

Bybee, Cressinda

From: Chronister, Ronald <ronald.chronister@bipc.com>
Sent: Tuesday, November 18, 2014 1:56 PM
To: Bybee, Cressinda
Cc: epashins@pahouse.net
Subject: Response to Public Comment from Representative Pashinski
Attachments: HBG1_GENERAL-1894384-v1-Response to Public Comment from Rep. Pashinski.DOC

Ms. Bybee,

Attached please find Highmark Inc.'s response to the public comment received by the Pennsylvania Insurance Department from Representative Eddie Day Pashinski. I am providing Representative Pashinski with a copy of the response with this email.

Ron Chronister

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**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., a Pennsylvania nonprofit corporation

**Response of Highmark Inc. to
Comments of Representative Eddie Day Pashinski
Dated October 27, 2014**

Highmark Inc. is responding to the comment from State Representative Eddie Day Pashinski received by the Pennsylvania Insurance Department on October 31, 2014. The comment is numbered as Document 0755 on the Highmark/ BCNEPA Cumulative Log page of the Pennsylvania Insurance Department website.

Representative Pashinski has offered comments on the proposed merger of Highmark and Blue Cross of Northeastern Pennsylvania (BCNEPA) supportive of the merger based on his belief that the merger will benefit people throughout northeastern Pennsylvania. Representative Pashinski states that, as the health care industry continues to adapt, Highmark has demonstrated its ability to maintain a competitive edge and still provide affordable and quality coverage.

Highmark Inc. is in agreement with these comments. The Highmark/BCNEPA merger is a natural progression of the successful business relationship that the two companies have had for decades and will result in additional scale, reduction in the need for capital expenditures to meet changing market needs, and synergy opportunities. These benefits will enable the combined company to continue to offer affordably priced products in the northeastern and north central Pennsylvania region while simultaneously allowing for the enhancement of the products, services and population health management programs offered in the region and in contiguous areas.

Representative Pashinski states that his support for the merger is contingent upon the maintenance of jobs and the current BCNEPA administrative center in Wilkes-Barre.

Highmark recognizes the importance of BCNEPA's employees to the economic vitality of the northeastern and north central Pennsylvania region. It has made a

commitment to maintain operations in BCNEPA's current service area. Highmark also has agreed that, for the first four years following the merger, Highmark will use commercially reasonable efforts to maintain local employment levels, including employment in Highmark's affiliated companies in the region, that are consistent with BCNEPA's pre-merger employment levels, subject to certain allowances for losses in regional enrollment.

Representative Pashinski acknowledges that business models must adapt to changing business climates. And, as in the case of most mergers, the merger of BCNEPA into Highmark will produce opportunities for administrative efficiencies across the combined company's workforce. While organizational efficiencies will drive administrative synergies when the two companies' operations are integrated, Highmark expects this to occur over a period of time, with much of the change resulting from normal attrition.

The merger will afford Highmark the ability to integrate talented staff from BCNEPA into important functions in Highmark, providing career opportunities for transitioned employees while at the same time creating opportunities for Highmark and its affiliated organizations to enhance their talent base and skill sets. BCNEPA's work force not only shares a similar operating culture with Highmark, but many employees have direct experience using Highmark systems in the performance of their current work activities.

Highmark Inc. would like to thank Representative Pashinski for his comments and support and for his service to the residents of northeastern Pennsylvania.

Highmark Inc.
120 Fifth Avenue
Pittsburgh, PA 15222

DATE: November 18, 2014

cc: Representative Eddie Day Pashinski