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May 24, 2012

The Honorable Michael F. Consedine
Commissioner of Insurance
Department of Insurance
Commonwealth of Pennsylvania
1326 Strawberry Square
Harrisburg, Pennsylvania 17120

Re: Highmark Affiliation/Acquisition of West Penn Allegheny Health
System ("WPAHS")

Dear Commissioner Consedine:

Thank you for meeting with David Fields and myself to discuss certain of HealthAmerica's concerns regarding the competitive environment in the Commonwealth as it relates to the health insurance industry. Part of the discussion related to the proposed affiliation/acquisition of WPAHS by Highmark. As such, we have prepared a "Statement of Terms," and submit same on behalf of HealthAmerica Pennsylvania, Inc. HealthAmerica believes the attached provisions should be incorporated into a Consent Decree or similar Order of the Department of Insurance in an effort and as a prophylactic measure to protect the community-at-large, including, but not limited to, consumers, providers and health benefit companies as well.

HealthAmerica strongly believes that an important component of controlling costs is to maintain a healthy, competitive environment, not just from an insurance perspective, but also with respect to provider health care systems for the purchasing and delivery of quality, cost effective medical services on behalf of our respective members.

The continued viability of WPAHS is critical to the maintenance of a competitive medical delivery environment to ensure effective, efficient and affordable access to high quality medical services in western Pennsylvania. The impact of having only one dominant health care delivery system essentially removes the positives which emanate from a competitive environment and weakens the strength and vitality of the region's health care services delivery systems. Earnest competition is essential to a strong health care environment with open consumer access to high quality, cost-effective health care. On the other hand, monopolies destroy the free market system.

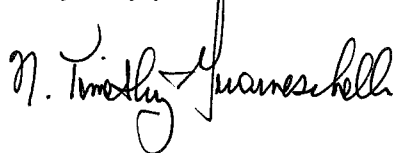
There is an absolute need to put in place certain protections against potential anti-competitive/monopolistic activity which could occur as a result of the dominant health insurer in a particular geographic region, such as Highmark, controlling a major health care delivery system, such as WPAHS. These protections can be by agreement between the respective parties and the Commonwealth or by a Consent Order or by other binding means which serve the same objective. These agreements or Orders however, must have "teeth" which permit the beneficiaries of the protections to enforce their rights. There must be penalties or other remedies which are enforceable against the violative party in order to protect those intended to benefit from the agreement or Consent Order, depending upon which is more appropriate.

Accordingly, please review the attached proposed Statement of Terms, which were developed by HealthAmerica for purposes of protecting consumers, providers and insurance companies.

Should you have any questions or concerns relative to this correspondence and would like to discuss same, please do not hesitate to contact me at your convenience.

Thank you very much for your consideration of this critically important matter.

Very truly yours,

A handwritten signature in black ink, reading "N. Timothy Guarneschelli". The signature is fluid and cursive, with the first name "N. Timothy" and last name "Guarneschelli" clearly distinguishable.

N. Timothy Guarneschelli
Vice President & Secretary

NTG:cak

Enclosure

cc: David W. Fields

STATEMENT OF TERMS

1. No termination of existing provider contracts, both facility and physicians, including specialty services, out-patient surgery centers, etc. Execution of long-term facility and physician agreements for the delivery of requisite health care services in a form satisfactory to HealthAmerica and its related entities and West Penn Allegheny Health System (WPAHS).
 - Agreement to negotiate in good faith with health plans. Agreement by facility and employed physicians to participate (non-exclusivity) with all health plans. Physicians shall also have ability to admit at any facility, not just WPAHS.
 - Rates should be market based market based and substantially similar to current rates paid by all health plans for both hospital and physician services. Hospital rates cannot exceed actual cost by greater than 5%-10%.
2. A ban on tying any other service based, hospital based, or employed physician services or bundling any other service with hospital services or conditioning access to any hospital or physician services on taking any other service or varying the price of a physician service based on a requirement of taking some other service. No tying of a WPAHS contract with an obligation to contract with any or all System facilities.
3. A ban on refusals to deal in any specialist services, regardless of the site where services are delivered. Price to be decided, if not agreed upon, by a panel of independent community leaders. Agreement not to control greater than 30% of all physician services in a given specialty.
4. Willingness to enter into joint clinical programs with other hospital systems. If no agreement, a panel of independent community leaders decides whether the program should be provided.
5. No subsidizing of the Highmark health plan by WPAHS or vice-versa
 - Agreement not to enter into favorable contracts with Highmark sponsored health plans. Rates should be market based and substantially similar to all health plans current rates enjoyed
 - Highmark health plans shall not have favored access to hospital or physician services provided by WPAHS
 - No most favored nations provisions to benefit Highmark or any related health plan
 - Additional direct capitalization by Highmark Health Plan or by WPAHS to the other shall be subject to audit, oversight and prior approval
6. Completely independent Board for WPAHS.
7. Penalties for non-compliance with the Consent Decree which are enforceable and substantial. Consent Order, i.e. needs protection/teeth similar to those built into the Consent Order for the UPMC/Mercy Hospital of Pittsburgh affiliation. Private parties will be third party beneficiaries entitled to enforce the Consent Decree or whatever form the approval takes.

8. Must show overall savings to the community to include savings to be realized by the commercial insurance industry at large, as well as unreimbursed care. Efficiency Reports should be produced to show savings. Said savings must be verifiable by an independent audit.
9. HealthAmerica believes that Federal and State officials should carefully scrutinize WPAHS and Highmark's financial status to determine if they have the appropriate financing means and the ability to meet their increased obligation into the future. Report of Highmark's financials separately, not combined with WPAHS.