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**BlueCross  
of Northeastern Pennsylvania**

RECEIVED CHIEF COUNSEL  
PA INSURANCE DEPT.

19 North Main Street  
Wilkes-Barre, PA 18711  
Information: 570.200.4300

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April 22, 2005

Ms. Sandra L. Ykema  
Department Counsel  
Pennsylvania Insurance Department  
1341 Strawberry Square  
Harrisburg, PA 17120

Dear Ms. Ykema,

The following is submitted in response to your letter dated March 30, 2005 requesting additional information with respect to Blue Cross of Northeastern Pennsylvania's (BCNEPA's) March 1, 2005 Community Health Reinvestment ("CHR") Application for calendar year 2005.

Your letter requested that we provide more specificity with respect to the 40% portion of the CHR, which is calculated to be \$3,825,000 in BCNEPA's CHR application. In the CHR application, BCNEPA identified non-group subsidies as a Permitted Community Health Reinvestment Endeavor, whereby BCNEPA will continue the practice of subsidizing the cost of health insurance for those individuals not covered under group policies. These subsidies are extended to customers who purchase certain BCNEPA products. Non-group subsidies for 2005 are estimated to be approximately \$10,696,000 (exceeding the required \$3,825,000) for the following products:

• Traditional and Major Medical Non-Group	\$ 8,135,000
• Student	10,000
• Special Care	844,000
• Security 65	<u>1,707,000</u>
Total	<u>\$10,696,000</u>

With regard to the 60% Commonwealth-Directed portion of the CHR, BCNEPA recognizes, as the Department does, the need to determine an appropriate operational approach and expects to cooperate with the Department and other Pennsylvania Blue Plans to facilitate this process in an expedient manner.

Please let me know if you have any questions or need additional information.

Sincerely,

J. Ken Suchoski  
Chief Financial Officer

JKS/cjs

Cc: Denise S. Cesare, President & CEO, BCNEPA  
William C. Reed, Executive Vice President & COO, BCNEPA  
Edwin R. Goodlander, Sr. Vice President Legal, Gov't Affairs, Gen. Counsel & Secretary, BCNEPA  
Suzanne M. Fletcher, Vice President, Finance, BCNEPA