 the Transaction 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.

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.

**Advantages of the Transaction for Subscribers and Providers:**

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. Highmark has the scale, capabilities and experience to address and ensure the long-term availability of affordable and high-quality health care to its customers and, upon closing the Transaction, to consumers in the northeastern Pennsylvania region.

Highmark believes that the Transaction will promote Highmark's goal of assuring that consumers have access to innovative, high-quality and high-value products and services offered by a financially stable health plan with sufficient scale and scope, and a competitive cost structure, to succeed, and to continue to serve local communities.

BCNEPA and Highmark both maintain professional provider networks within the BCNEPA service area. The existence of separate provider networks within the region creates a level of confusion for consumers and providers as well as adding administrative costs for Highmark to maintain the separate networks and related separate benefit structures. In addition to creating confusion for BCNEPA customers, existence of the separate networks affects BlueCard subscribers within the BCNEPA service area and subscribers to the products of other Blue Plans in bordering service areas in New York and New Jersey and in the contiguous counties that are part of Highmark's central and western Pennsylvania service areas.<sup>1</sup>

Highmark believes that the Transaction can be implemented with minimal disruption to customers and the health care providers with whom BCNEPA works, given that BCNEPA is already utilizing certain Highmark systems and IT infrastructure to support its operations.

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.

Advantages for Employees:

Highmark believes that an important benefit to Highmark of the Transaction is the opportunity to augment the multi-disciplinary talent pool that Highmark requires across its health plan business and its subsidiary dental, vision and stop loss businesses.

Over time, Highmark believes that the Transaction will afford it with an opportunity to integrate talented staff from BCNEPA into other important business and technology functions supporting Highmark's broader health plan business and/or to assume roles within Highmark's subsidiary companies. Highmark thus believes that the Transaction will create opportunities for Highmark to enhance its talent base and skill set while providing enhanced career opportunities for transitioned employees. As employees in a larger and more diversified company, the transitioned BCNEPA employees should be exposed to a broader set of technologies, skill disciplines, market segments and business units than they would have in a smaller plan. Highmark believes that its experience with the integration of employees and functions following affiliations with Blue plans in Delaware and West Virginia support its expectations in this regard.

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<sup>1</sup> The eleven counties contiguous to the BCNEPA service area are: Northampton, Lehigh, Schuylkill, Columbia, Montour, Northumberland, Union, Centre, Clearfield, Cameron, and Potter Counties.

Advantages for the Community:

Highmark believes that the Transaction will allow for the continuation of BCNEPA's long standing mission as part of a nonprofit, community-based and community-minded company, while at the same time adding the scale that draws on the merged company's long-term financial strength and ability.

Highmark also believes that the Transaction will assure that the needs of consumers in the BCNEPA service area are supported by a company with a strong commitment to social mission and an ability to make meaningful contributions to local communities, both individually and through a diverse portfolio of companies that, in combination, offer economic strength and employment potential. Highmark believes that it is uniquely positioned to meet BCNEPA's needs as it seeks to continue to pursue its vital mission of serving the residents of northeastern Pennsylvania.

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