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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

April 9, 2013

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**INSURANCE DEPARTMENT
LEGISLATIVE OFFICE**

Honorable Michael F. Consedine, Commissioner
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, PA 17120

Dear Commissioner Consedine:

I once again write to you about the amended filing the Pennsylvania Insurance Department received on January 23, 2013 regarding the proposed merger between Highmark and West Penn Allegheny Health System (WPAHS). As a state representative from Allegheny County and the Democratic Chairman of the House Insurance Committee, I have closely monitored this issue as it has moved towards a final determination by the Pennsylvania Insurance Department.

With the two consultant reports from Blackstone and Compass Lexecon finalized, the Department now has the tools necessary to make a final determination on this important merger. As I have stated previously, without an approval of this acquisition, WPAHS will likely close their doors due to their outstanding debt obligation. I am gravely concerned about the potential loss of the health system's 12,000 employees, and the devastating effects of large scale unemployment. I continue to believe that the operation of WPAHS is critical for the health of the region's economy.

Notwithstanding the economic considerations, the collapse of WPAHS poses additional consequences for the region. The consequences for western Pennsylvania include reduced access to health care and the elimination of all viable competition in the region's provider market. While I realize that this proposed affiliation is novel in that it would mark the time a Pennsylvania health insurer has segued into the health care provider market, the Commonwealth is not a stranger to integrated delivery systems.

I believe that our experience to date demonstrates that the presence of a single integrated delivery system in a given region results in significant contractual leverage against traditional health insurers and the unnecessary and expedited consolidation of the region's hospitals and health systems. This affiliation is necessary to ensure that the region's health insurance and health care provider markets are not dominated by a single entity, and that the people of western Pennsylvania will continue to enjoy the benefits of meaningful market competition.

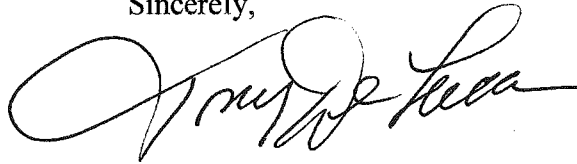
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After a preliminary review of the two consultant reports, my confidence in the proposed affiliation has been strengthened. Both consultants appear to have reached the general conclusions that the new affiliated entity will have sufficient capital to turn around WPAHS, and that the infusion of capital from Highmark will not threaten Highmark's financial position. I want to note one interesting point I picked up on while reading the consultants' findings-- the suggestion of tying the new entity's executive compensation to how much the deal benefits policyholders. Although this may be difficult to implement, it is an interesting concept brought up by the consultants.

I believe there has been ample time to review this proposal. With the consultants' reports completed, the Department now has all the facts necessary to expedite its decision. Considering that the April 30, 2013 deadline is looming, I urge you to move swiftly and approve the filing so that we can maintain competition, keep health care workers employed, and do the right thing for the people of western Pennsylvania.

Thank you for the thorough and professional manner in which you have conducted this process. Now, I believe it is time to move forward. I am confident you will make the right decision for the people of western Pennsylvania.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Deluca", with a large, stylized initial "T".

Tony Deluca
State Representative
32nd Legislative District

Cc: Hon. Frank Dermody, Democratic Leader, Pennsylvania House of Representatives
Hon. Dan Frankel, Democratic Caucus Chairman, Pennsylvania House of Representatives
Kristen Erway, Director of Legislative Affairs, Pennsylvania Insurance Department