1 BEFORE THE INSURANCE DEPARTMENT

2 OF THE

3 COMMONWEALTH OF PENNSYLVANIA

4 – – –

5 Statement Regarding the Acquisition of Control of or Merger with Domestic Insurers:

6 Highmark, Inc.; First Priority Life Insurance Company,
7 Inc.; Gateway Health Plan, Inc.; Highmark Casualty Insurance Company; Highmark Senior Resources, Inc.; HM
8 Casualty Insurance Company; HM Health Insurance Company, d/b/a Highmark Health Insurance Company; HM
9 Life Insurance Company; HMO of Northeastern Pennsylvania, Inc., d/b/a First Priority Health;
10 Inter-County Health Plan, Inc.; Inter-County Hospitalization Plan, Inc.; Keystone Health Plan West,
11 Inc.; United Concordia Companies, Inc.; United Concordia Dental Plans of Pennsylvania, Inc.; United
12 Concordia Life and Health Insurance Company

13 By UPE, a Pennsylvania nonprofit corporation

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WESTIN HOTEL AND CONVENTION CENTER

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PITTSBURGH, PENNSYLVANIA

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TUESDAY, APRIL 17, 2012

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9:00 A.M.

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1 APPEARANCES:

2

3 BEFORE:

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5 Michael F. Consedine, Insurance Commissioner

6 Steve Johnson, Deputy Insurance Commissioner

7 Yen Lucas, Chief Counsel

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1 P-R-O-C-E-E-D-I-N-G-S

2 MR. CONSEDINE: Folks, we are going to get
3 started here in about two minutes.
4 Thank you.
5 Good morning, everybody.
6 Welcome to the Pennsylvania Insurance
7 Department's public informational hearing on a
8 transaction related to Highmark's proposed
9 affiliation with the West Penn Allegheny Health
10 System.
11 I am Mike Consedine, insurance commissioner
12 for the Commonwealth of Pennsylvania.
13 As commissioner, I will make the ultimate
14 decision to approve or disapprove the
15 transaction.
16 Let me say we recognize that this is
17 certainly a unique and in many ways ground
18 breaking transaction, that carries with it
19 significant economic implications for the region,
20 regardless of whether it is approved or
21 disapproved.
22 Consequently, we are very interested in
23 hearing from those in this community about this
24 transaction.
25 And this is what today is all about.

1 By way of brief background, in November of
2 last year, UPE, an entity formed to carry out
3 this transaction by Highmark, submitted a form A
4 filing to the Department, that is the subject of
5 today's hearing.
6 In the filing, UPE asked the Insurance
7 Department to approve its acquisition of control
8 of Highmark, Inc. and Highmark's Pennsylvania
9 Insurance Company subsidiaries.
10 UPE would also be the indirect owner of
11 West Penn, if the affiliation takes place.
12 The Department will make its decision based
13 on a statute called the Insurance Holding
14 Companies Act.
15 The Act requires the Department to look at
16 a number of factors, including most importantly,
17 the impact of the transaction on the health
18 insurance marketplace, and whether the
19 transaction is likely to be hazardous or
20 prejudicial to the insurance buying public.
21 Another factor, that the Department will
22 evaluate is the competence, experience and
23 integrity of company management.
24 So while the qualification of UPE and
25 Highmark's management teams will be considered in

1 the course of the Department's review, the
2 subject of today's hearing and discussion is the
3 proposed transaction contained in the form A
4 filing before the Department.
5 And it is not a forum to discuss
6 circumstances relating to the termination of
7 Highmark's former CEO.
8 The Department staff responsible for the
9 filing are seated here with me today.
10 To my immediate left is Deputy Insurance
11 Commissioner Steve Johnson, from the office of
12 corporate and financial regulation.
13 To my right is Yen Lucas, chief counsel for
14 the Insurance Department.
15 I would also like to introduce several
16 other individuals from the Insurance Department,
17 who are seated to the right here.
18 Kim Rankin is the director of the bureau of
19 company licensing and financial analysis.
20 Amy Daubert is from our legal office.
21 Kari Kissinger is the Department's
22 legislative liaison.
23 Other key staff here with us today include
24 Bob Brackbill, chief of our company licensing
25 division, and Chris Bybee, senior licensing

1 specialist, along with Roseanne Placey and Kim
2 Bathgate from our communications office.
3 Also in attendance are Todd Shamash,
4 Governor Corbett's deputy chief of staff, Martin
5 Alderson Smith, Brett Newman, Cooper Wright and
6 Betty Zhang from the Department's independent
7 financial advisor, Blackstone Advisory Services,
8 LP.
9 And Margaret Guerin-Calvert, Jeffrey
10 Raileanu and David Weiskopf from the Department's
11 independent economic consultant, Compass
12 Lexecon.
13 The Department's outside counsel are in
14 attendance as well, Carl Buchholz, Larry Beazer
15 and Bill Gramlich from Blank Rome.
16 The purpose of today's hearing is not to
17 reach a final decision on the form A.
18 Instead, the purpose of the hearing today
19 is to receive comments from interested persons to
20 aid the Department in ultimately reaching a
21 decision on the transaction.
22 The entire record of the filing, including
23 the transcript of the hearing, will be reviewed
24 by the Department before any final conclusions
25 are reached.

1 The Department will closely consider any
2 comments about the filing presented here today.
3 Once again, no final decision will be
4 rendered at the conclusion of today's hearing.
5 We understand the need to move
6 expeditiously given West Penn's financial issues.
7 And I think all parties to the transaction
8 will agree, the party has thus far set a very
9 aggressive pace in reviewing this complex
10 transaction.
11 That said, given the enormous financial
12 economic and public policy implications of this
13 transaction, it is our duty as a regulator, to
14 ensure we have a full and complete record upon
15 which to make an informed decision.
16 We will not sacrifice our duty to protect
17 the public for speed.
18 Nonetheless, we will continue to move with
19 focus and purpose.
20 The publicly available record thus far
21 consists of all public documents filed by UPE and
22 its counsel and consultants as well as any
23 written comments received from the public or
24 interested persons, and any responses to the
25 comments from UPE.

1 Public portions of the form A and related
2 documents have been and remain available on the
3 Department's Internet web site and the
4 Department's offices in Harrisburg.
5 This is a public informational hearing
6 similar to a town meeting or city council
7 meeting.
8 All interested persons are invited to
9 provide their comments or raise questions for the
10 parties in the Department's consideration about
11 the form A filing.
12 However, there are a number of people who
13 wish to speak, so I must ask you to address your
14 comments to the given subject, and to be as
15 concise as possible.
16 Also, please address your comments to me
17 and the panel in the front of the room.
18 The Department's chief counsel, Yen Lucas,
19 will provide some detailed information about the
20 procedure -- today's procedure for today's
21 hearing.
22 Now I will ask Deputy Commissioner Steve
23 Johnson to give some details regarding the
24 filings and Department's review process.
25 Steve.

1 MR. JOHNSON: Thank you, Commissioner.
2 Good morning.
3 I am Steve Johnson, Deputy Insurance
4 Commissioner for the Department's office of
5 corporate and financial regulation.
6 I am responsible for licensing and
7 financial oversight, including on-site financial
8 examinations of approximately 275 domestic
9 insurance companies in the Commonwealth, and 14
10 nondomestic insurance companies, and 230
11 continuing care retirement communities.
12 My regulatory authority extends to eligible
13 surplus alliance insurance companies and risk
14 retention groups.
15 In addition, as Deputy Commissioner, I am
16 responsible with the able assistance of my staff
17 for the review of all corporate transactions
18 involving Pennsylvania domestic insurance
19 companies, and will assist Commissioner Consedine
20 to enable him to make a decision on the filing.
21 The Department is being assisted in this
22 review by Blackstone Advisory Services LP.
23 Blackstone is evaluating the financial aspects of
24 the transaction.
25 The Department is also being assisted by

1 expert economic consultant Compass Lexecon, which
2 is evaluating the economic impact of the
3 transaction.
4 Additionally, the Department has engaged
5 Blackstone as legal counsel.
6 As Commissioner Consedine mentioned, the
7 Department's review process began in November of
8 last year, when UPE submitted the filing.
9 The Department published notice of the
10 filing in the Pennsylvania bulletin on November
11 19th, 2011.
12 The notice advised the public on how to
13 access the public file, and invited interested
14 persons to provide comments to the Department
15 about the filing.
16 The Department is accepting comments by
17 mail, fax or e-mail.
18 As of April 13th, 2012, the Department has
19 received 96 comments from interested persons.
20 These comments are in the public files and
21 available on the Department's Internet web site
22 at www.insurance.pa.gov.
23 In addition to the public comments, the
24 public file contains the initial filing by UPE,
25 the public file includes the Department's notice

1 of the filing, an invitation for public comments.
2 The public file also includes thousands of
3 pages of supplemental documents supplied by UPE
4 to the Department.
5 Most of the documents submitted to the
6 Department were in response to the Department's
7 questions during this review process.
8 In addition, there is an index of all of
9 the documents, which are contained in the public
10 files.
11 Copies of the public file index are
12 available for inspection at the registration
13 table just outside of this room.
14 The public files and the public file index
15 are also available on the Department's Internet
16 web site.
17 The public files are also available for
18 review and copy in the Department's offices in
19 Harrisburg.
20 You may also submit request for copies of
21 particular documents by fax or by e-mail.
22 The government rate for copying is 25 cents
23 per page. We request that copying and shipping
24 charges be prepaid.
25 Further details about today's hearing and

1 the process will be explained now by the
2 Department's chief counsel, Yen Lucas.
3 Yen.
4 MS. LUCAS: Thank you, Steve.
5 Good morning. My name is Yen Lucas.
6 I am the chief counsel of the Insurance
7 Department.
8 And also a member of the governor's office
9 of general counsel.
10 As Commissioner Consedine stated, the
11 purpose of today's hearing is not to reach a
12 final decision on the filing, but to provide a
13 public forum for all interested persons to
14 provide comments relating to the form A filing,
15 that is before us.
16 Your comments and the information gathered
17 here today will be considered along with other
18 material the Department has received as it
19 continues its review and analysis of the filing.
20 Accordingly, this hearing is being recorded
21 by a court reporter.
22 The Department will review the transcript
23 of today's hearing as part of its examination of
24 this filing.
25 A copy of the transcript will be available

1 on our site at www.insurance.pa.gov.
2 As for the format of today's hearing, I
3 would encourage you to pick up an agenda, if you
4 have not done so.
5 I think that will be helpful, as we proceed
6 along the day.
7 We will begin with presentations from the
8 applicants, Highmark and West Penn.
9 And that will be followed by our
10 consultants from Blackstone and Compass Lexecon.
11 Then the public comment portion of the
12 hearing will begin with presentations from those
13 who have registered to speak.
14 However, if you have not registered and
15 wish to speak, you may see Chris and Bob in order
16 to register. And we could schedule you to speak.
17 We have almost 50 presentations today.
18 So in order to keep us on track, I would
19 like to take a few moments to go over the
20 procedures and groundrules for today.
21 I will be calling each commenter to the
22 front table, when it is your turn to present.
23 And at that time, I will also ask the next
24 presenter to move to the reserve section, which
25 are the chairs labeled right behind the

1 presenter's table.
2 When speaking, please indicate if you are
3 speaking on your own behalf. If you are speaking
4 in a representative capacity, please identify
5 your role and the relationship of the
6 representative organization, or the particular
7 client, that you are representing.
8 Your remarks should be specific and relate
9 to the form A filing, that is before the
10 Department.
11 In order to make sure that all presenters
12 have the opportunity to comment today, please
13 limit your presentations to eight minutes or
14 less.
15 When you see this sign, please be prepared
16 to conclude your remarks.
17 Because of the informal nature of today's
18 proceedings, there will be no sworn testimony.
19 Further, cross examination or interrogation
20 of speakers will not be permitted.
21 However, you may pose questions to UPE,
22 Highmark or West Penn during your presentation.
23 Please note, that today's hearing is also
24 being web streamed live.
25 So when you speak or present, please make

1 sure you speak directly in to the microphone.
2 The web stream will be available on the
3 Department's web site after today's hearing.
4 And following today's hearing, the
5 Department will require written responses to
6 questions raised by the Department, and also by
7 the public during the hearing.
8 And we will make those responses available
9 on our web site.
10 And finally, if time permits, the
11 Department will allow speakers to present
12 additional comments at the end of the session or
13 at this evening's session.
14 And I would also like to ask everyone to
15 turn off the ringer on your cell phone.
16 Thank you.
17 Commissioner.
18 MR. CONSEDINE: Thank you, Yen.
19 This morning, as Yen indicated, we will be
20 starting off with presentations by UPE, Highmark
21 and West Penn.
22 After that, we will have a short
23 presentation by the Department's independent
24 consultants -- Compass Lexecon, the Department's
25 consultant, and Blackstone, the Department's

1 financial advisor.
2 Then the Department will have the
3 opportunity to ask any additional questions based
4 on the presentation to the applicants.
5 Finally, we will provide the public with an
6 opportunity to comment on the filing, and ask any
7 questions again.
8 That is really the purpose of the hearing.
9 So with that, why don't we start with our
10 first -- with the applicants, Dr. Baum and
11 Deborah Rice.
12 Good morning.
13 DR. BAUM: Good morning. Thank you,
14 Commissioner Consedine.
15 My name is Bob Baum.
16 I am the chairman of the board and acting
17 chief executive officer of Highmark.
18 I am also a director of UPE, the applicant
19 in this proceeding.
20 With me today is Deb Rice, Highmark's
21 executive vice-president. And for simplicity
22 sake, I am sometimes going to use the name West
23 Penn Allegheny to refer to the entire West Penn
24 Allegheny Health System organization.
25 We welcome the opportunity to discuss why

1 the change of control of Highmark and its
2 Pennsylvania insurance subsidiaries in
3 conjunction with the company's proposed
4 affiliation with West Penn Allegheny is good for
5 western Pennsylvania.
6 How it will benefit our individual
7 subscribers, employer groups, physicians, the
8 communities in which we and West Penn operate,
9 and the people of western Pennsylvania.
10 We will also discuss the health care
11 industry environment, that is driving change for
12 both health care providers and health insurers on
13 the national level, and the unique market
14 dynamics of the Pittsburgh region, that led to
15 this proposed affiliation.
16 Highmark's longstanding mission is to make
17 sure that all members of the community have
18 access to affordable, quality health care, while
19 also contributing to the economic vitality of the
20 communities we serve.
21 Deb will explain how West Penn Allegheny is
22 a critical part of Highmark's broad plan, in
23 support of our mission to develop a new and
24 better health care system that holds the promise
25 of more affordable health care for patients,

1 families and businesses in this region.
2 Finally, Deb will address some of the
3 concerns about the transaction that have been
4 raised by others.
5 And we look forward to hearing from many
6 others, including those from western Pennsylvania
7 businesses, public officials, civic and community
8 organizations, and labor leaders, who will share
9 their views of this transaction.
10 Before I begin our specific remarks, I must
11 say a few words about the recent changes in our
12 CEO position, that many of you are probably
13 familiar with.
14 For decades the Blue Cross Blue Shield name
15 has stood for something special.
16 In addition to high quality products and
17 services, the brand has been synonymous with
18 integrity and maintaining high standards in all
19 aspects of our organization.
20 As the Highmark board's actions over the
21 past few weeks have demonstrated, that commitment
22 to integrity hasn't changed.
23 The board and our senior management team
24 remain focused on the business strategies that
25 are key to our future success, including

1 finalizing our affiliation with West Penn
2 Allegheny.
3 While I am now serving as acting CEO and
4 board chairman, our board is moving forward to
5 identify a long term successor to the CEO
6 position.
7 Although the audience here today is
8 understandably interested in the benefits of the
9 the proposed Highmark and West Penn Allegheny
10 affiliation, it is important to clarify the
11 purpose of this hearing.
12 Highmark and West Penn Allegheny are
13 pursuing this affiliation to create a new
14 integrated health system, that maintains a choice
15 of high quality health services for millions of
16 western Pennsylvanians.
17 A new tax exempt 501(C)3 nonprofit
18 organization corporation has been created under
19 which Highmark will maintain control of its
20 insurance operation.
21 And West Penn Allegheny will retain its
22 federal income tax exempt status.
23 This transaction is an affiliation between
24 Highmark and West Penn Allegheny.
25 It is not an acquisition of West Penn

1 Allegheny by Highmark.
2 West Penn Allegheny is retaining its
3 assets. And Highmark is not assuming West Penn
4 Allegheny's debt and pension obligations.
5 In order to achieve the goals of the
6 affiliation, control of Highmark and its
7 subsidiary companies must be transferred to the
8 new parent corporation.
9 The Insurance Department is reviewing that
10 change of control based on specific criteria
11 under state law.
12 To put this transaction in context, I would
13 like to briefly talk about Highmark.
14 We have a proud tradition. For nearly 75
15 years, we have operated as a not for profit
16 corporation, with a longstanding commitment to
17 the community in Pennsylvania, and more recently
18 West Virginia and Delaware.
19 To fulfill our mission, we have provided
20 insurance programs to every segment of the
21 population, including seniors, children and those
22 with limited economic means.
23 We have also subsidized many of these
24 insurance programs to hold down the cost of
25 health insurance for these groups.

1 In addition to developing and supporting
2 these insurance programs, Highmark and the
3 Highmark Foundation have provided a tremendous
4 amount of support to the community through grants
5 and other forms of giving.
6 For example, our contributions have been
7 used to help address pressing human needs,
8 offering free health, dental and vision
9 screenings for the neediest segments of the
10 community, fighting childhood obesity, and
11 helping eliminate disparities in health care.
12 To quantify our commitment to the
13 community, let's take a closer look at our
14 community contributions in the past five years.
15 From 2007 through 2011, we contributed more
16 than 760 million dollars in support of our
17 corporate mission.
18 For generations, western Pennsylvanians
19 have taken comfort in the fact that they have a
20 choice of physicians, hospitals and other health
21 care professionals, and can choose among
22 excellent health care alternatives available in
23 our region.
24 By promoting the proposed affiliation, we
25 are striving to maintain choice among multiple

1 health care delivery systems, an important
2 ingredient to controlling rapidly rising health
3 care costs.
4 For example, in 2000, when West Penn
5 Allegheny Health System emerged from the
6 bankruptcy of its predecessor organization, we
7 provided 125 million dollars alone to help the
8 system regain sounder financial footing.
9 Highmark took this step, because we wanted
10 to ensure that the provider network supporting
11 our insurance products included a wide choice of
12 tertiary and quaternary care facilities in
13 western Pennsylvania.
14 Two years later, we made 232 million
15 dollars in grants and loans available to UPMC for
16 construction of a new Children's Hospital in the
17 Bloomfield neighborhood in Pittsburgh.
18 We supported this project, because it
19 continues the tradition of providing high quality
20 pediatric health care services to families in
21 western Pennsylvania, the state and also
22 nationally.
23 This facility is now a vital community
24 resource, that is helping sustain the viability
25 of the community and boosting Pittsburgh's

1 economy by bringing more dollars in to the
2 region.
3 Over the past decade, we have also
4 supported community hospitals across western and
5 central Pennsylvania in a variety of ways to help
6 them maintain independence and to better meet the
7 medical needs of the community.
8 Although you will hear a lot today about
9 business, financial and health care policy
10 issues, I want to highlight a critical point.
11 This transaction is consistent with our
12 longstanding community tradition of trying to
13 maintain choice and access for all subscribers to
14 affordable quality health care.
15 This proposed affiliation will not change
16 our mission. In fact, I believe our company will
17 be in a better position after the transaction to
18 fulfill our mission and better serve our
19 individual subscribers and employer group
20 customers.
21 So now, I would like to turn the discussion
22 over to Deb.
23 MS. RICE: Great.
24 Thank you, Bob.
25 Continuing the proud tradition that Bob

1 just discussed, it is important to us, although
2 we are confronted by a very challenging
3 environment, both nationally and regionally, the
4 health care system is at a crossroads, with
5 increasing concerns about medical costs, quality
6 of care and the access of medical services.
7 The cost of health care including hospital
8 and physician services is ever increasing.
9 As a result, the burden of health insurance
10 costs on individuals and businesses continue to
11 grow.
12 In fact, a recent report by the center for
13 studying health system change found the share of
14 U.S. children and adults covered by employer
15 sponsored health insurance has dropped 10 percent
16 from 2007 to 2010.
17 The main reasons for the drop in private
18 insurance were the recession and rising health
19 care costs.
20 One of the primary drivers of higher costs
21 is the way doctors and hospitals are paid.
22 A fee for service payment system gives
23 health care providers the incentive to do more
24 tests and procedures.
25 As a result, too many health care dollars

1 are wasted, going towards ineffective repetitive
2 and inappropriate care.
3 We need to find a better way to pay doctors
4 and hospitals.
5 In addition, we have a fragmented health
6 care delivery system among hospitals, primary
7 care doctors and specialty physicians.
8 This inefficiency leads to poor
9 coordination of care for people with chronic
10 medical conditions such as diabetes, COPD and
11 heart disease.
12 There is now widespread consensus, that by
13 improving quality of care, patient safety, we can
14 slow the growth of medical costs.
15 We are also seeing health care delivery
16 systems growing larger and larger through
17 consolidations, mergers and acquisitions.
18 A number of studies show that these types
19 of megasystems generate higher health care costs,
20 because they can use the size to obtain
21 unreasonable reimbursement levels from private
22 insurance companies.
23 Layered on top of the market dynamics is
24 health care reform. The new law is changing the
25 health care marketplace by encouraging doctors,

1 hospitals and health insurance companies to align
2 more closely.
3 As an outgrowth of the health care reform
4 we are starting to see new models of health care
5 delivery and financing organizations called
6 patient centered medical homes and accountable
7 care organizations.
8 These models still in infancy are designed
9 to change provider payment incentives to promote
10 better care, improve coordination to use
11 technology to ensure patients receive the right
12 care at the right time in the right health care
13 setting.
14 Health care reform combined with private
15 marketplace forces is also spurring a shift in
16 health care towards greater consumer decision
17 making.
18 Individual consumers are taking a more
19 active role in all aspects of health care.
20 Because they are more responsible for their
21 costs, individuals are demanding more specific
22 information about cost and quality of care from
23 providers.
24 To continue to meet our mission over the
25 long term, Highmark's management team and the

1 board of directors determined that we need to
2 evolve our company.
3 And we have. During the past few years, we
4 have developed new web based tools to help
5 consumers make more informed health care
6 decisions.
7 Worked more closely with hospitals and
8 physicians on new payment systems, reward
9 providers for reducing health care associated
10 infections.
11 And opened a number of health insurance
12 retail stores across Pennsylvania, to offer one
13 on one assistance for individuals and small
14 businesses to purchase health insurance plans.
15 While these steps have made a solid
16 foundation to meet shifting marketplace
17 expectations, we had to take bolder action to
18 remain a financially strong company for years to
19 come, more actively control health care costs on
20 behalf of our customers and preserve health care
21 choices for our subscribers, physicians and other
22 health care practitioners.
23 In other words, Highmark had to evolve from
24 a traditional health insurer to health and
25 wellness company with a significant role in the

1 delivery of medical care.
2 Our efforts to put together a new provider
3 system are at the heart of this evolution.
4 Our aim is to work closely with independent
5 doctors, hospitals and other ancillary health
6 providers, to improve the coordination and
7 quality of care.
8 An equally high priority is keeping in the
9 community to promote convenience for patients and
10 support local economies.
11 We had planned to implement this plan over
12 time. But two game changing developments in the
13 western Pennsylvania market have forced us to
14 accelerate our activities.
15 The first was UPMC's demand for 40 percent
16 increase in payments from Highmark, plus an
17 annual inflation increase for our commercial
18 subscribers, a totally unacceptable demand in
19 light of the two to three percent annual
20 inflation rate.
21 Because we could not, on behalf of our
22 subscribers, agree to this payment demand, UPMC
23 has refused to negotiate with Highmark on new
24 contract agreements, that would keep some of the
25 hospitals as Highmark network providers.

1 As a result, Highmark's commercial
2 subscribers won't have in-network access to a
3 number of UPMC facilities beyond June 2013.
4 At the same time that UPMC walked away from
5 the negotiation table, West Penn Allegheny Health
6 System's financial condition continued to
7 deteriorate.
8 Its cash on hand, hospital discharges,
9 outpatient patient volume, and other businesses
10 and financial indicators pointed downward.
11 Institutional investors raised concerns
12 about the system's ability to meet its pension
13 and debt obligations.
14 At the end of 2010, the system closed the
15 emergency room at the West Penn Hospital.
16 We believe that the continued financial
17 decline of West Penn Allegheny would have severe
18 consequences for the general public, Highmark
19 individual subscribers and employer groups and
20 independent health care providers.
21 These consequences include reduced consumer
22 access and choice of providers, especially for
23 selected clinical services such as cancer and
24 OB-GYN.
25 Uncontrolled health care increases, which

1 would push more employers and individuals to the
2 dropped coverage.
3 Damage to local economy and potential loss
4 of thousands of jobs.
5 Increased control by UPMC over physicians
6 who continue to leave the West Penn Allegheny
7 system.
8 Increased reliance on community hospitals
9 on UPMC specialists, making it more difficult for
10 community hospitals to remain independent.
11 And finally, the inability of West Penn
12 Allegheny to maintain its vital medical education
13 and medical research programs.
14 Highmark cannot passively stand by and let
15 those forces threaten the ability to fulfill our
16 mission and meet the health care demands of the
17 community.
18 Here is why. During the five year period
19 from 2006 to 2010, our health insurance business
20 in western Pennsylvania accounted for the
21 majority of Highmark's health care revenue.
22 A closer look at western Pennsylvania
23 health care market region reveals a major problem
24 of out of control medical costs.
25 As you can see on the illustration on the

1 screens, the Pittsburgh area residents spend 25
2 percent of their income on health insurance
3 costs, a much higher level compared to other
4 metropolitan areas in the Mid-Atlantic region and
5 the Midwest.
6 What drives up health care insurance
7 premiums? It is very simple. High medical
8 costs, nearly 90 cents of every health insurance
9 premium are used to pay for patient care, such as
10 doctor visits, hospital stays and prescription
11 drugs.
12 Medical costs are made up of two parts.
13 The use of medical services and the price per
14 service.
15 As costs increase, either because of the
16 price per service increases or subscribers use
17 more services, or both, premiums go up
18 proportionately.
19 Medical costs are in the region, because --
20 medical costs are high in this region, because
21 Pittsburgh area residents utilize more medical
22 services, as you can see through the illustration
23 on the screen.
24 They undergo more outpatient procedures,
25 have more MRIs, more lab tests than the average

1 people in the similar Mid-Atlantic regions.
2 The problem of higher utilization is
3 compounded, when there is a little -- when there
4 is little provider competition in the market,
5 where the price of medical services is
6 essentially set by one health system.
7 In Pittsburgh, that one health system is
8 UPMC. It controls more than 55 percent of
9 hospital beds in Allegheny County, and owns
10 physician practices employing upwards of 3,000
11 physicians.
12 About 80 percent of southwestern
13 Pennsylvania market for oncology services is
14 controlled by UPMC, either directly through
15 services that its oncologists provide or
16 indirectly through UPMC joint ventures with other
17 hospitals for cancer care.
18 At a Pennsylvania state senate legislation
19 hearing last year, UPMC CEO admitted UPMC is a
20 monopoly in this region's health care delivery
21 market.
22 Medical economics research clearly shows
23 that the very large health systems are able to
24 use their size to obtain private insurance
25 reimbursement rates, which then directly

1 translates in to higher insurance premiums.
2 In fact, the Federal Trade Commission
3 recently cited the same concern when it rejected
4 the purchase of the large Toledo area health
5 system of another hospital in the same market.
6 According to the FTC, the purchase would
7 have allowed the hospitals to charge higher
8 prices, and would probably have resulted in
9 higher health care costs for patients, employers
10 and employees.
11 We are seeing this phenomena in western
12 Pennsylvania, where Highmark subscribers, who use
13 the dominant health system, have significantly
14 higher costs on a per employee basis than
15 subscribers, who do not use the system as much.
16 These higher costs translate in to higher
17 health insurance premiums for employees living in
18 western Pennsylvania.
19 They also make our community less
20 attractive for businesses to locate and continue
21 to operate.
22 In short, the Pittsburgh region needs a
23 choice of financially sound health care delivery
24 systems and independent community providers to
25 effectively market forces to hold down cost

1 increases.

2 Otherwise, a single dominant system will

3 continue to obtain unreasonable payment increases

4 from all private health insurance companies,

5 which the region cannot afford.

6 Facing these immediate challenges, we owed

7 it to our customers and community to act promptly

8 to preserve provider choice and competition in

9 the Pittsburgh marketplace.

10 For these reasons, we began discussions

11 with the West Penn Allegheny Health System. We

12 conducted a thorough analysis of West Penn

13 Allegheny and found its institutions had strong

14 clinical services including well respected

15 specialty care programs in bone, joints, heart

16 disease, neurosciences and transplantation.

17 Allegheny General Hospital's heart

18 transplant program is one of the busiest in the

19 country and has excellent patient outcome rates,

20 that exceed the national average.

21 The system also has a strong commitment to

22 train future generations of health care

23 professionals by offering many graduate medical

24 programs and affiliations with two medical

25 schools and two nursing schools.

1 Although some physicians and other
2 ancillary providers have begun to lose confidence
3 in West Penn Allegheny as the system's financial
4 performance weakened, the system still has a
5 loyal team of doctors, nurses and other health
6 care professionals, who are committed to
7 delivering high quality patient care.
8 Additionally, the system has a consistent
9 track record of delivering high quality care at a
10 lower cost than the dominant health system in the
11 region.
12 What West Penn Allegheny sorely lacked was
13 capital. Because of its tenuous financial
14 position, the system had delayed certain capital
15 improvements and physician practice development,
16 which were needed to bolster its infrastructure
17 and strengthen relationships with patients.
18 We carefully considered the different
19 scenarios, evaluating long term prospects of
20 keeping our subscriber base, if UPMC decides to
21 leave our provider network, and the risk of
22 reduced provider choice, if West Penn Allegheny
23 shut even more of their clinical services down.
24 In the end, we determined the affiliation
25 with West Penn Allegheny made the most sense. It

1 would preserve the nonprofit mission of both
2 organizations and maintain provider choice for
3 the subscribers of all western Pennsylvania.
4 Just last week, the U.S. Justice
5 Department -- Department of Justice reaffirmed
6 the positive impact the affiliation would have on
7 the competition of the local health care market.
8 According to the DOJ, the proposed
9 affiliation has the promise of increasing
10 competition in the western Pennsylvania health
11 care market by providing West Penn Allegheny with
12 a significant infusion of capital.
13 With that backdrop, I would like to talk
14 about specific benefits of this proposed
15 transaction.
16 We believe that the close and enduring
17 partnership with West Penn Allegheny Health
18 System combined with other elements of Highmark's
19 integrated delivery system will achieve the
20 following.
21 First, make health care and health
22 insurance more affordable.
23 Second, improve the quality of health care
24 in Pennsylvania, and ultimately improve quality
25 in Highmark's other major service areas.

1 And finally, create a more caring and
2 responsive delivery system at all levels of care,
3 to produce better patient experience.
4 These goals are real and sustainable,
5 because Highmark's new health care delivery
6 system, with West Penn Allegheny as an important
7 component, provides opportunities for improving
8 access to affordable high quality care.
9 The new system will be founded on a clear
10 principle, to preserve health care choices for
11 individuals, employers, physicians and other
12 health care professionals in to the future.
13 It would include partnerships with
14 community hospitals and physicians, who have
15 shared interest in making health care more
16 affordable, creating a more satisfying experience
17 for patients, ensuring high quality care and
18 operating as efficiently as possible.
19 West Penn Allegheny Health System has
20 indicated its willingness to embrace these core
21 elements of our new integrated delivery system to
22 achieve more affordable care for patients.
23 The integrated health care delivery and
24 financing system, that Highmark envisions, is
25 intended to offer integrated care across a

1 variety of settings, including primary care and
2 specialty physician offices, urgent care centers,
3 ancillary services, ambulatory surgical centers,
4 hospitals, outpatient medical malls and post
5 acute services.
6 Depending on the needs of a particular
7 community, the medical malls will house urgent
8 care centers, low cost ancillary providers,
9 primary medical homes, specialty outpatient
10 clinics and retail outlets such as the pharmacies
11 or vision retail stores.
12 While traditional hospitals are necessary
13 to provide more advanced and specialized
14 services, we believe that with steady improvement
15 in medical technology, more can be done and
16 should be done appropriately through less costly
17 outpatient settings.
18 To better align the incentives that
19 encourage too much patient care, our network will
20 focus on provider payment models, that pay
21 providers for more high quality, better outcomes
22 and higher patient satisfaction than for
23 providing more and more services.
24 A pay for value payment system promotes
25 care based on best medical practices, and

1 discourages unnecessary utilization of medical
2 services.
3 We must move the marketplace away from
4 longstanding fee for service payment system,
5 which give hospitals and physicians no incentive
6 to coordinate care, invest in higher quality, or
7 even consider the cost of care.
8 This outdated payment model has contributed
9 to steady cost increases for Highmark employer
10 groups and individual subscribers.
11 The foundation of the new system will be
12 information technologies.
13 We plan major investments in health
14 information technology tools to help physicians
15 and hospitals retrieve relevant clinical
16 information faster and make more informed
17 clinical decisions for their patients.
18 An important element of our technology
19 platform is a health information exchange.
20 The exchange will be designed to
21 encourage provider collaboration in the
22 appropriate and secure use of health care data to
23 improve quality of care for all of our
24 subscribers.
25 While other features of the integrated

1 delivery network we intend to create are detailed
2 in the filings with the Department, the relevant
3 question for the people here today is how
4 specifically will Pennsylvanians benefit by the
5 proposed affiliation and by our new care delivery
6 network?
7 First and foremost, our community, which
8 includes many of our subscribers, will have the
9 security of knowing they have a variety of high
10 quality health options to choose, when they are
11 selecting physicians, hospitals and other health
12 care professionals.
13 The new Highmark network anchored by
14 vibrant West Penn Allegheny Health System will
15 ensure that our individual subscribers and
16 employer groups have access to the care they need
17 regardless of whether UPMC follows through on its
18 threat to leave Highmark's network.
19 To maintain an adequate number of providers
20 in certain clinical areas where UPMC virtually
21 holds the market such as oncology, Highmark and
22 West Penn Allegheny will work together to hire
23 and partner with cancer specialists and expand
24 the new network's technology capabilities to
25 handle a higher volume of cancer patients in the

1 system.
2 The transaction will also help expand
3 provider choice and access to primary care
4 addressing the shortage of primary care doctors
5 in western Pennsylvania.
6 Highmark's financial commitment to West
7 Penn Allegheny Health System includes many
8 defense scholarships for students attending
9 medical schools affiliated with West Penn
10 Allegheny and support other health care
11 professional education programs to help
12 physicians in the western Pennsylvania market.
13 As part of our broader provider network
14 strategy, we will form close partnerships with
15 primary care practices to help ensure adequate
16 choice of primary care.
17 In addition to preserving choice and
18 access, we believe this transaction will help
19 slow the rise of the region's health care costs,
20 and ultimately improve the affordability of
21 health insurance.
22 Here is how we plan to do this.
23 Allegheny General Hospital is an important
24 part of our goal to control regional medical
25 costs.

1 As a primary site to handle patients who
2 require the most advanced and costly care,
3 Allegheny General will be critical to provide a
4 lower cost alternative to the region's dominant
5 health system.
6 Allegheny General has a good track record
7 of delivering high quality care at affordable
8 cost.
9 This transaction will solidify Allegheny
10 General's standing as a high performing
11 competitive referral center and training ground
12 for health care professionals.
13 Another way to control costs is by ensuring
14 that people receive the care they need in the
15 most economical health care setting without
16 compromising quality.
17 For example, Highmark's average payment for
18 a spinal MRI is generally more than two times
19 higher at a hospital than at a free standing
20 imaging center.
21 If the quality of the service is the same
22 at both settings, it makes sense that patients
23 should receive the service at the lower cost and
24 more convenient location.
25 The new delivery system we envision will

1 focus on shifting more care, when appropriate, to
2 outpatient community settings that are less
3 expensive than going to the hospital.
4 Our provider network will serve as a
5 building block for new insurance products we are
6 beginning to develop that will have a lower
7 premium than any Highmark products that would
8 include UPMC at the 40 percent increase in
9 payment levels it has demanded.
10 Historically, health insurance programs
11 have offered only limited costs and quality
12 information to consumers, leaving them with
13 inadequate information to make an informed value
14 conscious choice of health benefits and their
15 health care provider.
16 We will now accelerate our efforts to be
17 more deeply involved with our individual
18 subscribers in their health care decisions.
19 First, we are expanding our information
20 transparency tools, that our subscribers can
21 clearly compare cost qualities, cost indicators
22 across all providers.
23 These tools will help our subscribers
24 better understand the cost and the quality
25 tradeoffs, when selecting a physician or

1 hospital.

2 Second, we will offer costly -- less costly

3 products, I apologize, that include incentives

4 for subscribers to use physicians and hospitals

5 that have proven to deliver quality at a lower

6 cost.

7 These tiered benefit products are becoming

8 more widely accepted in the health insurance

9 industry as a vital tool to control the cost of

10 health insurance.

11 I want to be clear on one point. At no

12 time will Highmark force our subscribers to

13 choose any provider.

14 Our collective efforts to build an

15 innovative, forward looking delivery system are

16 intended to produce a better patient experience.

17 Patients will have an option to receive care at

18 more convenient locations in the community.

19 They can expect better care, if they need

20 to visit more than one doctor or require multiple

21 medical services, because our new payment models

22 will reward quality good outcomes and the

23 coordination of care.

24 And unlike some health systems that exclude

25 certain insurance programs, western

1 Pennsylvanians will not have to worry about
2 whether West Penn Allegheny Health System will
3 accept their insurance card.
4 West Penn Allegheny will contract with all
5 insurance carriers, that want to have a contract
6 with them.
7 Over the past two years, we have met with
8 many provider groups and organizations. Health
9 care providers are deeply concerned that changes
10 taking place in the region's health care are
11 interfering with their commitment to put patients
12 first and reducing referral choices.
13 They also worry that the lack of financial
14 resources to buy new practice management tools
15 and information systems to operate their
16 practices more efficiently.
17 We believe the proposed affiliation and the
18 new provider network will benefit independent
19 hospitals, physicians and other health care
20 providers through a variety of support programs
21 and activities, we can assist community hospitals
22 that desire to remain independent, while helping
23 them to attract more patients and reduce
24 administrative costs.
25 The new integrated delivery system will

1 work with community hospitals on new
2 reimbursement models, that reward high quality
3 and more appropriate uses of services.
4 We will encourage these institutions to
5 invest in the new community based outpatient
6 medical sites and the health information
7 exchange.
8 Highmark and West Penn Allegheny will also
9 work cooperatively with independent community
10 hospitals to maintain an adequate supply of
11 future physicians at the community level through
12 expanded internship and residency training
13 programs.
14 The network will also offer a variety of
15 tools to help physician practices remain
16 independent.
17 We will offer them more affordable access
18 to a shared platform of advanced administrative
19 services, including electronic health records and
20 practice management tools, which they are often
21 unable to afford on their own.
22 Armed with these information technology
23 tools, our aligned physician practices will be in
24 a better position to meet the Federal
25 government's guidelines to qualify for additional

1 Medicare and Medicaid payments.
2 Similar to consumers, independent
3 physicians also benefit from multiple health
4 system options.
5 They will be able to offer more referral
6 choices for their patients, sustain adequate
7 patient volume to retain their viable office
8 practice and avoid the untenable choice of either
9 selling their practice to a dominant provider
10 system or relocating out of western Pennsylvania.
11 Preserving provider competition and choice
12 also benefits our community.
13 It boosts the economic vitality of western
14 Pennsylvania. The health sector is one of the
15 key economic engines for this region.
16 By maintaining multiple health care
17 delivery systems here, we can save existing jobs,
18 create more employment and preserve stronger,
19 more economically viable communities throughout
20 western Pennsylvania.
21 Although I have concentrated mostly on
22 western Pennsylvania, the benefits of this
23 transaction and our new integrated delivery go
24 beyond this region.
25 Highmark insurance programs cover many

1 employer groups that have headquarters in other
2 parts of the Commonwealth and other states, but
3 who have employees working in western
4 Pennsylvania.
5 These employees will reap the benefits of
6 greater choice and competition, if their
7 employees choose to obtain care through West Penn
8 Allegheny Health System and the lower cost
9 network, that we are building.
10 The integrated delivery network and the new
11 payment methods we are putting in place will not
12 be confined to western Pennsylvania.
13 Our goal is to expand these approaches to
14 all of our service areas.
15 For example, we plan to partner with
16 physicians to improve coordination of care for
17 thousands of Highmark subscribers through patient
18 centered medical homes.
19 We currently have 13 home programs with
20 physician practices throughout western
21 Pennsylvania, central Pennsylvania and West
22 Virginia.
23 We also believe that the benefits of the
24 health information exchange will extend beyond
25 western Pennsylvania.

1 Although the first health care
2 organizations to join this project are in western
3 Pennsylvania, we envision developing a statewide
4 exchange to improve patient care across the
5 Commonwealth through prudent sharing of
6 information.
7 Before I close, I would like to address
8 some specific issues, that have surfaced during
9 the regulatory review process, and in discussions
10 with employer groups, public officials and other
11 stakeholders.
12 The first question is whether Highmark is
13 serious about following through on its proposed
14 affiliation.
15 The answer is a definite yes. And I think
16 our actions thus far should resolve that
17 question.
18 We have already advanced 150 million
19 dollars to West Penn Allegheny. We have every
20 intention of honoring our total financial
21 commitment of up to 475 million dollars over four
22 years.
23 We have also acquired other important
24 assets, including a multispecialty physician
25 practice in the eastern suburbs of Pittsburgh.

1 That was done to ensure access to primary
2 care and specialty physicians in the Monroeville
3 area.
4 To further underscore our commitment, we
5 recently sold a Highmark subsidiary company, that
6 for many years had successfully processed claims
7 for the Federal Medicare program.
8 This was a difficult choice, since we had a
9 strong partnership with the Federal government,
10 but because of our perception of a potential
11 conflict of interest, which would result from the
12 affiliation with West Penn Allegheny, and our
13 determination to be more involved in the health
14 care delivery, we had to take this action.
15 Fortunately, we found a buyer, who was
16 committed to preserving jobs in the company in
17 Pennsylvania.
18 We owe it to our customers and the
19 community to make this affiliation work, in order
20 to preserve provider choice and competition in
21 western Pennsylvania.
22 A set of financial related questions have
23 been raised.
24 The first is whether this use of our
25 resources will represent a financial drain on

1 Highmark and jeopardize the financial soundness
2 of the insurance business.
3 We believe the proposed affiliation is a
4 prudent use of resources, that will not
5 negatively affect our insurance business.
6 When opportunities arise, we will examine
7 each carefully.
8 Here are some of the issues we are
9 evaluating.
10 No. 1, will this use of resources reinforce
11 our core mission?
12 2, will it improve our health of our
13 subscribers?
14 3, will it address the issue of rising
15 costs?
16 Does the expenditure have the potential to
17 generate jobs and thereby improve the economy in
18 one of our core markets?
19 5, will the expenditure affect our ability
20 to meet the financial obligations to our
21 subscribers and group customers to pay medical
22 claims?
23 We have carefully and thoroughly evaluated
24 the West Penn Allegheny affiliation against all
25 these criteria.

1 We believe that with our support, West Penn
2 Allegheny can be restored to a vibrant care
3 delivery system.
4 Furthermore, we believe West Penn Allegheny
5 has the clinicians, staff and core facilities to
6 be a vital part of our provider strategy,
7 offering the the option to our customers and the
8 community at large of more affordable access to
9 high quality care.
10 As part of our assessment, we looked at the
11 cost of the expenditure and the cost of Highmark
12 and the community of a new contract with UPMC.
13 Our conclusion was clear. Providing
14 funding up to 475 million dollars for West Penn
15 Allegheny was much less than the 2 billion
16 dollars in additional health care costs, that
17 would have been passed on to the community over
18 three years, if Highmark had agreed to UPMC's
19 demand for 40 percent increase in payments, plus
20 an annual inflation adjustment for our commercial
21 customers.
22 Another question focused on the independent
23 auditor's report that expressed doubt about
24 whether West Penn Allegheny Health System can
25 continue as a going concern.

1 The report was based on the system's
2 financial performance for that period, from July
3 2010 to June 2011.
4 Since the auditor's report was consistent
5 with the assessment Highmark's consultants had
6 performed prior to our decision to affiliate, we
7 were not surprised by the opinion.
8 However, during the past few months, there
9 have been some encouraging developments, to
10 demonstrate that West Penn Allegheny with
11 Highmark support is moving in a positive
12 direction.
13 For example, the system has begun upgrades
14 at Forbes Regional Hospital to successfully
15 compete with the Pittsburgh suburbs.
16 In February, West Penn Hospital opened the
17 emergency department. This was an important
18 milestone not only for West Penn Allegheny and
19 the people who worked there, but also for the
20 Bloomfield neighborhood.
21 Since the reopening, the patient volume at
22 West Penn emergency department has been steadily
23 increasing.
24 Another sign of progress during the past
25 few months is the system's continued recruitment

1 of new primary care and specialty physicians.
2 The momentum of support for West Penn
3 Allegheny among physicians is a telling sign,
4 that more independent physicians and those
5 seeking employment have more assurance that West
6 Penn Allegheny will become a stable and
7 sustainable health care system.
8 In closing, I think it is important to note
9 that no two organizations alone can solve all of
10 the problems of western Pennsylvania health care
11 system.
12 However, a close sustainable partnership
13 with West Penn Allegheny is essential to
14 Highmark's vision of building an innovative
15 integrated system one that holds the promise of
16 positive change in the delivery of patient care.
17 West Penn Allegheny is an important
18 provider of primary and specialty care in the
19 region. And offers the only referral alternative
20 to UPMC for very advanced and complex medical
21 services.
22 The system has openly expressed its
23 intention to work with Highmark, to help lower
24 costs, and develop new care delivery models built
25 around improving quality and patient experience.

1 We believe this transaction is a
2 steppingstone toward reassurring our individual
3 subscribers and employer groups, that they are
4 getting real value for their health care dollar.
5 It can also spur investments in more
6 customized products and services such as
7 lifestyle and work site wellness programs to meet
8 the health care needs of more informed and
9 demanding consumers.
10 Finally, we appreciate the fact that the
11 Department's review of our filing is moving
12 forward quickly, because we believe this
13 transaction will preserve a choice of multiple
14 health care delivery system options in western
15 Pennsylvania for Highmark subscribers and the
16 entire community.
17 Thank you for your time. We are prepared
18 to answer questions.
19 MR. CONSEDINE: Thank you, both.
20 We are already pushing past our agenda here
21 a little bit. We will use this opportunity to
22 ask a couple quick questions.
23 And we will do the followup questions later
24 on.
25 I guess one of the biggest issues, that we

1 are looking at as the regulator, is the
2 investment of the 475 million, which you talked
3 about in your remarks, and the sufficiency of
4 that.
5 We are certainly hearing from a number of
6 stakeholders, that 475 million may not be enough,
7 that you are purchasing, for lack of better
8 analogy, that Victorian house on the corner that
9 ends up being the money pit that you pump more
10 and more money in to.
11 Can you talk a little bit about your
12 confidence level in that 475 million, the factors
13 that you analyzed in reaching that number, and
14 whether or not you, at the end of the day, think
15 that is going to be the total investment in West
16 Penn?
17 MS. RICE: Certainly.
18 We are very confident that the plan that we
19 put in place and the modeling we have done, that
20 that is the appropriate level of investment.
21 Our plan comes with also moving more volume
22 or increasing volume to the West Penn Allegheny
23 Health System.
24 And we believe within a certain period of
25 time, which was done in our modeling, which we

1 submitted to the Department, they will become
2 cash flow positive.
3 And the investments we made from a capital
4 perspective in improving some of the facilities
5 will help lead to that.
6 MR. CONSEDINE: Okay.
7 Another one of the issues, that you touched
8 on, which is of importance to us is insuring a
9 competitive -- promoting a competitive
10 environment out here in western Pennsylvania.
11 And you certainly noted your willingness to
12 provide access to allcomers in terms of other
13 commercial insurance companies.
14 Access is one thing, though.
15 Can you talk a little bit about how you
16 intend to ensure fairness in pricing, especially
17 as compared to the pricing that you are going to
18 be affording to Highmark on the insurer side?
19 MS. RICE: Certainly.
20 First, whenever you looked at the
21 organization chart, that we had, illustrated here
22 earlier in the testimony, you will see that
23 Highmark is the parent company. UPE sits on top
24 of Highmark and West Penn Allegheny Health
25 System.

1 The purpose for that is to provide the
2 natural wall that should exist between Highmark
3 and West Penn Allegheny Health System and any
4 other provider, that would be a part of our
5 provider subsidiary.
6 And so I can tell you that Highmark is
7 looking at implementing new pricing strategies,
8 that I talked about, patient center medical home,
9 accountable care organizations, incentives for
10 pay for value.
11 That will be our structure.
12 West Penn Allegheny Health System will
13 naturally negotiate with other carriers. And
14 that will be walled off from Highmark, the
15 insurance company.
16 We will no -- we will have no activity or
17 oversight to those kinds of contracts.
18 DR. BAUM: Commissioner Consedine, just to
19 emphasize a little bit, when you look at this
20 corporate structure, although there are lines all
21 over it, there is actually strong independence
22 between Highmark, Inc. and the UPE provider sub.
23 Similarly, there is board independence,
24 when you go between UPE at the top and each of
25 those subsidiary companies.

1 So we feel that UPE will be a coordinating
2 organization in that board but not involved
3 directly in the negotiations between Highmark and
4 its provider sub.
5 Of course, in terms of the competition, the
6 benefits of the West Penn Allegheny Health System
7 as a lower cost provider will be available to our
8 competitors.
9 And we recognize that and actually vote in
10 favor of it.
11 MR. CONSEDINE: Okay.
12 Thank you.
13 A related question. Again, one of the
14 issues we are spending a great deal of time
15 looking at is whether or not the potential rescue
16 of West Penn -- what impact that is going to have
17 on Highmark as the insurance company, that we
18 regulate, and its policyholders.
19 Our job at the end of the day is ensure
20 financial solvency of the insurance company.
21 Certainly one of the larger exposures, that
22 you mentioned, is the debt obligations, that West
23 Penn currently has.
24 Again, what is your confidence level that
25 through this affiliation structure, you are

1 indeed walled off from those potential financial
2 exposures.
3 DR. BAUM: That's true. Just to repeat
4 that, Highmark is not assuming the bond liability
5 or the pension liability of West Penn Allegheny
6 Health System.
7 MR. CONSEDINE: Okay.
8 MS. RICE: So we believe we are able to
9 wall that off.
10 Again, in our modeling, we did a lot of
11 analysis around how West Penn Allegheny Health
12 System would become cash flow positive.
13 And we believe within our efforts and the
14 analysis, that they will be able to cover their
15 debt issues.
16 MR. CONSEDINE: Okay.
17 Steve, questions at this point?
18 MR. JOHNSON: No.
19 MR. CONSEDINE: We will probably have some
20 additional followup questions following the rest
21 of the testimony.
22 Thank you very much.
23 DR. BAUM: Thank you very much.
24 MR. CONSEDINE: Okay.
25 I think next up we have representatives

1 from West Penn Allegheny Health System.
2 Dr. Ghezzi and Dr. Farah.
3 DR. GHEZZI: Good morning.
4 MR. CONSEDINE: Good morning.
5 DR. GHEZZI: I am Keith Ghezzi, interim
6 president and CEO of the West Penn Allegheny
7 Health System.
8 I am a board certified emergency physician,
9 and my family roots are firmly planted in western
10 Pennsylvania.
11 I was raised in Johnstown and serve on the
12 board of Washington & Jefferson College, my alma
13 mater.
14 It is with a great deal of honor and
15 privilege to be leading this organization at an
16 historic moment in this time for health care
17 delivery in this region.
18 The challenges are great, but the
19 opportunities that we are discussing today are
20 far greater.
21 The West Penn Allegheny Health System is an
22 intrinsic part of the fabric of the communities
23 of southwestern Pennsylvania.
24 At its core, West Penn Allegheny is an
25 organization defined by our talented people.

1 It is an organization committed to
2 excellence, an organization with one purpose, one
3 mission. Formally stated, the purpose is to
4 improve the health of the people of western
5 Pennsylvania.
6 The mission is to practice medicine,
7 educate and conduct research as an integrated
8 team of physicians, nurses and support
9 professionals, who are committed to improving the
10 health of our patients.
11 The West Penn Allegheny Health System was
12 formed in 1999 out of the ashes of the bankruptcy
13 of the Allegheny Health Education and Research
14 Foundation.
15 The individual hospitals are some of the
16 oldest and best known names in health care in
17 western Pennsylvania.
18 From their inception, the system's
19 hospitals have been in the vanguard of patient
20 care, medical research and health sciences
21 education.
22 Offering a comprehensive range of medical
23 and surgical services, the hospitals serve
24 Pittsburgh and the surrounding area, house more
25 than 16 hundred beds and employ nearly 12,000

1 people.
2 Together, the West Penn Allegheny hospitals
3 admit more than 62,000 patients each year, log
4 173,000 emergency visits. And in 2011, provided
5 outpatient services to nearly 850,000
6 individuals.
7 Combined, the hospitals are among the
8 leaders in the numbers of cardiac surgeries,
9 neurosurgeries and cardiac catheterization
10 procedures performed throughout this region.
11 In the interest of time, I will not read
12 the detailed descriptions of our hospitals
13 provided in the testimony, that was submitted on
14 my behalf.
15 My colleague, Dr. Farah, will elaborate on
16 the outstanding clinical care provided in each
17 hospital and the objective ratings that recognize
18 our focus on quality and outcomes.
19 The five hospitals are Allegheny General
20 Hospital on Pittsburgh's North Side, the flagship
21 quaternary tertiary hospital in our system.
22 Just yesterday Thomson Reuters named AGH to
23 its list of the 2012 top 100 major teaching
24 hospitals in the United States.
25 Allegheny Valley Hospital, located north of

1 the city in Natrona Heights, has been serving
2 Alle-Kiski residents for more than 100 years.
3 Recently, with a new emergency department
4 and specialized care for stroke and chest pain
5 patients.
6 Canonsburg General Hospital, located in
7 northern Washington County, is expanding services
8 at the fantastic new outpatient center in Peters
9 Township, and through clinical capabilities like
10 advanced spine surgery.
11 Forbes Regional Hospital, which you may
12 have seen, as you exit the PA turnpike in
13 Monroeville, in serving the eastern suburban
14 corridor for more than 40 years providing
15 comprehensive obstetrical care, emergency care
16 with specific capabilities in stroke and cardiac
17 patients and advanced heart care, catheterization
18 and surgical procedures.
19 And then finally, West Penn Hospital in the
20 city's Bloomfield neighborhood is being
21 revitalized.
22 The renovated and reopened emergency
23 department is bustling, and new services and
24 renewed spaces are coming on-line each month.
25 I would like to draw your attention to the

1 photographs at each facility. And most
2 importantly, a collage of the people of West Penn
3 Allegheny of whom I have spoken.
4 I wish we could capture all of the
5 wonderfully kind and expressive faces of the work
6 force, that I have had the opportunity to meet
7 over the past year.
8 Supporting both a charitable and an
9 academic mission, West Penn Allegheny has a
10 strong commitment to medical research and
11 education, and is also dedicated to training
12 future generations of health care professionals.
13 Each year West Penn Allegheny provides
14 education and training for approximately 450
15 medical students, residents and fellows.
16 Again, in order to have time for all of the
17 interested parties who have taken time to join
18 this conversation today, I will direct your
19 attention to the written testimony for full
20 description of our medical school affiliations
21 and educational endeavors in nursing and health
22 professions.
23 Use of state of the art simulation program,
24 the STAR center, and the Allegheny Singer
25 Research Institute, home of 200 clinical trials

1 in oncology alone, and other major contributions
2 in a number of other clinical disciplines.
3 West Penn Allegheny physicians, who are
4 supported by a cadre of outstanding nurses,
5 technicians and ancillary staff, are as
6 passionate about their work at the bedside, in
7 the lecture hall and in the research lab as this
8 community is about its professional sports teams.
9 While West Penn Allegheny has a strong
10 track record of high quality care and a strong
11 community presence, we have faced financial and
12 organizational challenges resulting from a
13 difficult national and local health care
14 environment.
15 Like most hospitals and health systems in
16 the country, West Penn Allegheny has been tested
17 in meeting demands for new equipment, the
18 attraction and retention of medical
19 professionals, physical plant upgrades and the
20 adoption of information technology.
21 In addition, West Penn Allegheny has been
22 operating in a market that has been dominated by
23 one large competitor in the health care delivery
24 sector.
25 These factors were compounded by industry

1 and regional dynamics such as stagnant population
2 growth, concentration of the elderly, chronic
3 underreimbursement for Medicare and Medicaid, and
4 West Penn Allegheny's unique characteristics such
5 as absence of consistent leadership and a lack of
6 systemness.
7 Countless experts have echoed our belief,
8 that the Pittsburgh market, which is really a six
9 county region, is unlike any other health care
10 market in the country, because of the market
11 share that has been under the control of one
12 large provider system.
13 Yet, the the people of West Penn Allegheny
14 have continued to innovate, improve quality and
15 maintain their focus on the core mission of
16 providing outstanding compassionate patient care.
17 I want to address the question of why we
18 chose Highmark as our partner and why now.
19 The question -- I should say the answer is
20 not complex.
21 Before I elaborate on that point I must
22 clarify I was not affiliated with West Penn
23 Allegheny or Highmark, when these deliberations
24 began.
25 I was brought in to the Highmark talks

1 through the turn around firm that I worked for
2 Alvarez and Marsal or A & M. We were engaged by
3 Highmark to assess the pros and cons of a
4 potential affiliation with West Penn Allegheny.
5 On November 7th, 2011, I crossed the river
6 to take on my current role as interim president
7 and CEO of the system.
8 The information that follows is based on
9 what I have been told since I arrived at the
10 system.
11 A little more than a year ago, the board of
12 directors was faced with continuing downsizing
13 the system, because the financial profile of West
14 Penn Allegheny had become more fragile.
15 The board considered many remedies
16 including complete closure of the West Penn
17 Hospital in Bloomfield in hopes that the
18 organization would eventually stabilize, rebuild
19 services and generate sufficient margins to
20 rejuvenate the facilities.
21 However, the reality is that organizations,
22 public and private, cannot simply cut their way
23 to prosperity.
24 Preserving the charitable mission of the
25 West Penn Allegheny Health System was the board's

1 highest priority. It initiated a serious due
2 diligence process to identify a partner with a
3 strong balance sheet and aligned culture that
4 would share the mission.
5 I want to underscore this point.
6 The West Penn Allegheny board members live
7 and work in this community. And they take their
8 fiduciary responsibility very seriously, to
9 preserve these community assets for the people
10 who have built them, received care from them and
11 come to work in them each and every year.
12 They were clear in their deliberations, as
13 they are today.
14 They did not own West Penn Allegheny, and
15 the interest of the community were paramount.
16 In the course of the due diligence, the
17 board and executive staff talked to private
18 investors, and for profit health care providers,
19 to understand what the future of West Penn
20 Allegheny would be, if a partnership with any of
21 them were formed.
22 They concluded, that while the financial
23 challenges might have been resolved with a stroke
24 of a pen, the charitable mission of the
25 organization might not be preserved.

1 By late spring 2011, the board concluded,
2 that affiliating with another local community
3 oriented provider was the best alternative for
4 preserving the rich tradition and purpose of West
5 Penn Allegheny.
6 Highmark was the obvious choice.
7 Highmark and West Penn are aligned in the
8 need to maintain choice and competition in the
9 market, including West Penn Allegheny, invest in
10 programmatic developments and capacity while
11 reducing the overall cost of care and ambulatory
12 care services, and stabilize leadership and align
13 with physicians to establish the system as the
14 provider of choice in the region.
15 You heard both Dr. Baum and Ms. Rice
16 describe how vibrant West Penn Allegheny fits in
17 the Highmark vision for an integrated delivery
18 network that will be attractive to patients and
19 providers, because of the commitment to quality
20 and efficiency.
21 As both a physician and a turn around
22 consultant, I believe that competition in health
23 care is essential to improving quality, expanding
24 access, and reducing costs.
25 And it requires serious capital investment.

1 I share Highmark's belief, that the people
2 will choose to return to our hospitals, we are
3 already beginning to see this, when they believe
4 that the expert care that they expect will
5 continue to be available.
6 The challenges facing West Penn Allegheny
7 are no secret. We are all confronting the same
8 hurdles faced by health systems across the
9 country. While sorting through challenges unique
10 to our region and our system.
11 For instance, health care typically lags
12 behind national economic trends.
13 Every hospital is feeling the delayed
14 impact of patients, who were displaced from work,
15 opted to undergo elective procedures before COBRA
16 benefits ran out, and are now either qualifying
17 for charity care or postponing medical care as
18 long as possible.
19 Uncompensated care is trending up for
20 nearly every hospital in the nation. West Penn
21 Allegheny recorded nearly 85 million in a
22 combination of charitable care and bad debt in
23 the audited June 2011 financial statements.
24 Inpatient volumes have declined at a number
25 of Pittsburgh area facilities.

1 Pennsylvania authorities recently reported
2 documented influenza cases have dropped 97
3 percent compared to a year ago.
4 Hospitalizations resulting from flu
5 statewide total just 71 compared to 900 cases
6 last year.
7 The mild winter has resulted in lower
8 admissions due to fewer falls and other traumatic
9 emergencies.
10 Reduced inpatient volumes limit a
11 hospital's ability to fund its high fixed
12 infrastructure costs.
13 I don't know of a hospital or health system
14 that has not felt the impact of this
15 phenomenon.
16 West Penn Allegheny regrettably also has a
17 legacy of financial challenges that are magnified
18 with these types of global challenges.
19 It has been widely reported that we
20 received an auditor's opinion that brings in to
21 discussion the system's ability to continue as a,
22 quote, "going concern".
23 The auditors examined the period July 2010
24 through June 2011 and took in to consideration
25 fiscal trends for several years prior and the

1 first several months of fiscal year 2012.
2 It is important to understand that a going
3 concern opinion means without significant change,
4 the organization may not have the financial
5 resources needed to continue to operate for a
6 reasonable period of time.
7 Accounting rules preclude any comments by
8 the auditor on future plans or events such as the
9 Highmark affiliation.
10 Change was underway at West Penn Allegheny
11 prior to the release of the audit opinion in
12 December 2011. And it continues at a brisk pace.
13 Working with Highmark we are starting to
14 see some tangible signs of improvement consistent
15 with our short term tactical plan.
16 A hybrid operating room, where noninvasive
17 procedures can be performed with surgeons
18 assisting in a team approach is under
19 construction at Allegheny General Hospital.
20 Our clinical leaders such as Dr. Farah are
21 deeply involved in strategy and program
22 development to ensure future investments help
23 them deliver the highest quality care to the
24 patients with the most complex needs.
25 Reopening of the West Penn emergency

1 department is a tremendous start of the
2 restoration of services at that point, which is
3 held in high regard by patients and providers
4 alike.
5 Forbes Regional Hospital is undergoing
6 upgrades throughout the house.
7 We are upgrading patient areas and
8 elevators and moving forward on a much needed
9 expansion of the emergency department, and
10 awaiting approval of our application for level 2
11 trauma designation.
12 These improvements demonstrate Forbes will
13 continue to respond to community needs through
14 better facilities and programs.
15 Planning is also underway in conjunction
16 with Highmark to expand clinical capabilities at
17 Allegheny Valley and Canonsburg Hospitals.
18 The changes that will take place at these
19 community based institutions will ensure patients
20 can receive care close to home to the greatest
21 degree possible.
22 Our partnership with community providers is
23 our best litmus test for perceived and actual
24 improvement.
25 In the past five months, dozens of

1 physicians have joined the West Penn Allegheny
2 Health System either as members of our physician
3 organization or as closely aligned independent
4 practitioners.
5 Several prominent physicians have agreed to
6 join us in leadership capacities this summer.
7 We continue to forge potential
8 relationships with providers eager to preserve
9 the community assets West Penn Allegheny offers
10 and help bring the system to the forefront of the
11 new health care paradigm under development in the
12 United States.
13 While this important physical
14 transformation and programmatic expansion is
15 underway in our hospitals, a highly skilled and
16 experienced team from A & M has been immersing
17 themselves alongside many talented West Penn
18 Allegheny management and staff in the operations
19 of the hospitals and system wide support
20 functions.
21 Our job is to bring rigor and discipline to
22 operations and planning based on knowledge and
23 experience, that we have gained in health care
24 markets across the nation.
25 We also bring a sense of action oriented

1 urgency, that is necessary to turn the system
2 around.
3 Without reinventing the wheel, the A & M
4 team has been able to work with the hospital and
5 physician organization teams to implement tools
6 that are relevant to the specific dynamics in
7 this organization, such as floor reports, which
8 define economic success down to the hospital unit
9 level each and every day.
10 Cost per unit of service monitoring allows
11 managers to properly flex labor and supplies to
12 changing volume.
13 Performance improvement tools track what
14 has been implemented including variances and
15 codify their return on investments.
16 And CARTS provides a tool for physician
17 leaders to apportion resources and manage
18 nonclinical time appropriately.
19 We are at the beginning of this ground
20 breaking journey to build an integrated delivery
21 network with our partner Highmark. With a direct
22 relationship between Highmark and West Penn,
23 growing system accountability for high quality
24 care while simultaneously reducing unnecessary
25 use of resources can be coordinated and

1 implemented in a streamline effort.
2 I am extremely encouraged by the progress
3 we have made in bolstering West Penn Allegheny
4 Health System in the past few months.
5 The credit for early success is due to the
6 loyalty of our physicians, nurses and
7 administrative teams in each hospital. And in
8 the central offices.
9 Without their palpable desire to build for
10 the future on a very solid foundation, our work
11 could not have a lasting impact.
12 I want to thank you for allowing me to
13 share these thoughts in behalf of our board,
14 physicians, staff and patients of the West Penn
15 Allegheny Health System.
16 You will hear from others today who will
17 talk about the importance of West Penn Allegheny
18 to the community to ensure access to high
19 qualities and cost effective care.
20 The hospitals in the West Penn Allegheny
21 Health System have made great strides in meeting
22 and frequently exceeding industry and
23 governmental quality standards.
24 In closing, I appreciate the fact that the
25 Department is moving forward to review the

1 transaction, that will result in an affiliation
2 between Highmark and West Penn Allegheny.
3 The affiliation will allow the teams of the
4 two organizations to build on the progress we
5 have made thus far to benefit both the patients,
6 who rely on our health system for their care, and
7 the communities we both serve.
8 Thank you for helping us to develop a new
9 model of health care delivery for western
10 Pennsylvanians and for affording me the
11 opportunity to share our story at today's
12 hearing.
13 Tony.
14 DR. FARAH: Good morning.
15 It is my pleasure today to testify before
16 you.
17 I am Dr. Tony Farah. I serve as chief
18 medical officer for the West Penn Allegheny
19 Health System, and also the president of the
20 system's physician organization.
21 I have been practicing medicine at
22 Allegheny General Hospital for over 20 years.
23 Like many of my colleagues at West Penn
24 Allegheny, I have chosen to stay with the system
25 in spite of other enticing offers, because I

1 believe in the mission. To improve the health of
2 the people of western Pennsylvania.
3 I am personally committed to ensuring that
4 my patients, as well as those of my colleagues,
5 have access to affordable quality health care.
6 I believe an affiliation between Highmark
7 and West Penn Allegheny will help make this
8 possible.
9 The system is comprised of five hospitals,
10 a physician organization, numerous outpatient
11 facilities, two schools of nursing, two medical
12 school clinical training programs, a research
13 institute and several other educational
14 initiatives.
15 AGH is one of just six hospitals in the
16 state, and the only quaternary level Pittsburgh
17 area hospital named by Thomson Reuters to the
18 exclusive list of the nation's 50 top
19 cardiovascular hospitals for 2011.
20 For the second consecutive year AGH's one
21 year survival rate among patients undergoing
22 heart transplantation was the best of any medical
23 center in the state.
24 And the hospital was one of just three
25 heart transplant programs in the country joining

1 the Cleveland Clinic and Vanderbilt University
2 noted for better than expected patient outcomes
3 according to the scientific registry of
4 transplant recipients.
5 Speaking of transplants, AGH's outstanding
6 cardiovascular team recently performed the first
7 totally artificial heart transplant in a gravely
8 ill 62 year old man.
9 This breakthrough procedure has been
10 performed in only an elite group of transplant
11 centers in the world. And AGH is the only center
12 in the region to implement this service.
13 The liver transplant team posted a one year
14 survival rate that was the state's best and among
15 the top 25 adult transplant programs in the
16 country.
17 The liver transplant program's one year and
18 three year patient outcomes also were the best of
19 Pittsburgh's three adult transplant centers.
20 Our system's radiation oncology network has
21 been reaccredited by the American Society for
22 Radiation Oncology and the American College of
23 Radiology.
24 This is important, because this
25 accreditation represents the highest level of

1 quality and patient safety.
2 Our network, which includes AGH and 21
3 other sites in the region, is the largest
4 accredited radiation oncology program in the
5 United States.
6 Our western Pennsylvania Cancer Institute
7 has earned national recognition for its bone
8 marrow transplant program, one of the largest in
9 Pennsylvania.
10 Among the first hospitals in the nation to
11 join the national marrow donor program, West Penn
12 Hospital was the only hospital in the region with
13 a blood and marrow transplant program approved by
14 the cancer and leukemia group B, a national
15 clinical trial organization.
16 The West Penn Burn Center is also well
17 known across the state and remains the only burn
18 center in the region, that is certified to treat
19 both children and adults.
20 The heart surgery program at Forbes
21 Regional Hospital has received three stars, the
22 highest possible rating in a comprehensive
23 assessment of the nation's heart surgery program
24 by the Society of Thoracic Surgeons for its
25 overall performance and patient outcomes.

1 Forbes Regional is the only one in the
2 region to receive the three star rating for three
3 consecutive years.
4 Forbes Regional Hospital and Allegheny
5 Valley Hospital are also the only hospitals in
6 the region to be accredited as chest pain centers
7 by the Society of Chest Pain Centers.
8 These community hospitals also have
9 accredited stroke centers. Patients presenting
10 to their emergency departments with a stroke are
11 evaluated efficiently to determine an appropriate
12 course of treatment.
13 Through the use of telemedicine they are
14 able to bring expert stroke neurologists to the
15 patient's bedside without having to travel to the
16 city for the consultation.
17 All of these achievements and many more
18 have placed West Penn Allegheny Health System on
19 an exclusive list of the country's top performing
20 health care providers for the third straight
21 year, based on excellent patient care, quality
22 and efficiency.
23 The analysis conducted by Thomson Reuters
24 and published in the latest issue of Modern
25 Health Care Magazine places our system among the

1 63 best performing U.S. Health Care systems in
2 the nation.
3 West Penn Allegheny is once again the only
4 health care provider in western Pennsylvania, and
5 one of just five in the state to earn the Thomson
6 Reuters distinction.
7 I would like to point out Thomson Reuters
8 bases this accolade only on objective outcomes
9 data and not on popularity polls.
10 These notable areas of clinical excellence
11 are integral to West Penn Allegheny's devotion to
12 training tomorrow's physicians.
13 Each year we host nearly 500 medical
14 students, residents and fellows in very robust
15 undergraduate and graduate medical education
16 programs.
17 West Penn Allegheny has aligned with Drexel
18 College of Medicine and Temple University School
19 of Medicine to provide clinical training for
20 third and fourth year students.
21 The trainees receive excellent experiences
22 as they prepare to embark on their medical
23 careers.
24 The challenge, however, is to keep them in
25 western Pennsylvania, to address the dramatic

1 shortage of physicians in our state.
2 The affiliation with Highmark will
3 absolutely give these young people confidence to
4 choose the Pittsburgh area for their medical
5 careers.
6 Now, I would like to change hats and tell
7 you how these achievements translate to the
8 physician patient relationship.
9 Like many in the field of cardiology, I
10 care for numerous individuals over decades of
11 their lives.
12 We come to know each other and form
13 relationships over time.
14 Because of the bond I share with my
15 patients, there have been many times when I have
16 known simply by facial expression, as we say
17 "hello", that one of my patients is experiencing
18 difficulty.
19 I know their history. I know their
20 families. I know what questions to ask and what
21 treatments may be most effective.
22 My patients tell me that I know them by
23 heart.
24 I mention this because you should
25 understand that the business side of health care

1 can foster or sever these ties.
2 Let me explain. For too many years I saw
3 patients forced to change their doctor, because
4 the insurer their employer chose would not
5 contract with West Penn Allegheny or its
6 physicians.
7 The result was that patients were denied
8 in-network access to the physicians, who know
9 them best in West Penn Allegheny hospitals.
10 When patients are denied access to their
11 doctors, it not only disrupts continuity of
12 patient care, but also breaches the physician
13 patient relationship.
14 This has affected thousands of patients in
15 our community each year for over a decade. And
16 it is wrong.
17 I am here to assure you the physicians at
18 West Penn Allegheny do not dismiss this break in
19 our care giving of individuals as minor, and we
20 see no value in comparing our patients to those
21 in other markets in which we neither practice nor
22 reside.
23 Therefore, I am extremely heartened by
24 Highmark's affirmation that they would like West
25 Penn Allegheny to remain an open network.

1 In other words, we would contract with as
2 many insurance providers as feasible, to give
3 patients more choice and access.
4 This is what a nonprofit health system
5 should do.
6 I meet with physicians in our system all
7 day, nearly every day. I can assure you that the
8 optimism and enthusiasm for the affiliation with
9 Highmark is palpable.
10 I am asked at each meeting when the deal
11 will be done.
12 The urgency to get beyond the struggles of
13 the last decade or more is immeasurable.
14 And more importantly, the commitment to
15 delivering care in an innovative model is
16 absolute.
17 This is what will help, this is what will
18 help us ensure we provide affordable care, which
19 is a second imperative of a nonprofit health
20 system.
21 The West Penn Allegheny Health System is
22 already known for its outstanding reputation, as
23 the accolades I mentioned earlier confirm.
24 The fact that our people have achieved
25 significant quality of care distinctions is

1 particularly noteworthy considering the financial
2 strain in the system throughout the past five
3 years.
4 These achievements further differentiate
5 our hospitals and physicians from the
6 competition, and confirm the fact that you can
7 achieve high quality care at a low cost.
8 The integrated finance and delivery system,
9 which Highmark is working to create with us
10 promises to incentivize physicians to focus even
11 more on quality and outcomes and on appropriate
12 care rather than numbers of patients or
13 procedures.
14 It will provide the infrastructure
15 processes and rewards for health and wellness as
16 well as caring for chronically ill patients.
17 The new system is not based upon assuring
18 that hospital beds are full but on
19 avoiding unnecessary hospitalizations through
20 preventive care.
21 In addition, West Penn Allegheny and
22 Highmark are committed to ensuring that care is
23 delivered in the right setting.
24 This can often be in an outpatient office
25 or sometimes in the patient's home.

1 If you were to look at the Pennsylvania
2 Health Care Cost Containment Council data you
3 will see West Penn hospitals already provide care
4 extremely efficiently versus our competitors.
5 Yet, we know by working with Highmark, we
6 can do even more to help lower health care costs
7 for people in western Pennsylvania.
8 And this can certainly be a model, which is
9 replicated elsewhere in the country.
10 For all of the reasons I have cited, I
11 believe the region needs an affiliation between
12 West Penn Allegheny and Highmark.
13 The proposed integrated finance and
14 delivery system will create necessary synergies
15 and aligned incentives to improve the financial
16 performance of our system and lower health care
17 costs, while maintaining the high quality care
18 and access our region deserves.
19 Without Highmark we would have already
20 closed West Penn Hospital. Many of the quality
21 programs, that I just outlined would also fail,
22 as a result of the system's limited resources.
23 Patients would have no choice where to
24 receive health care without West Penn Allegheny.
25 To me this is unconscionable.

1 This is why on behalf of my fellow
2 physicians, I appreciate the fact that the
3 Department is moving forward to review the
4 transaction that will result in an affiliation
5 between Highmark and West Penn Allegheny Health
6 System.
7 This affiliation will preserve
8 affordability, access and quality in health care
9 for our families and neighbors.
10 Thank you for your time today.
11 MR. CONSEDINE: Thank you very much,
12 doctors.
13 Dr. Ghezzi, obviously, one of the
14 significant aspects of this transaction, that we
15 are being asked to evaluate, is the soundness of
16 Highmark's 475 million dollar investment in to
17 West Penn Allegheny Health System.
18 And recognizing, that you and your team are
19 there as part of the turnaround and are working
20 towards the same goal, I guess we have some
21 concerns regarding both the timing and the
22 ultimate viability of that turnaround plan
23 starting with the investment involved.
24 What does 475 million dollars get Highmark?
25 Does it get a resuscitated hospital

1 system?

2 Or does it get it a vibrant competitor to

3 UPMC, that can compete anywhere in western

4 Pennsylvania?

5 What are they getting, and what are their

6 policyholders getting for that investment?

7 DR. GHEZZI: Well, as mentioned previously,

8 they get a competitive system and opportunity to

9 preserve not only choice but the outstanding

10 quality that both myself and Dr. Farah referred

11 to.

12 The investment that Highmark is making in

13 our facilities is already evident.

14 The West Penn Hospital was opened in

15 February, providing much needed emergency care to

16 some patients, who were having a difficult time

17 getting it.

18 The investment in Forbes will result in

19 improved trauma care in that community, and

20 already provides outstanding cardiac care.

21 So the investment is a combination of

22 providing us some support while we in the initial

23 phases stem the operating losses.

24 And then in capital to improve and make the

25 facilities more competitive.

1 I am heartened to see our financial
2 performance has improved since December, and
3 continues to improve month over month.
4 MR. CONSEDINE: Do you anticipate, though,
5 that there will be services provided by --
6 currently provided to UPMC by West Penn that is
7 not able to provide in short term or long term,
8 or do you anticipate you will be able to cover
9 all services, all specialties?
10 DR. GHEZZI: We anticipate we will provide
11 all specialties and all services, with the
12 exception of pediatric services, which have
13 already been regionalized in an outstanding
14 children's facility that Highmark helped to fund.
15 Beyond that, we provide all level
16 services. As Dr. Farah noted, we are
17 particularly noted for our cardiac services,
18 neurosciences, orthopedic transplant services, et
19 cetera, that are on a par with any other facility
20 in the country.
21 MR. CONSEDINE: And in terms of timing,
22 what is your sense in the timing that West Penn
23 will need to actually be in position to compete
24 against UPMC or provide the same services, as
25 UPMC, to patients in this area?

1 DR. GHEZZI: Well, as I said before, the
2 system didn't suffer financial difficulties over
3 a year or two. It has been a decade.
4 It will take some time to restore the
5 system to profitability.
6 But as mentioned, Commissioner, we are
7 seeing improvement in the financial health of the
8 system each and every month.
9 We continue to work towards the performance
10 improvement plan that we submitted to the
11 Pennsylvania Insurance Department, and we are
12 confident that we can reach those goals.
13 MR. CONSEDINE: Finally, if the affiliation
14 is not approved, what do you anticipate would
15 happen to West Penn?
16 DR. GHEZZI: First of all, impact on West
17 Penn from an employment perspective -- in the
18 region from an employment perspective would be
19 devastating.
20 Not only for West Penn directly but for the
21 many other businesses in the region, that depend
22 on West Penn.
23 Secondly, in terms of choice, the
24 Pittsburgh region has already seen what happens
25 when there is a lack of choice.

1 You only have to try to travel to
2 Philadelphia, when you see what Southwest pulling
3 out, what has happened to airfares between those
4 two cities.
5 And probably very, very importantly,
6 physicians would flee the region and it would be
7 much more difficult to find the quality doctors
8 we have today.
9 I think, finally, West Penn Allegheny would
10 be forced to find a different partner, and we
11 deeply believe that Highmark is the best choice
12 for our system and for our community.
13 MR. CONSEDINE: Thank you.
14 DR. FARAH: If I may add.
15 MR. CONSEDINE: Sure.
16 DR. FARAH: As you well know, there is a
17 significant physician shortage in the State of
18 Pennsylvania.
19 And the additional risk of a lack of this
20 affiliation will endanger significant and larger
21 number of physicians leaving the state.
22 It has been exceedingly difficult to
23 recruit physicians from out of state, who are
24 either trained in this state or who come from the
25 outside, to stay in our state.

1 And many of the physicians I speak with on
2 a regular basis have told me that if the
3 opportunity to stay here were to be severed, they
4 would much rather leave the state than stay here.
5 Conversely, we have been approached by a
6 large number of physicians from UPMC, who
7 historically had migrated from Allegheny General
8 Hospital and West Penn Allegheny Health System to
9 UPMC, who have now expressed serious interest in
10 joining us.
11 And a number of them have already joined
12 us, many more are on the way.
13 We have also received quite a bit of
14 interest from physicians from outside of this
15 area, who have expressed an interest in joining
16 our system and also being part of something that
17 I feel is going to be quite innovative in forging
18 new grounds in this type of integrated delivery
19 system that was discussed earlier.
20 MR. CONSEDINE: Steve, any questions?
21 MR. JOHNSON: No.
22 MR. CONSEDINE: Thank you, both.
23 So that takes us to our morning break. We
24 are pretty much running on schedule.
25 We are still going to take a 15 minute

1 break.

2 So if I could ask everybody to be back in

3 here and ready to go at 10 until 11:00. We will

4 get started then with presentations from the

5 Department's experts.

6 Thank you.

7 (Recess taken.)

8 MR. CONSEDINE: I think we are going to go

9 ahead and get started.

10 We will turn next on the agenda to reports

11 or remarks from the Department's consultants

12 starting first with Martin Alderson Smith, who is

13 senior managing director from Blackstone.

14 Martin.

15 MR. ALDERSON SMITH: Thank you very much,

16 Commissioner.

17 Good morning, ladies and gentlemen.

18 My name is Martin Alderson Smith.

19 I am employed by the Blackstone group,

20 which is a leading financial services firm,

21 primarily engaged in financial advisory services

22 in principal investments.

23 I work in Blackstone's mergers and

24 acquisitions advisory group. My title is senior

25 managing director.

1 Blackstone has been retained by the
2 Pennsylvania Insurance Department, to conduct an
3 independent review of specific financial aspects
4 of the form A application, that have been
5 submitted in connection with the proposed
6 affiliation between Highmark, Inc. and the West
7 Penn Allegheny Health System or West Penn.
8 Blackstone has significant experience
9 advising state insurance regulators on various
10 life insurance and health insurance transactions.
11 Over the last several years, Blackstone has
12 advised the Pennsylvania Insurance Department on
13 the proposed consolidation of Highmark and
14 Independence Blue Cross; the Delaware Department
15 of Insurance on the proposed affiliation of
16 Highmark and the Blue Cross Blue Shield of
17 Delaware; the Maryland insurance administration
18 on the proposed conversion and subsequent
19 acquisition of Care First Blue Cross Blue Shield
20 by Wellpoint; and the Washington office of the
21 insurance commissioner on the proposed conversion
22 and subsequent IPO of Premera Blue Cross.
23 It is worth noting in connection with these
24 past transactions, Blackstone has recommended
25 both approving and denying the proposed

1 transactions.
2 There are multiple financial aspects of the
3 transaction in front of us, that are within the
4 scope of Blackstone's engagement.
5 First, Blackstone is analyzing whether
6 after a change of control anticipated in the form
7 A filing, the domestic insurers included in the
8 form A filing would be able to satisfy the
9 requirements for the issuance of a license to
10 write the line or lines of insurance for which
11 they are presently licensed.
12 Second, Blackstone is analyzing whether the
13 change of control, if approved, would be unfair
14 and unreasonable to policyholders of the domestic
15 insurers, included in the filing, and not in the
16 public interest.
17 Third, Blackstone is analyzing whether the
18 proposed change of control, if approved, is
19 likely to be hazardous or prejudicial to the
20 insurance buying public.
21 In addition, Blackstone will support the
22 work being performed by Compass Lexecon, the
23 Department's economic advisor, to determine
24 whether the effect of the proposed change of
25 control would be to substantially lessen

1 competition in insurance in the Commonwealth of
2 Pennsylvania or tend to create a monopoly.
3 In connection with its review of each of
4 the financial aspects of the proposed change of
5 control, Blackstone is developing several
6 analyses.
7 For example, Blackstone is analyzing
8 whether the post transaction domestic insurance
9 entities will meet all of the requirements
10 necessary to write the lines of business they
11 currently write.
12 Blackstone is also analyzing the financial
13 profile of UPE post transaction, including its
14 income statement and balance sheet.
15 Blackstone will then compare the potential
16 financial strength and claims paying ability of
17 Highmark in the event that the affiliation is
18 approved, to the potential financial strength and
19 claims paying ability of Highmark in the event
20 that an affiliation with West Penn is not
21 consummated.
22 Blackstone is also analyzing the impact of
23 the filing on the insurance buying public, which
24 may include specific analyses to determine the
25 proposed change of controls impact on other

1 health insurance market participants.
2 By that I mean physicians, hospitals,
3 competing insurers, brokers, employers and
4 individuals.
5 Some of these analyses will be performed in
6 coordination with Compass Lexecon, who was also
7 assessing the potential impact of the proposed
8 change of control on various health insurance
9 market participants.
10 Blackstone's work related to each of these
11 aspects of the proposed change of control is
12 currently ongoing.
13 And we continue to work diligently towards
14 our conclusions.
15 Blackstone's work will be based on all of
16 the information provided to the Department by the
17 applicant.
18 This information includes all information
19 provided by both Highmark and West Penn, as well
20 as any public comments submitted to the
21 Department.
22 In addition, Blackstone has participated
23 and will continue to participate in face-to-face
24 meetings and conference calls with both Highmark
25 and West Penn, as well as several other third

1 parties to discuss the filing.
2 Since its engagement, Blackstone's work has
3 included, among other things, the following
4 items: A comprehensive review of the responses
5 submitted by UPE to the Department's request for
6 additional information.
7 Participating in the search for the
8 Department's economic advisor, which ended up, as
9 I mentioned, being Compass Lexecon.
10 Participating in face to face informational
11 meetings with representatives from both Highmark
12 and West Penn.
13 Participating in meetings and conference
14 calls with several third parties, that have
15 valuable perspectives on the filing and its
16 financial impact on the health insurance market
17 in Pennsylvania.
18 A detailed review of the current and
19 projected financial performance of both Highmark
20 and West Penn.
21 And drafting additional questions and
22 information requests regarding the filing and the
23 financial profile of UPE.
24 As part of its engagement, Blackstone will
25 submit to the Department a final report on all of

1 this work.
2 This report will address each of the
3 financial aspects of the filing within the scope
4 of Blackstone's engagement, as previously
5 described.
6 That concludes my preliminary comments.
7 Thank you.
8 MR. CONSEDINE: Thank you very much,
9 Mr. Smith.
10 Next we have Margaret Guerin-Calvert, Vice
11 Chairman and senior managing director of Compass
12 Lexecon.
13 Margaret.
14 MS. GUERIN-CALVERT: Thank you very much.
15 Good morning.
16 My name is Margaret Guerin-Calvert.
17 I am Vice Chairman of Compass Lexecon, a
18 consulting firm that specializes in antitrust
19 economics and applied microeconomics.
20 I am trained as an industrial organization
21 economist, which is the branch of economics, that
22 involves the study of firms, industries, consumer
23 behavior and pricing.
24 I have worked as an economist in public and
25 private sector positions on issues related to

1 competition and competition policy involving a
2 variety of industries, including health care, in
3 markets, generally, since 1979.
4 Compass Lexecon has been retained by the
5 Pennsylvania Insurance Department through its
6 counsel, Blank Rome, to conduct an independent
7 review of the competitive effects of the proposed
8 affiliation between Highmark, Incorporated and
9 the West Penn Allegheny Health System or WPAHS.
10 Some of our analyses will be performed in
11 conjunction with the Blackstone group, who, among
12 other issues, as we just heard, is assessing the
13 financial aspects of the affiliation.
14 Our investigation at Compass Lexecon of the
15 competitive effects of the affiliation will cover
16 three overarching topic areas.
17 The first of these topic areas is the
18 evaluation of the competitive effects of the
19 affiliation involving the vertical relationship
20 between Highmark as a buyer of WPAHS's health
21 care services.
22 Vertical mergers, as in this case, between
23 an insurer and a hospital system can yield
24 important pro competitive benefits and
25 efficiencies.

1 But may also have horizontal implications
2 for competition.
3 For example, it may affect how Highmark and
4 others compete in the health care insurance
5 marketplace and how WPAHS competes in the
6 hospital marketplace.
7 Broadly put, we are evaluating the
8 incentives and the competitive effects from a
9 combined Highmark and WPAHS in their
10 implications, including ultimately for cost of
11 insurance.
12 The second major topic area, that we are
13 addressing, is to assess the situation, should
14 this affiliation not proceed, and to examine how
15 that would impact the health care competitive
16 dynamics in western Pennsylvania.
17 As a third topic, we have also been asked
18 to assess whether the affiliation raises other
19 competitive issues, which may not be captured in
20 our assessment of the vertical merger.
21 Such as, for example, the likelihood that
22 the affiliation could or would result in higher
23 costs for health care and ultimately for
24 insurance in western Pennsylvania.
25 Compass Lexecon's analyses of these issues

1 are ongoing. And we are working toward our
2 conclusions, which will be provided to the
3 Department.
4 Our review of the affiliation, that I just
5 discussed, will make use of data, documents and
6 other information provided to the Pennsylvania
7 Insurance Department by the applicants,
8 discussions with Highmark, with WPAHS, with
9 others, and analyses provided in regard to the
10 affiliation by Highmark's experts and others, and
11 relevant analyses and information from the
12 Blackstone group, as well as our own independent
13 analysis of the competitive issues.
14 This concludes my preliminary remarks.
15 Thank you.
16 MR. CONSEDINE: Thank you very much.
17 At this time, I would invite the
18 representatives from both Highmark and West Penn
19 back up to the front, just for some additional
20 followup questions.
21 And after that, we will move in to our
22 public comments.
23 Thank you.
24 Welcome back.
25 Just a couple followup questions. I will

1 direct this first one to Highmark.
2 Again, we heard testimony this morning, and
3 we asked some questions dealing with the 475
4 million dollar investment.
5 And what we heard was that you believe that
6 would be a sufficient amount for purposes of
7 returning West Penn back to a viable competitive
8 health system.
9 I guess a followup question is what, if
10 any, are there in terms of statutory or legal
11 barriers, that would prevent you from providing
12 or infusing additional capital in to the system
13 once this transaction is approved?
14 MS. RICE: I think that through this
15 process, with the Insurance Department and the
16 regulatory oversight that the Insurance
17 Department has of Highmark, the health insurance
18 company, we believe that there will be parameters
19 strong.
20 We certainly believe that, again, in the
21 plan, we believe it will certainly -- we have the
22 opportunity to do the kinds of work, that we are
23 doing currently.
24 We are moving forward with a lot of the
25 activity, that we had anticipated in the plans.

1 We are making inroads, that will allow us to
2 become cash flow positive -- in the system to
3 become cash flow positive in the future.
4 DR. BAUM: We have explored the
5 Department's limitations on our investment in
6 nonhealth insurance or noninsurance entities.
7 And we feel that we are covered well at
8 that point.
9 MR. JOHNSON: In your filing, part of the
10 475 million, part of it is grants, part of it is
11 loans to the system.
12 Have you considered, possibly, as time gets
13 out in front of us, considering possibly making
14 some of the loans grants as part of a package,
15 that may be more susceptible to allow the health
16 system, the hospital system to become cash flow
17 positive quicker in the process?
18 MS. RICE: I think if you look at the terms
19 of even the loans, they are very favorable.
20 So we do believe that those terms can be
21 followed throughout the process. So our feeling
22 at this juncture is that what we have set aside
23 as grants as appropriate, what we have set aside
24 as loans is also appropriate.
25 And that they will be able to -- the health

1 system will be able to repay according to those
2 favorable -- that favorable schedule.
3 MR. JOHNSON: Do you have a process in
4 place -- have you considered what that process
5 would be in the kind of analysis you would be
6 doing on an ongoing basis, if there does become a
7 point in time that you see that maybe it does
8 need to be more than 475 million?
9 Do you have a process and an analysis in
10 place to determine how much you will consider
11 raising the 475 to allow the deal to continue?
12 DR. BAUM: Commissioner Johnson, we have a
13 process in place, that is monitoring monthly the
14 progress of West Penn Allegheny and its impact
15 upon the way the financing is done.
16 So we would have early warnings, I think,
17 about anything that we would need to request a
18 change for.
19 But at this point, it looks like we have
20 done it the right way.
21 MS. LUCAS: And as a followup to that, you
22 have an overall strategy of five years.
23 What is your anticipated capital commitment
24 for that overall strategy of five years?
25 DR. BAUM: So Counsel Lucas, you should be

1 on our board of directors, because that question
2 has come up.
3 What is our overall strategy?
4 At this point, we are expecting the entire
5 buildout of the provider organization to involve
6 about another 500 million dollars.
7 But I need to explain, that that is limited
8 by the perspective, that we have put on that
9 budgeting process.
10 And once again, we feel that coverage in
11 terms of the insurance company's ability to
12 finance that is very strong.
13 MS. LUCAS: Thank you.
14 MR. CONSEDINE: And I guess this question
15 goes to the group.
16 The usual economic dynamic with a hospital
17 system, especially a large one, is to obviously
18 build out, both in terms of facilities and
19 practices, to make your system attractive and
20 more competitive with competing systems and
21 hospitals.
22 And also, obviously, to recruit the best
23 and brightest, in terms of providers and doctors.
24 And so you have money going to those
25 endeavors, which at the end of the day, the

1 question then becomes: How does that actually
2 result in health insurance premiums going down,
3 if you are paying for things that ultimately
4 would -- in the traditional sort of economic
5 model for health care -- result in premiums going
6 up?
7 So what incentives or what mechanisms do
8 you have to change the nature of the model here?
9 MS. RICE: I think a couple of things to
10 answer your question, Commissioner.
11 No. 1, we talked a lot about the new sort
12 of reimbursement models.
13 It really will drive a different outcome
14 both in quality and in cost.
15 We are going to pilot many of those sorts
16 of opportunities with our own system, with West
17 Penn Allegheny Health System and other
18 independent physicians and hospitals, that use
19 that facility as a referral system for more
20 complicated care.
21 So we think that the -- sort of the
22 opportunity to represent pay for value incentives
23 as well as accountable care organization type
24 models really will help drive down costs.
25 In addition to that, we are very focused on

1 standard protocols in clinical care that have
2 proven to produce high quality and lower costs.
3 We will be working through those types of
4 models as well.
5 DR. GHEZZI: If I could add, I think I made
6 reference to our Peters Township ambulatory care
7 facility, which is sort of a model of health care
8 delivery for the future.
9 Once the affiliation is approved, we will
10 be able to coordinate our activities with
11 Highmark around ambulatory care development to
12 avoid duplication, placing the facilities in the
13 most appropriate place, not only for the
14 subscribers, but for the needs of the provider
15 division as well.
16 MR. JOHNSON: Have you been working on how
17 literally you are going to measure the success?
18 It sounds great in words.
19 The problem always with health care is
20 measuring how that translates to success -- in
21 financial success in the long run.
22 MS. RICE: Absolutely.
23 So we spent a lot of time putting
24 measurements together both around our patients in
25 our medical home initiatives, which we

1 implemented in 13 different practices in parts of
2 Pennsylvania and West Virginia.
3 So those measurements, while they are
4 vigorous and require a lot of input from
5 providers, as well as our own data, we have been
6 able to measure.
7 Around the accountable care organization,
8 we will really be looking at an attribution
9 model, that really considers the patients, the
10 members that are involved, and how the cost and
11 the outcomes really have improved.
12 And then you get in to sort of the
13 opportunity to do cost sharing with provider
14 systems.
15 MR. CONSEDINE: Again, going to Deputy
16 Commissioner Johnson's question, the theory
17 versus sort of the reality, I guess a good
18 question for Dr. Ghezzi and Dr. Farah.
19 In terms of provider reimbursement, that
20 are based on quality metrics versus sort of the
21 customary ones. The attractiveness of that to
22 the physician community, where that has been
23 utilized in some hospital systems, where they
24 have gone to more of a quality based metrics, it
25 has been introduced to mixed reviews.

1 So what is your sense of the willingness or
2 the acceptance of providers in this community to
3 that type of reimbursement system?
4 DR. GHEZZI: I will speak first, and then
5 ask Dr. Farah to comment.
6 I think our providers are not only willing
7 but excited by the opportunity.
8 We see this as a very competitive
9 environment, where the opportunity to
10 differentiate ourselves exists.
11 We feel we are already doing it on the
12 basis of quality and cost.
13 And this would be able to allow us to do it
14 on the basis of outcomes.
15 The other piece I would add, we are
16 measuring the health system's future viability on
17 the basis of a balanced score card approach.
18 So looking at financial drivers,
19 operational drivers, clinical quality and safety
20 drivers, and then satisfaction drivers.
21 Not only for our patients but for our
22 employees and physicians. And looking for
23 opportunities to increase all of those drivers in
24 concert with each other.
25 DR. FARAH: Yes.

1 And I would just add to that, that our
2 physicians are actually asking us to evolve in to
3 that model.
4 Historically, as you well know, fee for
5 service system, as Ms. Rice alluded to earlier
6 this morning, has been a large contributor to
7 rising health care costs in this country.
8 And western Pennsylvania, unfortunately, is
9 on the forefront of that.
10 Having said that, in the past, the pay for
11 value and pay for quality schemes that have been
12 put together, the reason they have failed is
13 because they have really taken a -- they have
14 really not reimbursed physicians to the extent
15 that you would truly value physicians for the
16 type of work they are doing.
17 In other words, there is still much greater
18 incentive to continue to do more by procedure and
19 by widgets, so to speak. Rather than really be
20 reimbursed for value.
21 So the value, that was paid for in the
22 past, I think throughout the country, those bits
23 and pieces, that were developed, was just really
24 a small fraction of the reimbursement.
25 Whereas, what we are working on developing

1 right now is a true and what I call a real
2 incentive for physicians to provide appropriate
3 care.
4 There is so much overutilization right
5 now. And I think those savings are tremendous.
6 And I think most publications out there
7 have confirmed the fact that if you are able to
8 implement the right incentives for the physician
9 group, that you will achieve significant savings.
10 MS. RICE: If I could just add,
11 Commissioner, from an insurance company's
12 perspective, these kind of models actually start
13 aligning the thoughts and the practices of the
14 provider community with the insurance community.
15 And that is really around coordination of
16 care, delivering better quality at a lower cost.
17 And we are excited about potential outcomes
18 with West Penn Allegheny Health System.
19 MR. CONSEDINE: One of the things we have
20 been hearing, in terms of the written comments,
21 and we expect to hear today, is that -- a concern
22 that there is already overcapacity in terms of
23 the number of the beds in the area.
24 And that if we approve this transaction, we
25 are actually contributing to that, in terms of

1 the overcapacity issue, which again, at the end
2 of the day, potentially drives health care costs
3 up, instead of down.
4 And as we drove in to town past
5 Monroeville, we saw a very example of that with
6 two very large hospitals almost across --
7 DR. BAUM: Commissioner Consedine, the
8 thing that we are leaning on heavily, is that
9 competition will be increased in the western
10 Pennsylvania market.
11 And good operators pay attention to
12 competition and figure out how to manage excess
13 capacity.
14 It is likely, that there will be an
15 increase in excess capacity, actually.
16 And so this whole dynamic of management
17 becomes really important.
18 We think competition will make us think
19 harder.
20 We have some evidence about the
21 manageability of excess capacity, too.
22 MR. CONSEDINE: I am not sure I follow you,
23 when you say "manageability of excess capacity".
24 What exactly do you mean?
25 DR. BAUM: So in the manufacturing world,

1 for example, those who have been able to moth
2 ball, with consideration for their environment
3 and the communities, have beaten their
4 competitors.
5 And so there is a strong incentive to do
6 that.
7 You also -- I know I paid attention to the
8 type of folks that you employ, sometimes
9 temporary folks can be employed, if you are
10 trying to manage excess capacity and make it be a
11 more efficient system. It is always easy, of
12 course, when employment is strong.
13 But that is one way to do it.
14 DR. GHEZZI: Patients' expectations in
15 terms of private bedrooms, it has become the
16 standard.
17 We have the opportunity to convert some of
18 our facilities from a shared model to more of a
19 current contemporary model.
20 And we think that will make us more
21 competitive as well. That helps to deal with the
22 issue of capacity.
23 MR. CONSEDINE: Okay.
24 So again, assuming this transaction goes
25 through, and Highmark has these beds, admittedly

1 maybe extra beds, what is to prevent you from
2 incentivizing Highmark policyholders to go to
3 that hospital, to your hospital system versus
4 another hospital system?
5 Or is that actually part of your model to
6 incentivize them to go to West Penn versus
7 another system?
8 MS. RICE: As an insurance company, and
9 that is where our focus is, we really will be
10 putting products in the market, that really
11 encourage people to make a choice.
12 So we want them to have a choice in terms
13 of providers in the network.
14 And also provide them the tools that let
15 them really take a look at who has high quality,
16 who has lower cost.
17 So the decision will be in the hands of the
18 member. But we need to make available to them
19 the right kinds of tools that give them the
20 ability to make those decisions.
21 And some of them, we believe West Penn
22 Allegheny will be successful in attracting some
23 of those, as will other parts of the delivery
24 system, based on the quality and patient
25 satisfaction, and other measurements, that are

1 important to that member.
2 MR. CONSEDINE: But do you anticipate
3 policyholders paying lower copays, or if they go
4 to West Penn versus another system?
5 I mean, what sort of part of those models
6 are you looking at in terms of making that?
7 MS. RICE: There are products in the
8 market, some of our competitors offer as well,
9 and it is pretty standard in the industry, that
10 you have products that would allow for various
11 tiers of providers.
12 And that would be based on very
13 objective -- on an objective basis criteria
14 around cost, quality and patient satisfaction.
15 So I envision those kind of products being
16 delivered in the marketplace.
17 And any provider meeting that criteria
18 could fit in a tier 1, tier 2 or tier 3 sort of
19 scenario.
20 MS. LUCAS: Ideally and theoretically,
21 competition typically drives prices down.
22 But sometimes it does not.
23 Do you have a strategy in place, in terms
24 of potential redundancy in providers and
25 potentially bidding wars, that will help to not

1 drive prices up for consumers?
2 MS. RICE: No. 1, we are hopeful, that we
3 do have a full network. So that the
4 capabilities, clinical capabilities, that exist
5 in the market do not have to be replicated.
6 I will say that, first of all.
7 If that is not the case, then for our
8 members, we will have to find those clinical
9 capabilities for them, whether we build them or
10 not.
11 In terms of driving down costs, we are
12 really very focused on making sure that services
13 are delivered in high quality, lowest cost
14 environment, that also delivers patient
15 satisfaction.
16 We believe, based on some of the
17 information that we shared today in our
18 testimony, that there are places of service, that
19 deliver high quality at a lower cost.
20 That is really critical in our strategy.
21 MR. CONSEDINE: Any other questions?
22 Thank you very much.
23 Just take a few minutes to switch gears
24 here.
25 Who do we have in terms of public comments?

1 MS. LUCAS: Okay.
2 I think right now on our agenda is the
3 public comments segment of our day.
4 I just want to take a few moments to remind
5 folks here of the procedure, as we move forward.
6 I will be calling each commenter to the
7 front table, when it is your turn to present at
8 that time.
9 I would also ask that the next speaker be
10 on deck, which is at the reserve section behind
11 the presentation area.
12 And when speaking, we ask that you speak
13 directly in to the microphone.
14 So the first speaker, that we have today,
15 is Leo Gerard.
16 And on deck is Samuel Marshall.
17 MR. GERARD: Good morning. Thank you very
18 much, Commissioners.
19 I want to thank my colleague, Neal Bisno,
20 for agreeing to swap places with me today,
21 because of an important commitment I have a
22 little bit later on.
23 On behalf of the steelworkers union and the
24 thousands, literally thousands of our members and
25 retirees, I want to express my appreciation to

1 you for the opportunity to speak for a few
2 minutes on an issue that represents tremendous
3 importance for our members and for our retirees
4 and their families in the western Pennsylvania
5 region, as well as the tri-state region as a
6 whole, as many of our members, who live in the
7 tri-state area, utilize the services provided by
8 Highmark Blue Cross and the various hospitals in
9 the region.
10 Some 80 years ago, during similarly
11 challenging economic times, President Franklin
12 Roosevelt told the nation that true individual
13 freedom cannot exist without economic security
14 and independence.
15 And today, I would add health care security
16 to that.
17 The united steelworkers union believes in
18 those same principles.
19 That is why I am here today to express our
20 confidence and complete support for the proposed
21 alliance between Pennsylvania's leading health
22 insurance provider, Highmark Blue Cross Blue
23 Shield, and the West Penn Allegheny Health
24 System.
25 Let me say for the record, that I am a

1 consumer of the West Penn Allegheny Health
2 System.
3 And I am tremendously pleased and proud
4 they have such a great cardiac service, as I have
5 been a regular customer, it would feel like.
6 Highmark West Penn Allegheny alliance comes
7 at a time of crisis in the health care system,
8 nationally.
9 Yet in this case, individual leaders from
10 the two great organizations have brought their
11 minds together to create a breakthrough solution,
12 and to give us ongoing support for a high quality
13 health care system.
14 So far what I have heard, as I sat here, is
15 an explanation of why this alliance should occur.
16 Clearly, one of the concerns of my union
17 and our retirees is: What happens if it doesn't
18 occur?
19 And I want to make some comments to that
20 later.
21 Instead of focusing on the status quo,
22 Highmark and West Penn Allegheny leaders stepped
23 out of the box and stepped out of the mold to
24 think of a fresh way.
25 We believe that the alliance proposed

1 between these two organizations represents an
2 impressive list of benefits.
3 And we call on the Pennsylvania Insurance
4 Department to bring it about as quickly as
5 possible.
6 As I said, not only do we have thousands of
7 members, but we have tens of thousands of
8 retirees, that are in this health care system and
9 health care provided by Highmark Blue Cross.
10 I wish I could tell you exactly how many.
11 But I can't. Because we have voluntary employee
12 benefit associations.
13 And we have them that are spread all over.
14 All of their services come through Highmark.
15 And they get to utilize the complete health
16 care system, many of them, many of them utilizing
17 the West Penn health care system, that would be
18 left in some unacceptable circumstances, were
19 this not to go through.
20 We believe there are just -- I am going to
21 identify just a few anticipated benefits
22 resulting from the Highmark West Penn Allegheny
23 alliance.
24 One is the promise to keep more health care
25 provider options open to consumers.

1 Two, to ensure higher level of competition
2 in the regional health care market.
3 Three, it paves the way for greater control
4 of our health care costs.
5 Four, it helps to make it easier for
6 physicians to remain in the area.
7 And five, of tremendous interest to our
8 union, our members and our retirees in the region
9 as a whole is the West Penn -- the Highmark West
10 Penn Allegheny alliance greatly benefits the
11 local economy through the continued employment of
12 roughly 11,000 health care professionals, whether
13 it is doctors, nurses, health care workers,
14 cafeteria folks, cleaning folks.
15 Those jobs are important. And they are
16 important to our region and community.
17 And I would be very, very concerned with
18 what would happen, should this alliance not go
19 through, and what could happen to the West Penn
20 Allegheny Health System.
21 I will make some comments about some of my
22 concerns about that at the end of my comments.
23 But really, this isn't just about numbers.
24 This is also about human beings.
25 This is also about the quality of our

1 health care service.
2 This is about the quality of the
3 competition, that we will have.
4 And unfortunately, recently the incendiary
5 rhetoric from UPMC, the region's dominant health
6 care provider, which operates its own health care
7 insurance business as well, in a seek to cast
8 doubt on the viability and need for the West Penn
9 Allegheny alliance with Highmark.
10 This type of intrusion is unwarranted,
11 unnecessary, unconvincing and clearly self
12 serving.
13 Should this alliance not come to fruition,
14 then the western Pennsylvania citizens would be
15 left at the mercy of a single monolithic health
16 care provider.
17 Meaning that, one, physicians would be told
18 how to practice medicine or be forced to leave.
19 Or maybe have to sign an agreement that
20 says they won't operate within a 200 mile radius
21 of Pittsburgh, which is unacceptable.
22 Certainly unacceptable to me, if my cardiac
23 providers weren't allowed to provide services to
24 me.
25 Two, health care costs would rise, due to

1 the lack of competition.
2 Three, our employers would provide -- would
3 struggle to continue providing benefits as health
4 care costs continue to rise.
5 And four, ultimately patients and our
6 retirees, many of which would go without health
7 care when they are needed.
8 As I said, thousands of jobs are at stake,
9 but more importantly maybe, health care certainly
10 for our retirees is at stake.
11 And that scenario cannot be permitted to
12 happen, not here, not now, and not ever.
13 I have been involved in the industrial work
14 in this area. I have been involved in this for
15 all of my career in the labor movement.
16 Our members and our retirees, I can tell
17 you with confidence, that the history of the USW
18 mirrors the history of the Commonwealth of
19 Pennsylvania.
20 Each was founded on the basic desire for
21 greater freedom of its people.
22 Each has known the challenge in particular
23 in this area of strife, determination, and a
24 willingness to survive and to grow and to
25 prosper.

1 I want to just close by saying, that this
2 alliance is tremendously important to human
3 beings, not just to the numbers you have been
4 hearing about.
5 And I want to close by saying that if this
6 alliance doesn't go through, I would not want to
7 have the only health care delivery system be
8 UPMC, when you look at the behavior of UPMC in
9 the recent years.
10 Changing coding so they could drive up
11 costs for oncology care. We all know about that.
12 Deciding that they should have airplanes
13 that can fly all the way to Dubai.
14 Deciding that they are more interested in
15 raising profits than delivering service.
16 Threatening our members and our retirees,
17 that they would treat us as out of network.
18 Talking about raising their cost by 20 to
19 30 percent, which would drive our retirees out of
20 the health care system.
21 So Commissioners, it is not just important,
22 that the alliance go through, it is important --
23 I am done almost.
24 It is important that the Allegheny health
25 care system be given the opportunity to survive,

1 grow, prosper and be able to use the most modern
2 mechanisms and tools at its health care
3 disposal.
4 I think that comes as a result of the
5 alliance between Highmark and the health care
6 system.
7 Thank you very much for your time. Thank
8 you, Neal, for letting me step one ahead of him.
9 MR. CONSEDINE: Thank you very much,
10 Mr. Gerard.
11 MR. GERARD: Thank you.
12 (Applause.)
13 MR. CONSEDINE: Mr. Marshall.
14 MS. LUCAS: On deck is Senator Jay Costa.
15 I apologize.
16 On deck is Neal Bisno.
17 MR. CONSEDINE: Mr. Marshall.
18 MR. MARSHALL: Thank you.
19 Sam Marshall representing the insurance
20 federation of Pennsylvania trade group that
21 represents commercial insurers that compete with
22 Highmark.
23 That is a word that you are hearing a lot
24 today. Competition.
25 That is refreshing to hear in western

1 Pennsylvania, because for too long, it has been
2 missing on both sides of the health care
3 equation, whether among insurers or among
4 providers.
5 This proposal gives an opening for real
6 competition on both those sides.
7 It is a way to keep West Penn a realistic
8 competitor to UPMC. And a way for other insurers
9 to provide meaningful competition to Highmark.
10 We have outlined in our written comments
11 some of the challenges you face in judging the
12 merits of this proposal.
13 Namely, whether it is a viable business
14 plan for Highmark and West Penn or simply too
15 risky to sanction.
16 Our request is that the proposal be judged
17 by whether it will make West Penn viable and
18 accessible for the entire market, not just a
19 means for Highmark to further its monopoly
20 position.
21 This might work.
22 You have the numbers and management plans
23 before you, and that is what I realize your
24 experts are digging through.
25 But we would recommend that there be three

1 conditions overriding this.
2 First, the Highmark contract with UPMC
3 should end by January 1, 2014.
4 This proposal, that you have before you, is
5 going to make Highmark a formidable integrated
6 delivery system.
7 So be it. But it shouldn't get to be both
8 a major integrated delivery system and at the
9 same time get a guarantee of contracting with the
10 other major health system, UPMC.
11 That would be an unprecedented advantage to
12 Highmark, which no other insurer gets, and would
13 harm competition from other insurers.
14 The market will be ready by January 2014.
15 And it will be an open market given the upcoming
16 Federal reforms in their requirement of
17 accessibility for all.
18 A second condition, ensure West Penn
19 remains open to other insurers. Highmark's
20 ownership, affiliation, whatever everyone wants
21 to call it of West Penn shouldn't result in West
22 Penn refusing to contract with other insurers,
23 that would otherwise benefit West Penn.
24 We have been heartened by remarks from both
25 Highmark and West Penn, that they do fully intend

1 to have West Penn remain open, and that there
2 will be some wall between the two of them.
3 I would recommend taking a trust but verify
4 approach on that.
5 I would refer you to previous orders in
6 approving various expansions of UPMC for some of
7 the specific terms that came from then Attorney
8 General, and now Governor, Corbett.
9 All of that would ensure that the newly
10 acquired or created health system is going to be
11 open to all insurers.
12 And open for a sustained period of time.
13 Third condition, ensure regular and open
14 monitoring. The reality is this is a risky
15 venture. And it is a risky venture in a volatile
16 market.
17 It is an unprecedented one that doesn't
18 make it bad. It just makes it high risk.
19 That is not the norm for insurance. We are
20 generally a fairly staid conservative group,
21 supposed to be staid conservative business.
22 That doesn't mean it can't be done or
23 shouldn't be done.
24 But it does need to be monitored. And it
25 does need to have plans B, C, D and E, because

1 sometimes events don't always go as one predicts.
2 You can say here it is an outward exposure
3 of 475 million dollars. It is like doing a
4 renovation of a house. There is always something
5 that adds in to it.
6 I would say absent these conditions, this
7 acquisition would create new barriers to
8 competition, not just perpetuate the existing
9 ones.
10 With these conditions, again, only if the
11 finances and management structure work, I think
12 this could lead to better health care environment
13 for this region.
14 One where consumers get the benefit of
15 choice, and where insurers and hospitals alike
16 feel the motivation of competition.
17 Thank you.
18 MR. CONSEDINE: Thank you.
19 MS. LUCAS: Our next speaker is Neal Bisno.
20 And on deck is Senator Jay Costa.
21 MR. BISNO: Good morning.
22 My name is Neal Bisno, president of SEIU
23 health care Pennsylvania.
24 And I know Leo had to step to his next
25 commitment.

1 But I think it is probably the first time
2 and perhaps the last that SEIU will ever give up
3 its seat to united steelworkers.
4 We are the state's largest health care
5 union uniting 25,000 front line care givers
6 across the Commonwealth, including over 2,000
7 registered nurses and health care workers at West
8 Penn Allegheny Health System, at Allegheny
9 General Hospital here in Pittsburgh across the
10 river, at Allegheny Valley Hospital in Natrona
11 Heights, and at Canonsburg General Hospital in
12 Washington County.
13 I should also add several thousand
14 additional members of our union are Highmark
15 subscribers either through our health and welfare
16 fund or employer sponsored plans as well.
17 Speedy regulatory approval of the Highmark
18 West Penn Allegheny affiliation is absolutely
19 critical, not just for the future of our union
20 members at West Penn Allegheny, but for all of
21 the nearly 10,000 employees across this system,
22 for the communities we serve and for the western
23 Pennsylvania economy.
24 This transaction is not just the best, but
25 really the only way to ensure a strong future for

1 this vital community asset.
2 The care givers of West Penn Allegheny
3 Health System provide excellent quality care in a
4 highly efficient and cost effective manner.
5 For the third straight year, West Penn
6 Allegheny was named by Thomson Reuters as one of
7 the country's top performing health care
8 providers, the only system in western
9 Pennsylvania to qualify for this accolade.
10 Registered nurse members of our union at
11 AGH have worked closely with hospital management
12 to pioneer cutting edge quality of care
13 initiatives.
14 The hospital is one of only a handful in
15 the nation to have established safe minimum RN to
16 patient ratios, developed by management and staff
17 nurses together and guaranteed in a collective
18 bargaining agreement.
19 Numerous studies have shown that safe nurse
20 to patient ratios save lives. With high RN
21 workloads, increasing the risk of patient death
22 by as much as 31 percent.
23 With the support of a grant from the
24 Pennsylvania labor -- Department of Labor and
25 Industry, AGH nurses and management have

1 instituted an innovative RN continuing education
2 program, to enhance nurses' skills to improve the
3 quality of care, that they deliver.
4 Remarkably, West Penn Allegheny provides an
5 excellent standard of care at a per case cost,
6 that is 19 percent less than the competing
7 system, UPMC, according to data from Medicare
8 cost reports and PHC4.
9 There is little question, that UPMC has
10 used its market dominance to drive up the price
11 of hospital services, and therefore the cost of
12 health care for everyone in this region.
13 Today, UPMC hospitals account for three out
14 of every five discharges in Allegheny County.
15 A study published last September in health
16 affairs confirmed a host of previous research
17 showing that greater hospital concentration leads
18 to higher prices.
19 Not surprisingly, a recent study
20 commissioned by the Pittsburgh business group on
21 health shows that Pittsburgh has higher per
22 person per month health care costs than
23 comparable cities.
24 As the second largest health system in the
25 region and the sole source of meaningful

1 competition to UPMC, West Penn Allegheny is
2 literally the only institution standing in the
3 way of UPMC's establishing a virtual monopoly in
4 hospital services in this market.
5 According to Highmark, the current contract
6 dispute between its insurance division and UPMC
7 began with UPMC's demand for a 40 percent
8 increase in reimbursement.
9 One can only imagine how the cost of health
10 care would skyrocket, if UPMC were to increase
11 its market dominance even further.
12 West Penn Allegheny is a vital source of
13 jobs for western Pennsylvania.
14 West Penn Allegheny is the fourth largest
15 private sector employer in Pittsburgh employing
16 9,981 people.
17 And jobs at West Penn Allegheny are exactly
18 the kind of high quality jobs that build and
19 sustain the middle class in this community. Over
20 one in five of them union jobs.
21 Hospital jobs at West Penn Allegheny
22 provide a career path for employees. From entry
23 level positions like food service worker to
24 clinical classifications such as certified
25 nursing assistant, to licensed professional

1 positions, such as RN and medical technologist.
2 An AGH RN fresh out of nursing school earns
3 49,040 dollars per year with access to family
4 health care coverage and a secure retirement, an
5 entry point in to the middle class for her and
6 her family.
7 In addition to the health care workers the
8 system employs directly, we estimate that West
9 Penn Allegheny supports 11,000 additional jobs in
10 the community, a powerful ripple effect across
11 this region.
12 At a time when our community and our nation
13 desperately need more quality jobs, it is
14 critical, that regulators do everything in their
15 power to retain existing high quality jobs for
16 western Pennsylvania.
17 Despite significant contributions to health
18 care and the economy of this community, West Penn
19 Allegheny faces substantial financial challenges
20 that threaten its viability.
21 The roots of these challenges include some
22 factors faced by all hospitals in our region.
23 Yet many of these challenges are unique to
24 West Penn Allegheny.
25 The system was borne out of a massive

1 bankruptcy of the former AHERF, a result of
2 criminal corruption on the part of the management
3 of that system.
4 Because of this history, West Penn
5 Allegheny came in to being bearing significant
6 debt.
7 Of course, throughout its existence, the
8 system has faced sustained efforts by UPMC to put
9 it out of business.
10 UPMC has paid large sums to entice
11 physicians to defect from West Penn Allegheny and
12 build brand new facilities in the vicinity of
13 West Penn Allegheny hospitals, such as UPMC East
14 in Monroeville, an entirely duplicative,
15 unnecessary hospital, solely intended to
16 undermine West Penn Allegheny's Forbes Regional
17 Hospital located less than a mile away.
18 As a result of these challenges, the
19 auditors, as we heard, and bond rating agencies
20 have seriously questioned the system's ability to
21 continue as a going concern without Highmark's
22 assistance.
23 The choice facing West Penn Allegheny in
24 this community is stark. To survive and thrive,
25 West Penn Allegheny must join an identity strong

1 enough to address its challenges and compete
2 against UPMC.
3 The only partner with the wherewithal and
4 willingness to do so is Highmark.
5 Make no mistake, if approval of this
6 transaction is delayed or denied, the results for
7 this community would be devastating.
8 At risk, first of all, are the jobs of
9 10,000 West Penn Allegheny employees, apart from
10 the pain, the loss of these jobs would inflict on
11 the affected individuals, such an event would
12 immediately drive up the unemployment rate in
13 Pittsburgh from 7.6 percent to 8.5 percent.
14 The loss of West Penn Allegheny would be
15 the greatest blow to this region since the demise
16 of the steel mills in the 1980s.
17 Remember, that prior to the announcement of
18 the agreement with Highmark, West Penn Allegheny
19 made plans to immediately and permanently close
20 West Penn Hospital.
21 Absent the partnership, all of the
22 hospitals of West Penn Allegheny are at risk.
23 I am wrapping up. Disapproval of the
24 transaction would spell the end of health care
25 competition in the community.

1 UPMC's market share would go from 60
2 percent to perhaps 71 percent or higher.
3 And there is no question, as the Department
4 of Justice commented on its approval last week,
5 that this affiliation will enhance competition
6 and choice in the Pittsburgh health care market.
7 Together West Penn Allegheny and Highmark
8 can create a truly integrated delivery system
9 that can adapt to the changing world of health
10 care, that can maintain and expand competition,
11 deliver high quality cost effective care and
12 preserve and create quality jobs for the
13 community.
14 We strongly urge the Insurance Department
15 to approve the proposed affiliation as soon as
16 possible.
17 Thank you.
18 MR. CONSEDINE: Thank you.
19 (Applause.)
20 MS. LUCAS: Our next speaker is Senator Jay
21 Costa. And on deck is Karla Owens.
22 MR. COSTA: Good morning, Commissioner and
23 panelists.
24 MR. CONSEDINE: Good morning, Senator.
25 MR. COSTA: My name is Jay Costa, as was

1 stated.
2 I am state senator representing the 43rd
3 district, which is located in Allegheny County.
4 My district includes several wards in the
5 City of Pittsburgh, East Hills communities and a
6 number of municipalities in the South Hills and
7 Monongahela Valley.
8 I have been a member of the state senate
9 since 1996, and currently serve as senate
10 democratic leader.
11 Thank you very much for the opportunity to
12 provide and express my thoughts and strong
13 support of the approval of the affiliation of
14 West Penn Allegheny Health System and Highmark.
15 As each of you know, I have been very
16 active and vocal in trying to preserve health
17 care choices in this Pittsburgh area.
18 And have attempted, along with my
19 colleague, Senator Don White, to ensure that
20 unfettered access to quality low cost health care
21 is assured for consumers for many years to come.
22 To that end, Senator White and I, along
23 with others in the House and the senate, members
24 of the administration, officials from the
25 commissioners' office, the Insurance Department,

1 are trying to develop a long lasting solution to
2 the current impasse between Highmark and UPMC,
3 regarding access, facility use and payment for
4 services.
5 This is an ongoing process, and one that
6 will challenge us, as we all go forward, and
7 hopefully will be resolved very soon.
8 However, that is a different problem, that
9 should be addressed at another time, as I stated,
10 on another day.
11 Today, the issue before all of us is the
12 affiliation of West Penn Allegheny and Highmark.
13 The affiliation, as you know, was recently
14 cleared by the United States Department of
15 Justice.
16 As a result, I would hope that the
17 arrangement between the two entities would
18 receive similar timely and favorable
19 consideration following the conclusion of an open
20 public comment process.
21 The impact of the affiliation of West Penn
22 Allegheny and Highmark is critical. Critical for
23 the future of high quality, reasonably priced
24 health care in the Pittsburgh market.
25 Plus, it is critical for our economy, as we

1 heard from previous speakers.
2 The affiliation, I believe, will result in
3 a sturdy comprehensive health care network, that
4 is financially stable and sustainable.
5 It will grow, as our Pittsburgh community
6 continues to adjust to modifications in the
7 health care market.
8 In fact, in order to ensure that this
9 health care option is available in the region for
10 generations to come, I wrote a letter of support
11 last November to the IRS advocating for the
12 affiliation.
13 In this letter, I made it clear that
14 Highmark is willing to offer significant
15 financial resources to bolster West Penn
16 Allegheny and keep financially teetering health
17 care facilities operational while the health
18 system restructures and reinforces itself.
19 An example of the beneficial impact of the
20 affiliation is the recent experience of West Penn
21 Hospital.
22 As we know, West Penn closed its emergency
23 room and was preparing to shut down the entire
24 facility. There is no question the closure would
25 have economically crippled the Bloomfield

1 community home.
2 Highmark's decision to become involved
3 resulted not only in keeping the hospital open
4 and operational, but also the hospital announced
5 and has followed through with the opening and
6 reopening of the emergency room.
7 The commitment of Highmark in supporting
8 the affiliation is not inconsequential.
9 As part of the plan, Highmark pledged 475
10 million dollars and has backed up that promise
11 with significant infusion of dollars.
12 The importance of the affiliation cannot be
13 understated. It is an important and critical
14 piece of a competitive, accessible and cost
15 effective health care delivery system.
16 The affiliation of West Penn Allegheny and
17 Highmark is personally important to my
18 constituents.
19 West Penn Allegheny is recognized
20 nationally as a quality health care provider.
21 It is the main health care option in many
22 of the communities in the Pittsburgh region. And
23 it has developed a well earned reputation for
24 service, innovation and expertise. Often in very
25 difficult medical situations.

1 West Penn Allegheny reportedly has the
2 highest survival rate of any transplant facility
3 in Pennsylvania, and Medicare reported it is a
4 highly cost efficient operation.
5 As proof of its value as a health care
6 provider, West Penn Allegheny reportedly had
7 62,000 admissions, nearly 840,000 outpatients and
8 170,000 ER visits, annually.
9 Given this data, there is no question that
10 West Penn Allegheny is a meaningful, effective
11 health care option for consumers in the
12 Pittsburgh region.
13 The system must be sustained and must be
14 strengthened.
15 This can only be achieved, if the
16 affiliation with Highmark is approved. West Penn
17 Allegheny, represented by its individual
18 hospitals and other feature institutions, has
19 been a community resource for many generations.
20 The health care system operates facilities
21 throughout the Pittsburgh region, including West
22 Penn, AGH, Forbes Regional, Hospital and Hospice,
23 Allegheny Valley Hospital, and Canonsburg General
24 Hospital.
25 The facilities stretch across the vast

1 geography of the region, and the footprint of the
2 network reach hundreds of thousands of residents
3 within minutes.
4 These hospitals are more than just health
5 care options.
6 For many in the Pittsburgh area, these
7 facilities are life lines. Without the
8 affiliation with Highmark, many of these health
9 care institutions, who have been economically on
10 the fringe due to peculiarities of the health
11 care market, may have to shut their doors.
12 If the health system is unable to continue,
13 my constituents, and many, many others in our
14 region would suffer.
15 Anxiety and anguish would result. And the
16 impact would be significant. Undoubtedly, the
17 disintegration of the health network would lead
18 to deterioration of the quality of health care
19 throughout our region.
20 In addition to providing readily accessible
21 options for southwestern Pennsylvania health care
22 consumers, the facility supported a legion of
23 workers.
24 The hospital has supported a significant
25 network of affiliated businesses, that employ

1 thousands of workers and rely on the system's
2 viability.
3 The West Penn Allegheny facilities
4 themselves has, as mentioned, some 11,000
5 employees.
6 The highly professional workers and support
7 personnel not only serve as key cogs in this
8 health care system as part of their professional
9 workday, but they also make very valuable
10 contributions in building strong neighborhoods
11 and strong communities.
12 A quick look at any community organization
13 associated with the hospital or neighborhood
14 group will find volunteers, who work by day at
15 one of West Penn Allegheny's facilities, and then
16 volunteer in the community in the evening.
17 Now more about Highmark. Highmark, as you
18 know, is a national player in the health care
19 market and has the financial wherewithal to shore
20 up West Penn Allegheny, financially.
21 A Highmark bolstered West Penn Allegheny
22 would ensure competition would be available for
23 years to come, and sufficient market forces would
24 exist and be present in enough strength to help
25 control cost.

1 The vertical integration of health care is
2 not new and has been approved in many markets and
3 in many regions. In the Pittsburgh area alone,
4 for example, UPMC operates health care facilities
5 and offers health care insurance.
6 Health care facilities currently have
7 insurance arms as part of their business model.
8 This is nothing new. And it should not be
9 an obstacle to this affiliation.
10 In addition, it is exceptionally important
11 that the health care market, that a provider the
12 size of West Penn Allegheny, is kept intact.
13 Unquestionably, the only viable option that
14 is available to ensure West Penn Allegheny
15 survival and growth is in fact Highmark.
16 It is the only institution that has the
17 financial resources and commitment to keep the
18 system together.
19 Therefore, on behalf of my constituents
20 across this Commonwealth, the health care
21 consumers of the Pittsburgh region, the
22 communities that are served by the people whose
23 lives are saved by the quality health care that
24 they receive at West Penn Allegheny, I ask the
25 affiliation of the system and Highmark be

1 approved.
2 Thank you very much for the opportunity to
3 provide this testimony and allow me to share my
4 thoughts on this important issue regarding
5 beneficial aspects of this affiliation.
6 Thank you, Commissioner, and members of the
7 panel.
8 MR. CONSEDINE: Thank you very much,
9 Senator.
10 (Applause.)
11 MS. LUCAS: Our next speaker is Karla
12 Owens. With Patrick Young on deck.
13 MS. OWENS: Good morning.
14 My name is Karla Owens.
15 I am executive director of the Bloomfield
16 Development Corporation.
17 I am here today representing the Bloomfield
18 business district, the commercial corridor where
19 West Penn Hospital is located.
20 The campus is located in the heart of the
21 Bloomfield business district on Liberty Avenue in
22 the primary Main Street district.
23 The economic impact of this affiliation is
24 significant for the business district.
25 West Penn Hospital is the largest

1 stakeholder in the community, owning nine
2 properties, accounting for three and a half
3 percent share of the commercial property.
4 They are also the largest employer,
5 currently employing 11 hundred employees, with
6 expectations of increasing by four to five
7 hundred this year.
8 The creation of jobs generates economic
9 development by bringing more people to a market,
10 where they are likely to spend money.
11 This helps boost the bottom line for
12 businesses, who in turn create more jobs.
13 This has the potential to impact the
14 economic growth of over 700 businesses in the
15 trade area.
16 Sales potential increases closer to vibrant
17 employment centers. Retailers, current and
18 potential, looking to tap in to this vibrancy are
19 more likely to invest in their business, when
20 they see that others nearby such as the hospital
21 investing in the market.
22 Healthy retail markets help stabilize and
23 even increase the value of surrounding real
24 estate, including residential.
25 This is a direct potential benefit to

1 property and homeowners surrounding the hospital.
2 West Penn Hospital has long been an active
3 and engaged community partner, whose investment
4 in the community exceeds over 50,000 dollars a
5 year in donations and in-kind support.
6 When the emergency room closed, it was a
7 dark day for the community. Businesses suffered,
8 some closed and moved due to the lack of foot
9 traffic between employees and visitors to the
10 hospital.
11 Recently, our communities have seen
12 reductions in community block and Main Street
13 funding.
14 And everyone was facing an uncertain
15 future.
16 No one could even imagine what the impact
17 of a complete closure of West Penn Hospital would
18 mean.
19 This institution is more than just an
20 institution to this community. They are the very
21 framework from which the community was built and
22 will continue to thrive.
23 As the largest stakeholder and employer in
24 Bloomfield, West Penn's stability and vibrancy
25 are instrumental to the growth and sustainability

1 of the Bloomfield business district.
2 We embrace the Highmark mission to bring
3 economic vitality to Bloomfield and the entire
4 East End.
5 We strongly urge the Pennsylvania Insurance
6 Department to approve this affiliation as quickly
7 as possible.
8 And I would like to turn over the second
9 half to my community partner, Aggie Brose.
10 MS. BROSE: Good afternoon.
11 Thank you for having us.
12 I am deputy director of the Bloomfield
13 Garfield Corporation. We were founded in 1976.
14 We have been working with West Penn since
15 we were founded.
16 I am also the co-chair of the West Penn
17 Hospital, Allegheny Council. I am also the
18 co-chair of the West Penn Hospital community
19 partnership.
20 In working with them, we formalized our
21 relationships and established this partnership in
22 1991.
23 We have 20 members from the East End of
24 Pittsburgh.
25 We have a mission statement. The mission

1 is to foster healthy communities, defined as
2 those in which all community members are
3 empowered to effect the wellness, the safety and
4 living conditions of themselves, their families
5 and their neighbors.
6 It is a very unique partnership. It brings
7 a lot of resources, as Karla said, to our
8 communities, in many, many ways.
9 And we have been very creative to engage
10 the vendors any way they can in to our
11 neighborhoods brings more wealth.
12 I respectfully request you consider my
13 testimony to support in favor of the proposed
14 affiliation of Highmark, Inc. and West Penn
15 Allegheny Health System.
16 I cannot sit here today and give the
17 powerful presentations or testimony that has been
18 given by our leaders of Highmark.
19 We are blessed to have Highmark in our life
20 at this time.
21 As Karla said, it was devastating the news
22 that came out that West Penn Hospital was going
23 to close, one of the biggest plants in our
24 community.
25 And what did it provide? We call it our

1 community hospital. We never even refer to it as
2 West Penn. Because it is our community
3 hospital. We have strong ownership of that
4 hospital.
5 The relationship is very strong. They
6 provided quality, affordable health care.
7 Accessible, quality, affordable health care.
8 We were losing that until Highmark
9 demonstrated its commitment to the Garfield,
10 Bloomfield and surrounding neighborhoods through
11 the restoration of many clinical services to West
12 Penn in reopening the emergency department.
13 But what has happened now?
14 What we need is for you to look at this,
15 because we need choice. You all know what choice
16 is. You are very wise people, very
17 knowledgeable.
18 We should be afforded choice. It shouldn't
19 even be a question of matter.
20 We should have affordable quality health
21 care, which translates in to jobs. West Penn is
22 one of our major employers, as Karla just
23 explained to you, which brings wealth to the
24 individual and in turn wealth to our community.
25 So what we are asking today, is to look at

1 this in favor.
2 But we would like it to be expeditious. Am
3 I saying that right? As fast as you can.
4 I just want to say, you have no idea -- we
5 are on the ground. We are on the grass roots out
6 there.
7 You have no idea the impact this is having
8 on our residents, the uncertainty in their lives.
9 It needs to be addressed as soon as
10 possible. And we appreciate all of the time and
11 consideration you give to it.
12 Thank you.
13 MR. CONSEDINE: Thank you, both.
14 (Applause.)
15 MS. LUCAS: Our next speaker is Patrick
16 Young.
17 MR. CONSEDINE: After Mr. Young we will
18 break for lunch.
19 So Patrick, you are standing between us and
20 lunch.
21 No pressure.
22 MR. YOUNG: The wonderful position you put
23 me in. Thank you, Michael.
24 Good morning.
25 Actually, good afternoon, I guess,

1 technically.

2 My name is Patrick Young. I am president

3 of Aetna for the State of Pennsylvania and

4 Delaware.

5 I first want to thank Mr. Consedine and the

6 panel for giving us this opportunity to be heard

7 in public hearings.

8 Just some general background on Aetna. We

9 are a diversified health care benefits company in

10 the United States.

11 We provide coverage to about 18 and a half

12 million members across the United States. In the

13 great State of Pennsylvania, we cover about 1.2

14 million members.

15 And we employ about 5,000 lives in

16 Pennsylvania. And about 6, 7 hundred right here

17 in our Green Tree operation.

18 Aetna's presence in western Pennsylvania

19 has grown significantly really over the last nine

20 months.

21 And that really correlated with us signing

22 a new contract with UPMC, which really allows

23 access for the first time in this marketplace for

24 our carrier, and for the employers and members,

25 who utilize our services.

1 This January and the first quarter we saw
2 material increase in our membership, both here
3 locally in Pittsburgh, and then the membership
4 throughout the country for employers who are
5 located here in Pittsburgh.
6 That has also led to us hiring new sales
7 and service representatives here in the office.
8 We are building out an office in our Green Tree
9 center just to house our sales team and service
10 team.
11 We also added additional network staff,
12 because of expansion of our network contracts
13 here.
14 So we are very excited.
15 We have also put a significant amount of
16 investment in advertising. Hopefully, that has
17 been noticed in the billboards and radio spots we
18 have had throughout western Pennsylvania.
19 And we have also started investing in the
20 community through Heinz House, recently a
21 contribution to Carnegie Museum of Art, a
22 contribution we made there.
23 So we are starting to see Aetna ramp up
24 operations.
25 And most recently, our chairman and CEO

1 came out to Pittsburgh a month ago and had a
2 meeting with 100 guests to talk about who Aetna
3 was and what our plans are for the Pittsburgh
4 marketplace
5 Aetna has reinvested in western
6 Pennsylvania based on the concept that it is a
7 competitive marketplace, which it has not been.
8 And critical to that continued investment
9 in the marketplace is that it has to promote
10 competition.
11 And quite candidly, Pittsburgh has been
12 dominated by one insurance carrier. And I would
13 even say a monopoly as relates to Highmark.
14 And that is just how it has been, and we
15 all understand the reasons for it, and what the
16 situation has been.
17 But now you have a marketplace that is
18 evolving. You have now products and choice in
19 relation to health plans, that are viable to the
20 employers and to the individuals.
21 And fundamentally, an opportunity of choice
22 is good for everyone.
23 And it has led to greater opportunities for
24 employers and individuals to make decisions based
25 on the products and services, that the carriers

1 provide, and not just an issue of access to a
2 specific facility.
3 Competition is also important as relates to
4 hospitals in the provider community.
5 And it is important that consumers have
6 choice of hospitals, and insurers have access to
7 those hospitals at fair rates, so that
8 individuals can use those carriers for their
9 insurance purposes.
10 Highmark's acquisition of West Penn
11 Allegheny Health System can be very positive for
12 western Pennsylvania, if the right consumer and
13 marketplace protections are part of any order
14 from the Commissioner.
15 Generally, not allowing Highmark to use the
16 West Penn Allegheny acquisition to perpetuate its
17 monopoly in western Pennsylvania. And it is a
18 monopoly today. Just look at the membership and
19 market share they have.
20 Continue to allow consumers the choice of
21 all hospitals in the network. So consumers
22 accessing whatever facility they feel best
23 represents their individual needs.
24 Prohibit Highmark from steering members to
25 West Penn facilities. In an integrated delivery

1 system, the goal is have everyone utilize your
2 facilities that you have arrangements with.
3 That is a fundamental tenet of working on
4 it.
5 Prohibit network tiering, which was
6 discussed earlier, for participating hospitals
7 for Highmark and its subsidiaries.
8 Again, if you have a plan that covers 90
9 percent in network and only 60 percent out of
10 network, you are going to get the steerage in to
11 that facility, even though it is under the tenet
12 of choice.
13 I think also really important is that
14 require that the insurers' contracts be
15 maintained with West Penn Allegheny Hospital
16 System, with rates that are at parity with what
17 Highmark is paying is a critical component in
18 order for this to have competition in western
19 Pennsylvania.
20 And in the past, legislation has said for a
21 period of time, two years, three years, four
22 years. This should be an indefinite amount of
23 time.
24 The idea is you are providing access and
25 competition that everyone has talked about. Then

1 that should be a situation, a stipulation of the
2 order.
3 And in addition to parity, because of the
4 fundamentally dynamic change taking place with
5 health care reform, I also think that a part of
6 the order should be that it enables care
7 organizations with other carriers along with
8 Allegheny -- with West Penn Allegheny.
9 Because there are funding arrangements that
10 can facilitate a greater partnership with
11 collaboration, and fundamentally aligning all
12 goals and objectives with both the carrier as
13 well as the provider.
14 That is something occurring all over the
15 country. That is occurring actually without
16 health systems being acquired by insurance
17 carriers.
18 Also, in the spirit of the concept of most
19 favored nation. The idea is that should prohibit
20 that idea.
21 We want to create a level playing field and
22 have employers purchase products and services
23 based on the values that those individual
24 insurance carriers bring, not because they have
25 it different in relation to their access.

1 And lastly, there must be clear separation
2 in governance of the hospitals and governance of
3 the insurance as relates to Highmark, including
4 separate boards, executives and auditors.
5 In closing, it is essential for continued
6 access for all insurers to have a payment
7 structure that creates parity with Highmark.
8 That is a critical component in order for
9 this marketplace to continue from a competitive
10 standpoint.
11 And reinforce the need for competition in
12 western Pennsylvania. You have multiple
13 carriers. We are all investing in this
14 marketplace, because it is a viable marketplace.
15 Access is no longer an issue.
16 All we want to do is compete on the
17 products and services we bring as an
18 organization.
19 I think most importantly, is that the
20 Commissioner's order needs to protect consumers,
21 because at the end of the day, that is the most
22 important aspects of this operation is that the
23 consumers are protected.
24 Thank you very much for your time.
25 MR. CONSEDINE: Thank you.

1 Mr. Young, just a quick question.
2 When you suggest placing limits on
3 Highmark's ability to utilize tiering rating or
4 otherwise limiting their ability to incentivize
5 policyholders to utilize West Penn, in a sense,
6 don't we already have products that do that in
7 the marketplace in terms of PPO products where
8 you have in-network and out of network, and how
9 is that really any different than products that
10 you guys sell, where you have in-network and out
11 of network providers?
12 MR. YOUNG: That's true.
13 The marketplace does have tiered products.
14 I think the difference is Highmark controls 65,
15 70 percent, 75 percent of the market share.
16 So that is a different situation, when you
17 have that much market share.
18 And we are not even discussing the
19 relationship with the brokerage community and the
20 incentives for them to keep that business on a
21 retention basis.
22 There is a lot of mitigating circumstances
23 on the design of how those benefits would be
24 designed to continue to maintain the status quo.
25 And depending on the financial arrangements

1 that is achieved between Highmark and West Penn
2 Allegheny, you could really drive a lower unit
3 cost position that would be unique compared to
4 all other carriers.
5 Then what you have is kind of a situation
6 that you have had in the past, a continuation of
7 the monopoly, which I think is counter productive
8 for everyone involved.
9 MR. CONSEDINE: Thank you.
10 Thank you again.
11 MR. YOUNG: Thank you.
12 (Applause.)
13 MR. CONSEDINE: I think that brings us to
14 our lunch break.
15 It is 10 past 12:00 right now.
16 We are still going to try to start around
17 five, ten after 1:00 o'clock. So we can stay
18 pretty much on schedule.
19 We have an hour. There are lots of local
20 eating places around the hotel. We will see
21 everyone in an hour.
22 – – –
23 (Thereupon, a luncheon recess was taken
24 from 12:10 o'clock p.m. until 1:10 o'clock p.m.)
25 – – –

1 A-F-T-E-R-N-O-O-N S-E-S-S-I-O-N
2 MR. CONSEDINE: We are going to get started
3 here in just about 30 seconds, so we stay on
4 track.
5 Thank you.
6 Welcome back for the afternoon session.
7 We will continue with the public comments.
8 Yen, if you would please announce who we
9 have up first and on deck.
10 MS. LUCAS: Good afternoon.
11 The first speaker we have is Senator Don
12 White.
13 And on deck is Rich Fitzgerald.
14 MR. WHITE: Good afternoon.
15 MR. CONSEDINE: Good afternoon, Senator.
16 MR. WHITE: It is a pleasure for me to be
17 here.
18 And as chairman of the Senate Banking and
19 Insurance Committee, I have spent significant
20 amount of time on the current Highmark UPMC
21 contract dispute, as well as proposed acquisition
22 of West Penn Allegheny Health System by Highmark.
23 During my 12 years as state senator and
24 five year tenure as chairman of this committee, I
25 do not believe I have encountered an issue as

1 complex as the web weaved by these so called not
2 for profit conglomerates.
3 It has been very difficult for me,
4 personally, to decide what is the truly right
5 path to soothing this Highmark UPMC impasse.
6 However, I have recent conclusions with
7 regard to the West Penn acquisition, which I hope
8 the Department takes in to consideration as it
9 continues with this review process.
10 Generally, I support Highmark's effort to
11 save the West Penn systems.
12 They have convinced me they are moving
13 forward.
14 However, I do have some concerns and
15 reservations, that I believe should be addressed.
16 There is no doubt in my mind, that the
17 people of western Pennsylvania need a viable
18 competitor for the UPMC Health System.
19 The West Penn of today or in the future
20 without Highmark is simply inadequate to provide
21 the necessary competition to establish and
22 maintain the needed balance in our region's
23 health care service marketplace.
24 If left unchecked by competition, UPMC, in
25 its position of dominance, can unilaterally

1 dictate terms of reimbursement to other insurers
2 almost at will.
3 Therefore, I ask the Insurance Department
4 to review this proposed acquisition, but with a
5 few points of caution.
6 No. 1, Highmark is a not for profit entity
7 that has amassed a reserve account of nearly 5
8 billion dollars.
9 To be clear, this reserve is not dividends
10 or surplus profit.
11 But as I have always said, it is premium
12 dollars paid by employers and individuals, who
13 are insured by Highmark.
14 It is clearly apparent that Highmark will
15 need to invest significant funds in to the West
16 Penn system.
17 Whether those funds are derived from
18 reserves, direct premiums or bonds, ultimately
19 those Highmark customers will pay the cost to
20 prop up West Penn.
21 Therefore, if Highmark is essentially going
22 to use OPM, as they call it, other people's
23 money, to resurrect the West Penn system, it is
24 incumbent upon the Insurance Department to ensure
25 this is a sound investment, and that West Penn

1 can in fact be saved at a reasonable cost.
2 And I believe the Department must weigh
3 whether a recent downgrade of Highmark's bond
4 rating by Moody's casts doubt on the wisdom of
5 this proposed acquisition.
6 No. 2, it is clear the only way West Penn
7 can survive is increase the number of patients it
8 serves.
9 Those patients must come from somewhere,
10 and most obvious source is UPMC.
11 However, I am extremely concerned that
12 Highmark owned West Penn will put patients --
13 will pull patients from small community hospitals
14 throughout the region, even if the same quality
15 of care can be provided in a community facility.
16 Highmark has talked a good game about this
17 so far, rather convincingly. But every effort
18 must be made so such predatory poaching does not
19 occur.
20 No. 3, I am also concerned that western
21 Pennsylvania, or at least Allegheny County, has
22 an excess capacity of hospital beds.
23 A recent study by the Pittsburgh Business
24 Group on health verifies this point. This
25 certainly isn't an argument for West Penn's

1 demise, but simply a statement of fact and a
2 realization that the massive expansion of
3 hospital physical plants may not be sustainable.
4 UPMC's questionable expenditure of funds on
5 the UPMC East facility, located almost literally
6 within a stone's throw of Forbes, is a perfectly
7 prime example.
8 I would hope that the Department would
9 review current provider capacity and undertake
10 efforts to ensure that Highmark owned West Penn
11 meets the needs of the market rather than be
12 constructed to further excess capacity.
13 No. 4, West Penn system must remain open to
14 all insurers at reasonable and competitive market
15 rates.
16 I can't emphasize that enough, or I really
17 think all of the work that we are trying to
18 accomplish over the last several years, starting
19 going back to the proposed merger between
20 Highmark and IBC would be negated.
21 I hope the Department insists on ironclad
22 assurances in this regard.
23 Candidly, it is my hope the current
24 upheaval in our health care marketplace weakens
25 the monopolies enjoyed by UPMC and Highmark in

1 their respective fields.
2 Their predatory practices over the years
3 have led us to be in a situation where consumers
4 find themselves in a health care marketplace
5 overwhelmingly dominated by one insurer and one
6 provider, and left to the whims of each bit.
7 A healthy marketplace cannot be subject to
8 the desires of a dominant insurer or provider.
9 Unfortunately, we have both in western
10 Pennsylvania.
11 It is my sincere hope the parameters and
12 conditions placed upon the potential West Penn
13 acquisition will be done in the interest of
14 moving our region's health care marketplace
15 forward by empowering consumers over the interest
16 of so called not for profit enterprises, that
17 already enjoy too much dominance in our
18 marketplace.
19 Thank you very much.
20 MR. CONSEDINE: Thank you, Senator.
21 MS. LUCAS: Our next speaker is Rich
22 Fitzgerald.
23 And Mayor Luke Ravenstahl is on deck.
24 MR. FITZGERALD: Thank you, Commissioner.
25 Deputy Commissioner, chief counsel. I appreciate

1 this.
2 My name is Rich Fitzgerald.
3 And I am the Allegheny County chief
4 executive.
5 I am here today to ask that you approve the
6 merger of West Penn Allegheny Health System and
7 Highmark for the good of our region and the
8 health care consumers.
9 This affiliation, if approved, will bring
10 competition to our health care market, will
11 further explore the use of an integrated delivery
12 system for our residents, will improve the
13 quality of care, will provide for the additional
14 jobs for our community, and will ensure continual
15 patient care.
16 Western Pennsylvania is unique compared to
17 most markets in the U.S., in that we have one
18 dominant provider system.
19 This region has a higher utilization of
20 outpatient services compared with the average in
21 the Mid-Atlantic region.
22 Compared to other cities, our residents
23 spend a higher percentage of their income on
24 insurance premiums.
25 Consumer choice in health care providers

1 can be preserved by ensuring the appropriate
2 utilization of services in a competitive market
3 through sustainable health care costs.
4 A West Penn Allegheny Highmark affiliation
5 would create additional regional competition
6 among the providers, and provide patients a
7 choice in their health care provider, an option
8 which is better for the consumer.
9 The proposed West Penn Highmark model also
10 builds upon an emerging trend in the integrated
11 delivery systems.
12 This physician led approach creates a
13 partnership in which the health provider and
14 insurance payer work to control health care costs
15 and improve quality of patient care.
16 This trend would involve innovative
17 reimbursement models and better engage the
18 consumer through greater transparency.
19 The service that West Penn currently
20 provides to our region is extensive and much
21 needed.
22 The system annually sees 62,000 admissions,
23 835,000 outpatient visits and 170,000 emergency
24 room visits in its six hospital facilities.
25 The care provided is extraordinary. West

1 Penn was ranked in the top 20 percent of medical
2 centers in the nation by Thomson Reuters for the
3 third year in a row.
4 One of the facilities, Allegheny General
5 Hospital, over on Pittsburgh's North Side also
6 has the highest heart and liver transplant
7 survival rates for patients in the Commonwealth
8 as determined by the scientific registry of
9 transplant recipients.
10 The overall system is one of 57 top
11 performing health care systems in the country
12 based on quality, safety and patient
13 satisfaction.
14 This partnership also brings vital jobs and
15 economic growth to our region.
16 This area is one of only two downtown urban
17 areas that has reclaimed lost jobs since the 2007
18 great recession. But has also seen a growth in
19 jobs.
20 Much of that job growth is because of the
21 diversified economy that we have, and the medical
22 industry is a large part of that economy.
23 West Penn employs nearly 11,000 people in
24 western Pennsylvania. And without the Highmark
25 West Penn affiliation, that current and future

1 job growth would be at risk.
2 I urge quick consideration and approval of
3 this proposal.
4 And also, it is very critical for our
5 overall economic vitality.
6 As our companies in western Pennsylvania
7 continue to grow and continue to add jobs, they
8 are continually under pressure by global
9 competition to be efficient and hold costs down,
10 health care cost is one of those variables, one
11 of those factors, that makes sure they are or are
12 not competitive.
13 And we need the competition to help our
14 business community help our economy and help this
15 region continue to grow jobs.
16 Time is of the essence for this region.
17 Clearly, West Penn must be able to meet its
18 entire financial obligations and continue to
19 provide quality patient care.
20 The partnership with Highmark will ensure
21 the implementation of a new model of health care
22 for the region.
23 Without this affiliation, we could see
24 physicians leave the region.
25 A shortage of physicians, especially

1 primary care doctors, will also stunt job growth
2 and opportunity.
3 In the reverse, a shortage of consumer
4 choice also limits physicians, where they can
5 practice, and the consumer costs.
6 As you know, additional cost will result in
7 employers being unable to provide these benefits
8 and more patients that will go without care.
9 The proposed West Penn Allegheny Health
10 System and Highmark affiliation can only benefit
11 our community.
12 The competition it provides will result in
13 more services, the preservation of patient choice
14 and controlling of costs in our region.
15 The Highmark and West Penn vision aims to
16 build in a new system that transforms the market
17 so as to reduce costs, improve quality and create
18 a positive member experience.
19 I urge your approval of the proposal for
20 the benefit of the 1.2 million residents of
21 Allegheny County.
22 Thank you very much.
23 (Applause.)
24 MR. CONSEDINE: Thank you.
25 MS. LUCAS: Our next speaker is Mayor Luke

1 Ravenstahl.
2 And on deck is Christine Whipple.
3 MAYOR RAVENSTAHL: Good afternoon.
4 Thank you for the opportunity to be here
5 today.
6 I am proud to represent the people of the
7 City of Pittsburgh at this very important
8 hearing.
9 I want to express my appreciation to the
10 state Insurance Department for calling this
11 gathering.
12 And for permitting leaders across the
13 region to convey their perspective on these vital
14 issues of the day.
15 The fact that we are meeting in Pittsburgh
16 leads me to a number of thoughts.
17 If you were to travel throughout Pittsburgh
18 and really get in our individual neighborhoods,
19 you would quickly find each one has its own
20 distinct flavor and personality.
21 You would also find even with all of these
22 differences, there still exists a single unifying
23 idea.
24 We love our city. The phrase "Pittsburgh
25 pride" has a real and very tangible meaning.

1 The longer you would stay in Pittsburgh and
2 talk with Pittsburghers, you would learn we also
3 stick together and stick up for each other in
4 this city.
5 When we see something good start to happen,
6 we pull together to see it through.
7 Especially when it helps keep more of us
8 employed in good, long term, well paying jobs.
9 That is the situation we find ourselves in
10 right now. And that is why I am happy to be
11 offering this testimony to you today.
12 Highmark Blue Cross Blue Shield and the
13 West Penn Allegheny Health System have a plan to
14 join forces.
15 And as far as the City of Pittsburgh is
16 concerned, we believe it is a great idea, that
17 should receive a strong vote of confidence from
18 the Commonwealth.
19 Pittsburgh has been attracting more and
20 more attention across the nation, as a model of
21 fresh thinking in terms of economic development.
22 We steadily emerged with a viable economic
23 strategy, that continues to solidify a positive
24 employment picture and a reasonable cost of
25 living.

1 We believe a Highmark West Penn Allegheny
2 alliance will play a key role in keeping this
3 city and the entire southwestern Pennsylvania
4 region on that same steady path to growth.
5 The evidence is irrefutable. Here are a
6 few highlights.
7 The alliance will keep 11,000 people
8 working.
9 That fact alone should be enough to win the
10 argument.
11 That 11,000 figure doesn't even include
12 additional jobs in architecture, engineering and
13 construction, to accommodate upgrades to existing
14 facilities and the expansion of new units down
15 the road.
16 Without this solution, we may see the West
17 Penn Hospital close. This hospital is an anchor
18 to the Bloomfield neighborhood.
19 Two years ago, we saw the devastating
20 effects that closing even a portion of the
21 hospital had on the community.
22 We saw hundreds of neighbors lose their
23 livelihoods, and thousands lose the services,
24 that this local hospital provided.
25 To imagine the entire hospital closing

1 would be detrimental to Bloomfield and to our
2 city.
3 That is why the City of Pittsburgh applauds
4 Highmark and its willingness to advance its
5 proposed alliance with West Penn Allegheny.
6 It will maintain and expand jobs for the
7 citizens of the city, while presenting more
8 viable options for quality health care.
9 After all, this is Pittsburgh, where we
10 stick together and stick up for each other.
11 We see something good here and are pulling
12 together to see it through.
13 Knowing that it will help keep more of us
14 employed, as I said earlier, in good, long term,
15 well paying jobs.
16 Thank you for considering my request and
17 those of the others here in southwestern
18 Pennsylvania.
19 We ask that the Pennsylvania Insurance
20 Department award its approval of the Highmark
21 West Penn Allegheny alliance.
22 Please let me know if you would like to
23 discuss this in greater detail. Or if you need
24 any additional information from my office.
25 Thank you very much.

1 MR. CONSEDINE: Thank you.
2 (Applause.)
3 MS. LUCAS: Our next speaker is Christine
4 Whipple.
5 And David Wyatt is on deck.
6 MS. WHIPPLE: Good afternoon.
7 And thank you for providing me with the
8 opportunity to deliver remarks on the affiliation
9 of Highmark and West Penn Allegheny Health
10 System.
11 I am Christine Whipple, executive director
12 of the Pittsburgh Business Group on Health, also
13 known as PBGH.
14 Founded in 1981 and established as a
15 501(C)3, the PBGH is the only employer led
16 coalition in the region.
17 Together PBGH has over 80 organizations,
18 including more than 60 employer members,
19 representing private and public business
20 segments, including manufacturing, service and
21 education that provide health care coverage to
22 over 1.2 million employees, retirees, independent
23 lives with almost half living in the Pittsburgh
24 region.
25 Employee totals range from 700 up to 33,000

1 employees, with the average number of employees
2 at 3,000.
3 Two-thirds of our employer members are
4 domestic or global companies.
5 The Pittsburgh Business Group on Health has
6 over the years championed for competition not
7 only in health plans, but also in the provision
8 of health care services in the Pittsburgh region.
9 We expressed deep concern, when Children's
10 Hospital was to merge in to the UPMC Health
11 System, and the possibility that those highly
12 specialized and critical services would not be
13 available to all children, if their health
14 insurer or health plans did not have a contract
15 with UPMC.
16 We were pleased the terms of the merger
17 agreement stipulated Children's Hospital and
18 children's services would be available to
19 everyone on the same terms, conditions, costs, no
20 matter the health plan under which a child was
21 covered.
22 As the contract dispute between Highmark
23 and UPMC Health System made out last year and the
24 filing of the proposed affiliation of the West
25 Penn Allegheny Health System and Highmark, PBGH

1 conducted a survey of our employer members in
2 late 2011, to determine the importance of the
3 West Penn Allegheny Health System to our
4 community and competition in the marketplace.
5 Over 90 percent indicated that the West
6 Penn Allegheny Health System is important or very
7 important to the community, and indicated that
8 the system is important or very important for
9 competition in health care services.
10 Key reasons emerged for these positions by
11 the employers.
12 Employers strongly believe that competition
13 across health care providers for all services is
14 critical for their health plan benefit offerings.
15 It is critical to employers to offer choice
16 to employees, to assure they have access to the
17 hospitals, physicians and other health care
18 professionals that will provide the health care
19 services they need or will need in the future.
20 It is imperative that choices affordable
21 for both the employee and the employer and that
22 the quality of health care services is
23 maintained.
24 If, due to the inability of the West Penn
25 Allegheny Health System to provide certain

1 specialty services, or there is a concentration
2 of certain services in to a single entity, health
3 care costs rise to even higher levels than what
4 they are today, employers would not be able to
5 absorb those costs.
6 Employers would be forced to take action to
7 mitigate any future cost increases, choosing from
8 a number of strategies including reducing or
9 eliminating benefits, reducing or eliminating
10 work forces, and/or not expanding or operating --
11 or opening new operations in the region.
12 Across our employer members we have season
13 a movement to increasing monthly employee
14 contributions along with implementing high
15 deductible health plans.
16 With employees having a greater
17 responsibility for the cost of health care
18 services, it will be increasingly important and
19 critical for cost to be as low as possible
20 without compromising the services delivered or
21 the care expected.
22 One way to bring pressure to bear on cost
23 and quality of services is to infuse transparency
24 in to the health care system.
25 We must insist that the cost of care, the

1 prices employers and employees are expected to
2 pay be available and easily obtained and
3 understood.
4 Ranges, averages, medians, stars, or any
5 other kind of indicator system is unacceptable
6 moving forward.
7 Equally important is being assured that
8 services will be -- that the services provided is
9 the care that is needed, nothing more, and
10 nothing less.
11 Pennsylvania has a unique independent
12 organization, that is equipped to provide this
13 type of information in an unbiased way.
14 The Pennsylvania Health Care Cost
15 Containment Council can be tasked with ensuring
16 not only employers and their employees have
17 access to cost, quality and value information,
18 but that all people in the region can obtain the
19 same information.
20 The affiliation of Highmark and West Penn
21 Allegheny Health System is not without its
22 concerns.
23 Some fear ramifications of this affiliation
24 may limit employers and employees' ability to
25 access critical specialty services.

1 There is concern that the affiliation could
2 lead to unnecessary duplication of certain
3 expensive specialty services and/or facility.
4 With a significant concentration of
5 services in the Pittsburgh region of certain
6 specialty services like oncology, access to these
7 services could be compromised, if they would only
8 be available at out of network charges, not at
9 the cost or price of these services.
10 This in turn could impact the ability of
11 employers in offering benefit plans to their
12 employees.
13 We have, however, a model in place, that
14 could provide a remedy to this potential.
15 As mentioned earlier, when Children's merged
16 in to the UPMC Health System, the consent decree
17 provided terms for equal access to the Children's
18 Hospital and children's services, no matter the
19 health plan, that provided coverage.
20 This same solution could be applied to
21 those services, that are community assets and
22 highly concentrated today. The terms and
23 situations could be defined, so as long as the
24 region continued under those terms and
25 situations, those specialized critical services

1 would be equally available to all, no matter the
2 health plan of the company.
3 Once the terms situations were no longer
4 being met, then the concern over access would no
5 longer be meaningful.
6 The PBGH's board of directors and our
7 members are grateful for the comprehensive course
8 the Department of Insurance is taking regarding
9 this affiliation.
10 The issues surrounding this transaction are
11 numerous and complex. And the deliberative
12 approach in rendering a final decision is
13 imperative.
14 We do, however, strongly support the
15 affiliation and would hope that the Department
16 will see fit to approve at the earliest possible
17 date.
18 Thank you.
19 MR. CONSEDINE: Thank you very much.
20 (Applause.)
21 MS. LUCAS: Our next speaker is David
22 Wyatt. And Henry Miller is on deck.
23 MR. WYATT: Good afternoon.
24 MR. CONSEDINE: Good afternoon.
25 MR. WYATT: My name is David Wyatt. Thank

1 you for the opportunity to comment on the
2 Highmark West Penn Allegheny Health System
3 affiliation.
4 I am a labor trustee on the Allegheny
5 County schools health insurance consortium.
6 I happen to be the current chairperson.
7 Our consortium is comprised of 49 entities
8 in Allegheny County, all Allegheny County school
9 districts, but the City of Pittsburgh and the
10 North Allegheny school district.
11 We also cover Allegheny intermediate unit
12 3, Mt. Oliver intermediate unit 2, as well as the
13 Community College of Allegheny County.
14 As such, we oversee 19,237 contracts, which
15 translates in to approximately 42,000
16 individuals, as well as 35 hundred retirees.
17 As I said, we cover districts located in
18 Allegheny County, but have members who live in
19 contiguous counties, as well as some who live
20 further away, but still utilize facilities here.
21 We are in the process of accepting the
22 Community College of Beaver County, as well as a
23 quad A school district from Westmoreland County.
24 These members will bring additional people
25 to our group.

1 As a constituent of the consortium and long
2 time educator, who happens to live not only in
3 Allegheny County, but in the City of Pittsburgh,
4 I feel very strongly, that it is imperative that
5 the West Penn Allegheny Health System be allowed
6 to continue to exist.
7 This is necessary for both the consumer,
8 the region and for the free flow of competition.
9 Should West Penn Allegheny fade away,
10 physicians will have no choice of where or how
11 they practice medicine.
12 This could possibly result in an exodus of
13 skilled people in other areas, thus causing
14 rising medical costs and patient overload for
15 those remaining.
16 As we all are aware, health costs arise
17 every day despite efforts to contain them.
18 Should West Penn Allegheny not be
19 available, the entire community would suffer as
20 employees struggle to continue to provide
21 benefits.
22 There is also the specter the patients
23 would and could go without needed health care,
24 thereby causing a lower quality of life.
25 This marriage of Highmark and West Penn

1 Allegheny would not only preserve choices and
2 help control costs, it would maintain employment.
3 The livelihood of thousands of western
4 Pennsylvanians, those businesses, that provide
5 goods and services to the health system, would
6 continue to thrive, as would ancillary businesses
7 in the neighborhoods such as North Side,
8 Bloomfield, Canonsburg and others.
9 While not a business person, I am very
10 aware of the goals of competition.
11 In the classroom, using teams to create
12 interest and expand thinking is a tried and true
13 method. Competition works.
14 It keeps everybody in the game, on their
15 toes.
16 Here, without West Penn Allegheny, there
17 would be no competition. While most markets in
18 the United States have at least two health care
19 delivery systems, very few have one dominant
20 provider system, as we have here in western
21 Pennsylvania.
22 Research shows that here in Pittsburgh,
23 residents spend the highest percentage of income
24 on insurance premiums compared with other cities.
25 Pittsburgh also has a much higher

1 utilization of many outpatient services compared
2 with an average of other areas in the
3 Mid-Atlantic region.
4 Competition among viable health care
5 systems is necessary. It is critical to
6 improving quality, expanding access and
7 containing health costs.
8 Employers now under the current economy are
9 struggling to provide benefits.
10 Without these, patients will forgo care and
11 suffer serious to dire consequences.
12 As a consortium trustee, I am aware of the
13 concerns about Highmark becoming a provider as
14 well as an insurer.
15 However, there is now a national trend
16 toward the development of integrated delivery
17 systems, where there is an alignment of provider
18 and insurer to contain costs and improve the
19 quality of care available to the patient.
20 This system of West Penn Allegheny and
21 Highmark with the vision of building a structure
22 to transform in to an entity that would
23 accomplish that, it would reduce costs, improve
24 quality and create a better experience for us,
25 the consumer.

1 The physician led approach of West Penn
2 Allegheny would provide for innovative
3 reimbursement models and better engaged my
4 numbers as well as all consumers through a
5 greater transparency.
6 I do appreciate the opportunity to speak
7 today.
8 I would like to urge the state to act
9 quickly to save these hospitals.
10 West Penn Allegheny has been rated one of
11 the top 57 health care centers by Reuters, based
12 on quality and patient satisfaction.
13 Allegheny General, standing tall and
14 stalwart on the North Side, has been recognized
15 for patient care quality regarding liver and
16 heart transplants.
17 And for a second year, AGH adult liver
18 transplant program performance posted a one year
19 survival rate. That was Pennsylvania's best, and
20 among the top 25 adult transplant programs in the
21 country out of 139 medical centers.
22 While all of the medical issues are
23 extremely important, I cannot leave without
24 pointing out the obvious, the West Penn Allegheny
25 hospitals are community assets.

1 The day they opened the emergency room in
2 West Penn in Bloomfield, it handled more than
3 three times the expected cases.
4 This system employs nearly 11,000 people,
5 not just in the city, but in the surrounding
6 districts and areas.
7 Should the affiliation of Highmark not take
8 place, the system would have no other recourse
9 than to downsize.
10 That would possibly allow those 11,000
11 employees and the collateral thousands, who
12 contribute to this area's economy and tax base,
13 to experience further uncertainty about the
14 future.
15 The time to debate should be short, the
16 financial situation is serious. Prolonging
17 decision making jeopardizes not only employees
18 but the patients.
19 By being expedient and moving as quickly as
20 possible, Highmark would be able to institute a
21 new model of health care.
22 This region would benefit from improved
23 operating efficiencies. The financial soundness
24 of West Penn Allegheny would result in continued
25 progress.

1 West Penn Allegheny would not only be able
2 to meet its financial obligations, it would
3 continue to provide excellent patient care.
4 And while I realize, that the hearing today
5 is regarding the Highmark West Penn affiliation,
6 it is also just as imperative to this region that
7 Highmark and UPMC sign a multiyear contract that
8 would continue to provide access to the community
9 assets at a fair and equitable price.
10 This would benefit customers, employees and
11 the region. That includes all of us in the room
12 today.
13 That is truly the bottom line.
14 Thank you.
15 MR. CONSEDINE: Thank you very much.
16 (Applause.)
17 MS. LUCAS: Our next speaker is Henry
18 Miller. On the deck is Donald Green.
19 MR. MILLER: Good afternoon.
20 My name is Henry Miller.
21 I am director of health analytics at the
22 Berkeley research group.
23 I have a doctorate in economics and
24 accounting, and 40 years of experience as a
25 health care consultant and researcher.

1 I have worked on health care issues in
2 western Pennsylvania for many years. Starting in
3 assistance in hospital contracting, that I
4 provided to Blue Cross of western Pennsylvania in
5 the early 1980s.
6 Since that time, I have provided additional
7 assistance to both Highmark and UPMC.
8 I am currently consulting for UPMC.
9 Today I am addressing three issues, that
10 need to be considered as the Highmark acquisition
11 of the West Penn Allegheny Health System is
12 reviewed.
13 First, inaccurate statements, that describe
14 the Pittsburgh hospital environment, need to be
15 corrected.
16 Second, the Highmark acquisition of West
17 Penn Allegheny Health System is likely to create
18 a competitive environment, that would bring
19 substantial benefits to western Pennsylvania.
20 And third, Highmark's financial support of
21 the West Penn Allegheny Health System will
22 require substantially more funding than has been
23 proposed.
24 Shortly after Highmark announced that it
25 intended to acquire the West Penn Allegheny

1 Health System, local newspapers began publishing
2 inaccurate statements about the Pittsburgh
3 hospital environment.
4 The articles claim that Pittsburgh has the
5 highest hospital costs in the U.S. And that
6 UPMC's costs were exceptionally high.
7 These statements are not true.
8 Medicare data was used to support the
9 contention that Pittsburgh had the U.S.'s highest
10 per capita hospital costs.
11 Medicare's expenditures for hospital
12 services provided to Pittsburgh beneficiaries are
13 high. But not because Pittsburgh's hospitals are
14 inefficient.
15 Pittsburgh hospitals serve Allegheny
16 County, which has one of the highest proportions
17 of old elderly in the U.S.
18 The 2010 census reported that for the U.S.
19 as a whole, six percent of the population is over
20 age 75.
21 Most cities have less than six percent over
22 age 75.
23 Allegheny County has 50 percent more, at 9
24 percent.
25 According to the National Center for Health

1 Statistics, people over age 75 are admitted to
2 hospitals at a 43 percent higher rate than people
3 age 65 to 74.
4 When Medicare data are adjusted for
5 differences in age, Pittsburgh's hospital costs
6 are far from the highest.
7 This finding is further supported by a 2010
8 study completed for the National Business Group
9 on Health by Milliman, a leading health care
10 actuarial firm.
11 Milliman found Pittsburgh was one of only
12 13 U.S. cities that provided high hospital value
13 for both Medicare and commercially insured
14 patients.
15 The claims that UPMC Presbyterian Shadyside
16 is a high cost hospital are also not true.
17 Measuring hospital costs requires
18 consideration of the relative severity of
19 patients' illnesses.
20 The correct way to compare hospital costs
21 is to standardize them by applying a case mixed
22 index, which measures patient severity.
23 UPMC Presbyterian Shadyside has an
24 exceptionally high case mix index, which means
25 that its patients are more severely ill than

1 patients in the other hospitals.
2 In fact, its case mix index is higher than
3 most of the other top hospitals in the U.S.,
4 including Johns Hopkins, Mass General and the
5 Mayo Clinic.
6 When UPMC Presbyterian Shadyside's costs
7 are adjusted for case mix, its costs are actually
8 lower than the majority of western Pennsylvania
9 hospitals.
10 Most importantly, western Pennsylvania's
11 health care system needs competition.
12 Highmark, as the area's dominant insurer,
13 needs to provide incentives to innovate.
14 Although other insurers such as UPMC Health
15 Plan have been innovative, Highmark's dominant
16 role has led to western Pennsylvania lagging
17 behind most of the U.S. in implementing changes
18 that reduce health care costs and improve
19 quality.
20 Change in western Pennsylvania has been
21 slow, because there are few financial incentives
22 to innovate.
23 Highmark's approach to controlling health
24 care costs has been to pay the lowest possible
25 unit prices for care, a strategy that has failed,

1 because as Highmark itself has admitted, it has
2 been ineffective at controlling utilization.
3 Indeed, given its extremely large market
4 share, Highmark has had little incentive to
5 control utilization or to otherwise develop new,
6 more efficient models of care.
7 Western Pennsylvania now has a unique
8 opportunity to improve its health care system for
9 the benefit of all of its residents.
10 It is on the cusp of creating competing
11 integrated delivery and financing systems, that
12 will seek to outdo each other in finding new ways
13 to improve the health of the population, to
14 enhance the patient experience of care, and to
15 reduce or at least control the per capita cost of
16 care.
17 Instead of waiting to adopt the changes
18 that the rest of the U.S. is working on now,
19 western Pennsylvania could leverage its unique
20 attributes and serve as a model for 21st century
21 American health care.
22 Competition will create the changes that
23 are needed, if Highmark follows through on its
24 vision of creating an integrated delivery and
25 financing system, which includes the acquisition

1 of West Penn Allegheny, and if UPMC maintains its
2 independence by not contracting with its
3 competitor.
4 So approval of the acquisition of West Penn
5 Allegheny Health System is the right thing to do.
6 But it is the right thing to do, only if
7 Highmark is clear about the investment that is
8 needed to ensure West Penn Allegheny's success.
9 It is indicated its current plan is to
10 invest 475 million dollars. The amount assumed
11 to be needed to prevent West Penn Allegheny from
12 defaulting on debt.
13 Considerably more money will be needed to
14 make West Penn Allegheny competitive.
15 Audit reports indicate that West Penn had
16 operating losses of more than 300 million over
17 the past five years.
18 In 2011, its liabilities exceeded its
19 assets by 35 percent, and it had unfunded pension
20 liability of almost 200 million dollars.
21 It had long term debt of almost 800 million
22 dollars, which resulted in a debt to equity ratio
23 of 114 percent, when the national median debt to
24 equity for hospitals is 26 percent.
25 West Penn Allegheny's extraordinary debt

1 and its need to fund its pension liabilities
2 require far more cash than it can generate
3 itself.
4 In 2011, its financial statements indicated
5 that it could generate a little more than 100
6 million dollars, but needed almost 300 million
7 dollars to meet capital expenditure and debt
8 service requirements.
9 Most importantly, West Penn Allegheny's
10 auditors took a dramatic step of raising the
11 question of whether the system could continue to
12 be a going concern.
13 West Penn Allegheny Health System not only
14 needs far more cash than Highmark promised, it
15 needs major operational changes.
16 Since 2000, its acute care admissions have
17 declined by 25 percent.
18 In 2011, inpatient occupancy rate was 64
19 percent, far below an efficient level. Over the
20 last decade, it hired at least three hospital
21 turnaround consulting firms at great costs, and
22 its losses accelerated.
23 It is not clear that West Penn Allegheny
24 has been willing to make the hard decisions, that
25 can make it successful.

1 Highmark or UPE will need to make those
2 decisions. And it will need to provide the
3 funding to support them.
4 Thank you.
5 MR. CONSEDINE: Thank you, Dr. Miller.
6 Quick question for you.
7 You talked in terms of the benefits that
8 would come along with competing integrated
9 delivery systems, in terms of the innovation that
10 would come from that.
11 What prevented that innovation prior to the
12 existence of competition? What prevented UPMC
13 from innovating before competition existed?
14 MR. MILLER: I think from a UPMC
15 standpoint, part of the reason is that it has
16 been receiving far less in its unit payments for
17 care, primarily from Highmark, than it would have
18 liked, I suppose.
19 We have talked a lot about their demand for
20 40 percent increase.
21 But what is not discussed is that they
22 signed a ten year contract, which had a fairly
23 meager inflation adjustment over that ten year
24 period.
25 So they didn't get any increases for

1 technology, any increases to try innovation, any
2 increases to support some of the new ideas, that
3 they would like to try.
4 They are trying them now, as is Highmark.
5 They are a little behind the curve.
6 But I think if they had to compete with
7 each other, that would accelerate.
8 MR. CONSEDINE: Okay.
9 Thank you very much.
10 MS. LUCAS: Our next speaker is Donald
11 Green.
12 And David Fields is on the deck.
13 MR. GREEN: Commissioners, counsel, I
14 appreciate the opportunity to speak to you as an
15 individual, to encourage your Department to
16 quickly act to approve the affiliation of
17 Highmark and the West Penn Allegheny Health
18 System in to an integrated delivery system for
19 our region.
20 In order to maintain consumer choice and
21 competitive fees to the consumer and those who
22 pay for their health care coverage, it is vital
23 to preserve the West Penn Allegheny Health
24 System.
25 Having served as the assistant to the

1 Lutheran Bishop in southwest Pennsylvania for a
2 decade, I know the challenges that have been
3 faced by congregations and midlevel
4 adjudicatories, as they deal with Pittsburgh
5 having some of the highest health care insurance
6 premiums in the nation.
7 "Can we sustain a full time pastor" is the
8 question congregations wrestle with, when faced
9 with exorbitant insurance premiums.
10 A choice of medical providers will ensure
11 that costs for medical services remain
12 competitive and will not be dominated by the
13 monopoly of a single, dominant provider such as
14 UPMC.
15 I listened to the 26 bishops and church
16 executives, whom I serve at Christian Associates,
17 lament the cost of health coverage for their
18 clergy and lay professionals.
19 They wrestle with the implications of the
20 recession and unemployment in the region upon
21 their faithful.
22 The affiliation of Highmark and West Penn
23 Allegheny Health System will create and sustain
24 high quality jobs in our region, a needed boost
25 to our regional economy.

1 Those same Christian leaders wrestle with
2 securing appropriate coverage for their
3 professional and lay leaders.
4 Some have already seen the negative
5 consequences of exorbitant fees for out of
6 network care as the current impasse between
7 Highmark and UPMC continues.
8 Again, I am speaking to you as an
9 individual Lutheran clergy person, who is the
10 executive director of our regional ecumenical
11 association, Christian Associates of southwest
12 Pennsylvania.
13 Last Friday, 19 members of our council of
14 bishops and adjudicatory executives signed a
15 statement, "Religious freedom in health care".
16 The signatories represented 11 Orthodox,
17 Catholic and Protestant, including evangelical
18 mainline and progressive denominations.
19 The statement concluded, "Therefore, we
20 call upon the Federal government to alter the
21 preventative services mandate to broaden the
22 religious exemption within it, so that both the
23 constitutional right to the free exercise of
24 religion for all, and the moral imperative of
25 health care, likewise for all in this country,

1 may not be impaired".
2 I call your attention to the second portion
3 of that appeal.
4 "So that the moral imperative of health
5 care, likewise for all in this country, may not
6 be impaired."
7 Many of those same Christian denominations,
8 who signed that statement, once founded and
9 operated hospitals in this region in response to
10 the moral imperative of health care for all,
11 particularly the poor.
12 Passavant, the first Protestant hospital in
13 the United States, St. Francis, Mercy, Divine
14 Providence, Presbyterian, all were opinions to
15 that moral imperative of health care for all.
16 Today, most have closed or have been
17 subsumed in to the dominant health care provider
18 network.
19 Several years ago, that dominant provider
20 discontinued obstetric and maternity services at
21 McKeesport Hospital. And more recently has
22 demolished the Braddock Hospital.
23 While at the same time expanding facilities
24 at Passavant in the North Hills and building a
25 second hospital in Monroeville.

1 That dominant provider's quest for
2 monopolistic control of the marketplace
3 demonstrates an utter disregard for the welfare
4 of our region, seeking and expanding market share
5 in more affluent communities, while abandoning
6 economically struggling neighborhoods, and thus
7 totally disregarding the Christian leaders' call
8 that the moral imperative of health care for all
9 not be impaired.
10 Thus, I would contend the partnership
11 between Highmark and West Penn Allegheny Health
12 System is vitally needed to obtain not only our
13 consumer choice, but access for all residents of
14 our region.
15 Again, I urge the Pennsylvania Insurance
16 Commission to act quickly to affirm this new
17 partnership, to preserve consumer choice, reduce
18 insurance costs, and provide needed jobs in
19 southwestern Pennsylvania.
20 Thank you for your attention to this plea
21 for quick action, so that the resources of
22 Highmark and West Penn Allegheny can be utilized
23 to create a symbiotic relationship for the
24 greater good of all residents of southwestern
25 Pennsylvania.

1 Thank you.
2 (Applause.)
3 MR. CONSEDINE: Thank you, Reverend.
4 MS. LUCAS: Our next speaker is David
5 Fields. On deck is Gregory Erosanko.
6 MR. FIELDS: Good afternoon,
7 Mr. Commissioner, and thank you for allowing us
8 to participate in this hearing today.
9 My name is David Fields. I am president
10 and CEO of Health America here in the
11 Commonwealth of Pennsylvania.
12 Health America is a leading health insurer
13 in the commercial sector and serving government
14 programs such as Medicare and Medicaid.
15 We provide affordable health care coverage
16 to citizens of the Commonwealth and have done so
17 for nearly 40 years.
18 We serve nearly 12,000 employers in the
19 Commonwealth and approximately 450,000 members in
20 Pennsylvania.
21 Through our provider network, we cover all
22 67 counties in the Commonwealth of Pennsylvania.
23 In conjunction with our corporate parent,
24 Coventry health care, we employ nearly 25 hundred
25 people across the Commonwealth.

1 All of our employees are offered
2 comprehensive health benefits, so access to high
3 quality providers is critical to us, both as an
4 insurance carrier and as an employer.
5 Health America is a stakeholder in these
6 discussions. Health America has maintained a
7 relationship with West Penn Allegheny Health
8 System for nearly 40 years.
9 Until recent developments, West Penn
10 Allegheny was our primary provider of tertiary
11 and quaternary care in the region.
12 In the past three years, we have had more
13 than 13,000 inpatient admissions and 265,000
14 outpatient visits at West Penn Allegheny.
15 So these discussions are vitally important
16 to us.
17 Health America supports competition.
18 Competition among health care providers and
19 insurers. We support consumer choice. And we
20 support health care accessibility and
21 affordability.
22 We believe that legislative and regulatory
23 actions may be necessary to achieve and ensure
24 these goals for the patients and the health care
25 consumers in western Pennsylvania.

1 Let me be very clear. Health America
2 supports the affiliation of Highmark and West
3 Penn Allegheny Health System, if, if this
4 affiliation fosters provider competition, that
5 benefits the consumers of western Pennsylvania.
6 We do not support the affiliation, if a
7 combined Highmark West Penn entity is used to
8 stifle competition, increase health care costs
9 and further Highmark's monopoly in the region.
10 Today, UPMC is the dominant health care
11 delivery system in this region.
12 As a result, it is critical to have a
13 viable competitor and an alternative to UPMC.
14 Without competition for UPMC, our
15 experience and testimony today suggests, that the
16 cost of health care will increase greatly.
17 Similarly, Highmark is the region's
18 dominant health insurer.
19 Therefore, it is essential that Highmark's
20 regional dominance not be increased by this
21 acquisition, and that other insurers are allowed
22 access to West Penn in order to compete with
23 Highmark on a more level playing field.
24 With respect to the guiding principles to
25 evaluate the Highmark West Penn acquisition,

1 Health America respectfully offers, 1, it must
2 not diminish the overall level of competition or
3 affordability in the health care market in
4 western Pennsylvania.
5 2, it must not increase costs or limit
6 choice for the region's patients and health
7 consumers.
8 3, it must not limit the ability of West
9 Penn to independently contract with other
10 insurers at market competitive rates and terms.
11 A few points about each of those guiding
12 principles.
13 As to principles 1 and 2, maintaining
14 competition and affordability.
15 A key issue is whether Highmark's
16 affiliation with West Penn would produce an
17 unfair strategic advantage over competitors.
18 In other words, Highmark could use the
19 affiliation to bolster its own health plan at the
20 expense of competitors in several ways.
21 Creating an integrated delivery and finance
22 system that replicates UPMC should not be the
23 outcome of these deliberations.
24 For example, Highmark could restrict access
25 to West Penn by other insurers, thereby

1 eliminating competition in the health care
2 provider market.
3 Highmark could force competitors to pay
4 higher reimbursement rates to West Penn while
5 Highmark receives favorable rates.
6 Competitors would then be forced to pass
7 along those higher costs to employers' patients
8 and consumers' new higher premiums.
9 Highmark could bundle West Penn's services
10 in to contracts that required the use of other
11 West Penn Allegheny facilities and services.
12 That is, Highmark could require all or
13 nothing in terms of contracting with other West
14 Penn facilities for medical services.
15 Highmark's ability to pursue any of these
16 strategies must be limited as a condition of this
17 approval.
18 Health America believes that the
19 transaction is acceptable, so long as it is
20 negotiated in good faith and includes conditions
21 that guarantee continued access to West Penn at
22 competitive rates.
23 As a result, we recommend that the
24 Commonwealth impose the following conditions.
25 1, current insurer contracts with West Penn

1 will remain in place, longer term extensions of
2 these extracts will be required.
3 2, facility and owned physicians, including
4 facilities and providers acquired by Highmark in
5 the future, will continue their participation
6 with all health plans.
7 3, rates will be market based and
8 comparable to today's environment. Any rate
9 increases will be based on reasonable underlying
10 medical cost trends, that are offset by quality
11 and technology driven efficiencies.
12 4, West Penn Allegheny contracts will not
13 be tied to an obligation to contract with other
14 potential Highmark or West Penn Allegheny
15 providers or facilities.
16 Lastly, it is an imperative that no actions
17 are taken, that would extend the existing
18 Highmark UPMC contract beyond its scheduled
19 termination date of June 30, 2013.
20 Any such actions to extend the termination
21 date would in fact have a harmful impact on
22 competition and consumer choice in the
23 marketplace.
24 All seem to be in agreement, that it has
25 created clamps on competition in western PA and

1 should not be continued.
2 Once again, we want to thank you for
3 allowing Health America to participate in this
4 important community discussion.
5 And about the future of health care
6 delivery and access in the Pittsburgh region.
7 Thank you.
8 MR. CONSEDINE: Thank you.
9 (Applause.)
10 MR. CONSEDINE: Question for you.
11 You raised a lot of hypotheticals in terms
12 of potential anticompetitive or predatory
13 conduct, that you are concerned that a Highmark
14 led integrated delivery system might engage in,
15 and proposed some corresponding conditions to
16 address that.
17 You are already competing in a marketplace,
18 where you have an integrated delivery system, and
19 you are competing, I assume, with its insurer.
20 So are your concerns and your hypotheticals
21 based on actual experience?
22 Or are they more conceptually based at this
23 point?
24 MR. FIELDS: That is a very good and
25 interesting question.

1 I think that my response is based upon the
2 experiences of the last 16 to 18 months here in
3 the western Pennsylvania marketplace.
4 All seem to take exception to some of the
5 strategies or tactics, that have been employed by
6 UPMC in their negotiations or in their actions in
7 the community.
8 But by virtue of the approval of the West
9 Penn and Highmark deal, you are creating another
10 organization, that has both a commanding market
11 power and the ability to impose those types of
12 restrictions, that others have found so
13 objectionable over the last 16 to 18 months.
14 MR. CONSEDINE: Okay.
15 Thank you.
16 MR. FIELDS: So I would say it is wounds
17 that we have learned.
18 MR. CONSEDINE: Thank you.
19 MR. FIELDS: Thank you.
20 MS. LUCAS: Our next speaker is Gregory
21 Erosanko. And Ricco Brusco is on deck.
22 MR. EROSENKO: Good afternoon,
23 Mr. Commissioner.
24 My name is Greg Erosanko. I am mayor of
25 the municipality of Monroeville.

1 I will keep my comments brief and concise.
2 And it is -- obviously, my community is the
3 one where a lot of this fun got started.
4 First, let me state to you directly, that
5 it is my hope and desire, that you approve this
6 affiliation as soon as possible.
7 This affiliation will benefit our entire
8 region by protecting the 11,000 plus jobs, which
9 in turn has a very positive effect on our
10 economic success and for the future of our
11 region.
12 It would also allow West Penn Allegheny to
13 build an integrated health system, deliver value
14 to its consumers, offer choice, and improve the
15 already high quality of care given to the
16 patients and family members they serve.
17 I now would like to focus on Forbes
18 Regional Hospital.
19 As you may already know, Forbes has been a
20 part of our Monroeville community family for over
21 30 years, providing great quality care and life
22 sustaining jobs, which has again a positive
23 impact on our economic success, not only in
24 Monroeville, but in many of the communities out
25 in the east of Allegheny County.

1 As stated before, Forbes has renovated
2 their emergency department in 2005, and again in
3 2011.
4 They have a world class cardiovascular
5 department. And with the financial infusion of
6 cash to Forbes from Highmark, and with the
7 approval of the state and other entities, Forbes
8 soon will become a level 2 trauma center.
9 Again, improving patient care and patient
10 survivability for those that need that level of
11 care.
12 As our region has diversified and
13 Monroeville has grown, and now is in a new
14 renaissance era, we as a community continue to
15 value Forbes' role, not just in our area, but for
16 the entire health care system as a whole.
17 And especially the east of Allegheny
18 County, where we are located.
19 Let's talk about competition.
20 With the approval from you on this
21 affiliation, this will allow West Penn Allegheny
22 to stay competitive with UPMC, which in turn in
23 the long run should lower health care cost.
24 It should also improve quality of care to
25 each of their patients, that they serve.

1 Please remember, you will have two quality
2 systems, health care systems, looking to stay on
3 the cutting edge of technology in health care.
4 And they are also going to look to improve
5 access and to keep health care costs down.
6 This is a win win situation for all of us
7 in here in Allegheny County.
8 If this affiliation is not approved by you,
9 West Penn Allegheny may not survive, as we know
10 it.
11 And this can lead to a monopoly in our
12 health care system, which is not good for health
13 care consumers.
14 And it is also illegal.
15 Please remember the AT & T break up and all
16 of the issues that came along with that.
17 I could go on and on, why this affiliation
18 should and needs to be approved.
19 But I would like to leave you with some
20 food for thought. And please take it in the
21 context that I am trying to give it to you.
22 I have been in government service for 40
23 years. 25 years in the Federal service, 15 years
24 at the local level.
25 I am now in my fifth year as mayor of

1 Monroeville.
2 But even at times, with the best of
3 intentions, we in government tend to get in the
4 way of good business decisions.
5 I believe this affiliation is another good
6 business decision for health care consumers.
7 So please, for the sake of our health care
8 system as a whole, and for the economic
9 implications for the entire regions, please
10 approve this affiliation.
11 I thank you for your time.
12 MR. CONSEDINE: Thank you very much, Your
13 Honor.
14 (Applause.)
15 MS. LUCAS: Our next speaker is Ricco
16 Brusco.
17 And Susan Caldwell is on deck.
18 MR. BRUSCO: Good afternoon. My name is
19 Ricco Brusco.
20 I am account manager for Bender Consulting
21 Services, Incorporated.
22 A company headquartered in Pittsburgh,
23 Pennsylvania, that focuses on employing and
24 recruiting people with disabilities in both
25 private and public sectors of the work force.

1 Unfortunately, our CEO and president, Joyce
2 Bender, was unable to be here today due to her
3 travel schedule.
4 She has asked me to represent her and share
5 her remarks. And they are as follows.
6 I am delighted to support the Highmark West
7 Penn Allegheny Health System affiliation.
8 As a founder and CEO of a small business
9 focused on creating jobs and ensuring people with
10 disabilities have access to freedom through
11 competitive employment, I am concerned about the
12 negative impact that rising health care costs
13 have on the community.
14 As an employer, I believe that providing
15 excellent health care benefits to my employees is
16 important.
17 Currently, I provide family benefits and
18 pay 100 percent of the health insurance premium
19 for my employees.
20 Highmark and West Penn Allegheny Health
21 System affiliation will allow for provider
22 competition in western Pennsylvania, which is
23 required to ensure costs are brought under
24 control for my company, as well as small and
25 large businesses.

1 Recent surveys of individuals with
2 disabilities identify employment as their primary
3 concern.
4 Since the Americans with Disabilities Act
5 was signed in to law by President George H.W.
6 Bush in 1990, there as been no improvement in the
7 rate of employment for people with disabilities.
8 Highmark has been a model employer and
9 recognized as a national leader in the area of
10 including talented professionals with
11 disabilities within their work force.
12 They have set a high mark for other
13 companies to follow.
14 As a result of the affiliation of Highmark
15 and West Penn Allegheny Health System, I have no
16 doubt, that our community will benefit through
17 the creation of more employment opportunities for
18 people with disabilities.
19 The most significant benefit of the
20 Highmark West Penn Allegheny Health System is
21 choice.
22 All members of our community have earned
23 and deserve choice in health care.
24 Sometimes people living with disabilities
25 have unique care needs and require access to

1 specialty health care providers.
2 As a person living with epilepsy, to ensure
3 proper quality of life and medical care, I
4 require access to an epitologist, a neurologist
5 with a specialization in epilepsy.
6 All members of our community, including
7 those with disabilities, should be able to have a
8 choice to live in all of the areas within our
9 region and have access to health care
10 professionals we require.
11 I urge you and your team to expedite the
12 decision to approve the affiliation between
13 Highmark and West Penn Allegheny Health System.
14 Please contact me, if you have any
15 questions or require additional information.
16 It has been my pleasure to share Joyce
17 Bender's remarks with you today.
18 Because of Highmark's commitment to
19 inclusion of talented people, including
20 disabilities like myself, I am a taxpayer, an
21 engaged community member, and have a successful
22 career in supporting and developing some of the
23 most complex information technologies within
24 Highmark.
25 But the most -- the thing that I like the

1 most with my opportunity at Highmark, I get the
2 opportunity to provide and mentor other people
3 with disabilities, so that they have the same
4 privilege as I do, of not only working, but being
5 a productive member within the community.
6 Thank you very much.
7 MR. CONSEDINE: Thank you, Mr. Brusco.
8 (Applause.)
9 MS. LUCAS: Our next speaker is Susan
10 Caldwell, with Kim Bonnaure on deck.
11 MS. CALDWELL: Good afternoon.
12 MR. CONSEDINE: Good afternoon.
13 MS. CALDWELL: Welcome, and thank you for
14 your time and efforts to travel to Pittsburgh and
15 the surrounding regions, which time and time
16 again receives accolades for being one of the
17 most beautiful, and definitely the most livable
18 regions in the country.
19 It is nice to have you.
20 As a personal introduction, my name is
21 Susan Caldwell.
22 I am an RN, BSN, CNOR and RNFA. Lots of us
23 in health care have many initials after our name.
24 And to me, personally, it is just a statement
25 that represents the fact I have a passion for

1 what I do for my patients.
2 Therefore, I am continuously seeking
3 educational opportunities and challenges to
4 ensure I am the best provider I can be, when I
5 arrive at the hospital campus every day to take
6 care of my patients.
7 I am currently employed at Forbes Regional
8 campus in Monroeville, which is part of the West
9 Penn Allegheny Health System.
10 I have previously been employed at
11 Shadyside Hospital and Citizens General Hospital.
12 I am also a former member of Allegheny
13 County council, representing eight municipalities
14 in the eastern and northern suburbs of Allegheny
15 County.
16 I had the privilege to work with Rich
17 Fitzgerald, who spoke in front of the panel
18 earlier.
19 And he and I served together on Allegheny
20 County council at the time.
21 Prior to my county council position, I was
22 honored to serve as a member of the Plum Borough
23 school district.
24 My health care knowledge really helped me
25 surveying my communities, and in particular it

1 relates to the role today.
2 Because I was responsible for ensuring the
3 health of the employees of the school district or
4 the county, when I served in those roles and
5 formulated our budgets.
6 I have worked for decades as a health care
7 provider to the citizens who come to the region's
8 health care institutions.
9 I have come to understand that our region's
10 patients trust those institutions to provide the
11 best care possible.
12 As was the practice, as some will remember
13 back in the 1970s and 1980s, no longer do
14 patients have to leave this region, to seek
15 specialized medical care in other states'
16 institutions such as the Cleveland Clinic or
17 Johns Hopkins.
18 We, as a health care community in this
19 region, have been driven to be ourselves one of
20 the best in the world.
21 Also, in the 1970s and '80s, many required
22 the process of health care institutions securing
23 from the state a certificate of need in order to
24 gain authorization to require equipment or expand
25 facilities.

1 It was a major event, when the first
2 tractor trailer rolled up the main driveway, as I
3 watched from my dormitory window on Center Avenue
4 at Shadyside Hospital to deliver the hospital's
5 first CAT scanner, as the facility had to go
6 through a lengthy application and approval
7 process to gain permission for this new
8 diagnostic tool.
9 Regulations would only permit for just so
10 many of these costly units to exist within a
11 certain region.
12 The goal of this process appeared to be to
13 prevent duplication of costly medical equipment,
14 when patients' demographics in an area did not
15 dictate this expense.
16 This was also a time when health care
17 premiums were a relatively small percentage of an
18 employee's compensation package.
19 Rarely did an employee pay a portion of the
20 premium at that time.
21 As time has evolved, the insurance industry
22 has found a need to adapt to the pressures from
23 the legal implications working within the
24 practice of medicine.
25 Costs of health care have risen

1 exponentially over the decades, fueled by many
2 factors such as research, development costs,
3 legal liabilities, corporate greed and loss of
4 regulation of duplication of services.
5 The Pennsylvania Insurance Department has
6 stated that it is to, quote, "provide a premiere
7 regulatory environment that promotes a
8 competitive marketplace and serves the best
9 interest of Pennsylvania consumers," unquote.
10 As a public servant, I held the
11 responsibility to provide the best standard of
12 life in our region, while keeping the cost to our
13 1.2 million citizens in the county at a minimum.
14 The Insurance Department has mirrored what
15 most officials in public office strive to
16 achieve. Your responsibility to ensure that our
17 region's citizens as patients are assured the
18 best interest in the future of their health care.
19 Gone now are the days of the certificate of
20 need as time has moved on.
21 Every acute care hospital, of course, has
22 at least one, if not multiple, CT scanners, MRI
23 and other advanced technology. And these are all
24 readily available.
25 At first, to those in health care familiar

1 with the certificate process from days gone by,
2 it seemed as though there was a CT scanner on
3 every corner, and some wondered if that was
4 actually fiscally responsible.
5 Today, we find ourselves in an extremely
6 competitive health care climate in southwestern
7 Pennsylvania.
8 Costs have driven formerly longstanding
9 independent institutions to merge with others,
10 many times larger health care groups, such as the
11 University of Pittsburgh Medical Center and West
12 Penn Allegheny Health System.
13 This appears to be the only option
14 leadership has to stay financially afloat.
15 Competition between the two major providers
16 in our region has escalated to the point of
17 incongruity in the eyes of many.
18 One example is the glaring opposite of what
19 occurred when the certificates of need were in
20 existence.
21 A major player in our region has taken the
22 initiative to construct an acute care hospital
23 less than one and a half miles from an existing
24 successful acute care hospital in the same
25 suburban community.

1 This suburban community, Monroeville, and
2 its surrounding other suburbs leading in to
3 Westmoreland County has seen significant
4 population decline over the past two decades.
5 There was no patient volume needs for
6 duplication of acute care services in this area.
7 Insurance factors are given as the
8 reasoning for this phenomenal expenditure of
9 health care dollars.
10 Individual patients, who are insured mainly
11 through this employer plan selection through this
12 provider, must use only facilities owned by the
13 provider or incur a costly outlay.
14 When serving as county official
15 representing over 100,000 citizens of Allegheny
16 County in my own district and interacting with
17 these citizens and others in surrounding
18 communities, time and time again, I was told the
19 sense of the public is one health care system has
20 a desire to gain control over the majority of the
21 market in southwestern Pennsylvania.
22 This holds true now as this major player
23 has multiple acute care facilities in the region
24 and beyond.
25 The lack of competition gives rise to

1 unease for our consumers. And of course, it is
2 multiplied, as they understand that this impacts
3 their health, not just their wallet.
4 We currently have in place regulations
5 dictating a patient must be given options when
6 planning to which home care agency will provide
7 for them, when they leave the acute care
8 hospital.
9 There is consumer choice in this practice
10 as supported by state statute. Should not the
11 same patient be given option for their inpatient
12 care provider?
13 Limiting services to patients only insured
14 by the system's product denies access to our
15 community assets.
16 Over the years in our region we have been
17 blessed by many successful individuals bestowing
18 gifts to our health care institutions.
19 These contributions have in essence created
20 some of our region's most valuable amenities.
21 For example, the Holman Cancer Center. These
22 were given to the community as a whole. Not with
23 conditions of insurance but provider.
24 To withhold these services from individuals
25 in the community due to the name of insurance on

1 their insurance card is a disservice to the
2 benefactor.
3 Highmark in necessary endeavors to maintain
4 marketplace competition in the region has come
5 forward to assist West Penn Allegheny Health
6 System.
7 At the same time, they continuously
8 maintained that patients deserve a choice of
9 providers, and they do continue to pursue a
10 relationship with UPMC.
11 Employees at these struggling --
12 financially struggling institutions of West Penn
13 Allegheny Health System have serious and at times
14 grave concerns for their future.
15 Some of us have had the signage changed
16 outside of our institutions more times than we
17 can enumerate.
18 My institution, for example, still has
19 surgical instrumentation engraved with East
20 Suburban medical center, the original name of the
21 campus.
22 As changes occur in leadership in
23 particular in recent years, employees are
24 uncertain of many factors.
25 Work hours are downsized. Benefits are

1 downsized. Times have occurred where retirement
2 contributions were not paid in a timely fashion.
3 Paycheck statements are closely and
4 anxiously scanned every two weeks for possible
5 losses. Jobs are eliminated with new
6 leadership.
7 And many have the sense they may not have a
8 job at the end of the day on the very same day
9 that they may have helped save a patient's life.
10 I believe that the Insurance Department
11 mission will lead the respected members charged
12 with this monumental task to decide in favor of a
13 competitive marketplace for the citizens of
14 Pennsylvania on this important matter.
15 I also know a recent decision by the United
16 States Justice Department to allow the
17 application of Highmark and West Penn Allegheny
18 Health System to move forward as a positive light
19 in this matter.
20 There must remain the imperative factor of
21 choice for the citizens of southwestern
22 Pennsylvania.
23 Thank you very much for the attention to
24 this vital issue.
25 MR. CONSEDINE: Thank you very much.

1 (Applause.)

2 MS. LUCAS: Our next speaker is Kim

3 Bonnaure. And on deck is Cece Peterson and Diane

4 Lataille.

5 MS. BONNAURE: Hi.

6 My name is Kim Bonnaure. I work at

7 Canonsburg General Hospital.

8 I have worked in the emergency room as a

9 patient registrar. And most recently I worked

10 there as a coder in the emergency room.

11 In the nearly three decades, that I have

12 worked at Canonsburg, I have been dedicated to

13 keeping our community hospital going.

14 Canonsburg is a small hospital. We take

15 pride in the care and service, that we give to

16 our family and friends from the community around

17 us.

18 The patients, that we have in our community

19 hospital, want to stay in the community hospital.

20 They don't want to be forced to travel to

21 Pittsburgh or even to travel to Washington for a

22 larger hospital.

23 They appreciate the service and care we

24 give them.

25 I have been there, when Canonsburg was a

1 small and independent hospital, and then became
2 part of the West Penn Allegheny system.
3 I know that in the health care environment
4 today, we cannot be a viable small community
5 hospital alone.
6 Our health system can't stay viable without
7 the support of Highmark.
8 Besides the importance of serving our
9 neighbors and friends, I also think it is
10 important that Washington County residents and
11 all southwestern Pennsylvania residents have a
12 choice in health care providers.
13 No industry should have a monopoly, and
14 especially in the health care, patients deserve a
15 choice in their care.
16 I am also proud to say I have been active
17 in my union, to make sure that the jobs at
18 Canonsburg Hospital are quality jobs.
19 We can't afford to close community
20 hospitals and leave those secure quality jobs.
21 Our small communities need this approval.
22 Thank you.
23 MR. CONSEDINE: Thank you very much.
24 (Applause.)
25 MS. LUCAS: Our next speakers are Cece

1 Peterson and Diane Lataille.
2 And Darlene Benny is on deck.
3 MR. CONSEDINE: Good afternoon.
4 MS. PETERSON: Hi.
5 My name is Cece Peterson.
6 I am a flight nurse for life flight at
7 Allegheny General Hospital.
8 We transport critically ill and injured
9 patients, allowing people throughout western
10 Pennsylvania to access the world class facilities
11 we have at Allegheny General.
12 I have worked at AGH since Jimmy Carter was
13 President. I have stayed there that whole time,
14 and certainly through some really tough financial
15 times for the institution, because as an
16 employee, I have always been treated fairly.
17 The hospital asks me to do a really
18 difficult clinical job, and it has always
19 provided excellent resources and ongoing
20 education to assure that life flight's high
21 standards are maintained.
22 If this affiliation does not go through, I
23 am concerned about effects that might hamper our
24 ability to provide quality care to health care
25 consumers in Pittsburgh.

1 If one system gains a monopoly, there is no
2 impetus for that monopoly to constantly improve
3 care and service to its patients and their
4 families.
5 Without competition, standards would fall
6 to the least common denominator. For example, in
7 life flight, our policy is always to have two
8 highly experienced critical care nurses on every
9 flight with a patient, which AGH has always
10 deemed crucial to maintaining the highest level
11 of care during transport.
12 In contrast, UPMC's STAT MedEvac provides
13 one nurse and one paramedic. I don't want to
14 have to work under lower standards to keep doing
15 the job that I love.
16 Without this affiliation, it is likely AGH
17 will not be able to fund life flight. This will
18 mean that my job would be lost, along with the
19 other flight nurses, dispatchers and support
20 staff, who work for our Department.
21 The loss of life flight would also mean the
22 loss of revenue for the institution, as we bring
23 many unreferred patients to AGH.
24 The trauma and stroke teams may be the
25 first to feel this loss of revenue.

1 But eventually, it would impact many
2 departments from the operating room to the
3 pharmacy, rehab services, and more.
4 Affiliation with Highmark will allow
5 Allegheny General and the rest of the West Penn
6 Allegheny Health System to thrive and compete in
7 the Pittsburgh market, which is good for health
8 care workers, our patients and our communities.
9 Thank you.
10 MR. CONSEDINE: Thank you.
11 MS. LATAILLE: Good afternoon.
12 My name is Diane Lataille. I am a
13 registered nurse at Allegheny General Hospital.
14 I have been a nurse for 36 years. And I
15 have seen many changes in my lifetime regarding
16 the practice and delivery of health care. Some
17 good and some not so good.
18 I am here to testify that I support the
19 Highmark West Penn Allegheny Health System
20 affiliation.
21 I cannot imagine why the citizens and
22 residents of Pittsburgh would not support this
23 transaction.
24 It is no secret to the residents of
25 Pittsburgh, that the West Penn Allegheny Health

1 System has struggled financially over the past 13
2 years.
3 Throughout all our challenges, our focus
4 has always been and will continue to be providing
5 the highest quality care, because that is what
6 our patients expect, and that is what we expect
7 of ourselves.
8 Over the past ten years, nurses at our
9 facility have worked very hard with management,
10 to forge a relationship, which works
11 collaboratively to achieve our mutual goal of
12 quality care. Bigger isn't always better.
13 Although our health care system isn't small
14 in any way, we recognize the importance of
15 treating all our patients individually.
16 We work very hard with the hospital, and we
17 are currently involved in projects right now,
18 which enhance the patient hospital experience.
19 We are becoming recognized nationally as
20 leaders in our approach to patient care, and hope
21 to set the standards of practice for all health
22 care providers in the near future.
23 We demonstrated our commitment today by
24 appearing in this very forum to support our
25 facility.

1 I do not stand here alone. But I am
2 accompanied by fellow nurses from the West Penn
3 Allegheny Health System.
4 We believe a strong labor management
5 relationship will be essential for this
6 affiliation to succeed.
7 And the nurses at our facilities are ready
8 to accept this challenge.
9 Without the affiliation with Highmark, my
10 fear is West Penn Allegheny Health System would
11 not be able to sustain itself financially, in
12 this very competitive market.
13 The movement we have started to improve the
14 deliverance of patient care would cease. And the
15 residents of Pittsburgh and West Penn Allegheny
16 Health System would have no choice in the health
17 care they receive.
18 How could it be in an area, which used to
19 boast having more hospitals per capita than most
20 cities, we are now facing cruel elimination of
21 those very structures leaving possibly one stand
22 alone power, who is more interested in making a
23 profit than caring for those individuals who have
24 helped make them great in the first place.
25 My hope is to see that Allegheny -- that

1 West Penn Allegheny Health System and Highmark
2 work together to improve health care as we know
3 it today.
4 With a sound financial base, great medical
5 and business minds, devoted employees and strong
6 community, we are only limited by our imagination
7 on how we can improve the process.
8 I am proud to say that my own family has
9 complete confidence in the care they have
10 received at Allegheny General.
11 I have great pride in the care I have
12 delivered at Allegheny General.
13 And we all count on the West Penn Allegheny
14 Health System anticipated future years of service
15 in the Pittsburgh area.
16 Thank you.
17 MR. CONSEDINE: Thank you very much.
18 (Applause.)
19 MS. LUCAS: Next speaker is Darleen Benny.
20 And Mayor John Fetterman is on deck.
21 MS. BENNY: Good afternoon.
22 MR. CONSEDINE: Good afternoon.
23 MS. BENNY: My name is Darleen Benny.
24 I reside in Ross Township here near
25 Pittsburgh.

1 And I have been a registered nurse for over
2 40 years. The last ten years I have been working
3 at West Penn Allegheny hospital -- West Penn
4 Allegheny Health System, first at West Penn
5 Hospital, and now for the last few years at
6 Allegheny Valley Hospital in Natrona Heights.
7 I currently work in our geriatric
8 psychiatric unit.
9 And I would ask that you please note that
10 two of our West Penn Allegheny Health System
11 hospitals provide drastically needed inpatient
12 psychiatric services.
13 And those would be Allegheny Valley
14 Hospital and Forbes Regional health system.
15 Allegheny Valley Hospital is a vital
16 community hospital, that serves a great need and
17 purpose in the valley.
18 In addition to being a community hospital,
19 our patients also have access via helicopter, if
20 necessary, to cutting edge facilities at West
21 Penn Hospital, Allegheny General Hospital and
22 Forbes Regional Hospital.
23 Of course, we are also pleased that
24 Canonsburg Community Hospital is a part of our
25 system.

1 Competition lends itself to increasing
2 excellent care.
3 Healthy competition between our health
4 system and UPMC is imperative to make sure that
5 southwest Pennsylvanians have quality care,
6 leading resources and affordable care.
7 Recently at Allegheny Valley, we formed a
8 union with SEIU, so that we now have an
9 opportunity to work collaboratively with
10 administration to improve health care.
11 The administration at our hospital and the
12 larger health system is receptive to diverse
13 ideas to improve quality care.
14 While our ideas come from different
15 viewpoints, we all have the same objective, to
16 provide quality patient care.
17 By approving this affiliation, we will be
18 able to make advancements in our hospital and our
19 health system, and push our region's health care
20 infrastructure to be more innovative, more
21 efficient and a better value for southwestern
22 Pennsylvanians.
23 Thank you very much for your
24 consideration.
25 MR. CONSEDINE: Thank you.

1 (Applause.)
2 MS. LUCAS: Our next speaker is Mayor John
3 Fetterman. After which we will have our
4 afternoon break.
5 MR. FETTERMAN: Thank you for the ability
6 to tell everybody the story of Braddock, as
7 relates to the Highmark merger.
8 I have some images, that I gave. Could we
9 get those on the screen?
10 MR. CONSEDINE: Having a little IT
11 difficulty.
12 MR. FETTERMAN: Thank you.
13 Could I just make a signal when I want the
14 slides advanced?
15 Thank you.
16 For those that are unfamiliar with
17 Braddock, we are a small community, about ten
18 miles from downtown Pittsburgh.
19 We were incorporated in 1867. Our current
20 population is around 23 hundred. Please advance.
21 Why is Braddock notable? Why is Braddock
22 famous? It is where Andrew Carnegie got his
23 start, the first steel mill, Edgar Thomson, which
24 still operates to this day, was founded in 1865
25 in our community.

1 Next slide, please.
2 Braddock in 1955 had everything. It was
3 probably one of the most prosperous communities
4 in the region, and it was a power house of
5 commerce, economic opportunities and population
6 of around 20,000 residents at its apex.
7 Next slide.
8 By 2012, of course, we lost much of that.
9 One thing we were always able to count on in our
10 community since 1906 was our hospital, UPMC
11 Braddock.
12 However, in October of 2009, that changed.
13 Next slide.
14 Braddock is the poorest region, poorest
15 community in the region. Median home price, 48
16 hundred dollars.
17 If you take a look at household income, you
18 look at 17,518 dollars compared to Pennsylvania's
19 average of around 48,500.
20 Unemployment trends generally around 300
21 percent higher than the national average. Making
22 Braddock, once again, the poorest community in
23 Allegheny County.
24 Next slide, please.
25 In October of 2009, as I said earlier, UPMC

1 announced abruptly they were going to close our
2 hospital.
3 I like to consider myself sort of the ghost
4 of health care future coming to testify.
5 We don't have to wonder what is going to
6 happen, if this merger isn't allowed to go
7 through.
8 The case study of what UPMC is capable of
9 is played out right in our community over the
10 last couple of years.
11 Next slide, please.
12 First, there was protests. It was
13 begging. It was groveling. It was "Please don't
14 tear down our hospital". This beautiful
15 facility, 270,000 square feet.
16 Ironically, they just put about 8 million
17 dollars in to it to redo it.
18 However, they fell on deaf ears.
19 And what happened next was one of the most
20 wrenching experiences I suspect our community has
21 ever been through in its roughly 150 year
22 history.
23 Next slide, please.
24 This is what happens, when there is a
25 monopoly in health care in Allegheny County.

1 This was obviously the hospital, as it
2 began to be torn down. 5 million dollar
3 demolition of our beautiful hospital in downtown
4 Braddock.
5 Next slide, please.
6 Again, this is more of another picture,
7 consider the devastation of what this looks
8 like.
9 But also consider what this was, when it
10 was intact and what it meant to our community,
11 and what it meant in terms of health care to the
12 residents of the Braddock area, but as well as
13 other surrounding communities.
14 Next slide, please.
15 Again, another -- just the scope, to put
16 that in perspective, a 270,000 square feet is
17 about the size of two Wal-Mart super centers.
18 So you can imagine what this has done to
19 our community.
20 Next slide.
21 Again, utter devastation. This is the main
22 avenue. This is Braddock Avenue.
23 So for about six months, our community
24 looked like a war torn nation.
25 So what changed that? What gave us hope?

1 What reversed what this unfortunate course of
2 action that was set in to motion by UPMC's
3 monopoly power?
4 Next slide, please.
5 It was the Highmark. Last week there was
6 announcement that Highmark had teamed up with Med
7 Express to offer the first of its kind in the
8 country Med Express urgent care center, that
9 accepted Medicaid as well as Medicare.
10 So our residents and residents of the
11 Braddock surrounding area have access to first
12 rate health care 12 hours a day, seven days a
13 week.
14 It is a unique example, that is pioneered
15 and made possible only because of Highmark's
16 intervention and that of former Chief Executive
17 Dan Onorato and current Chief Executive Rich
18 Fitzgerald.
19 Braddock is a perfect example of what can
20 happen, when a nonprofit like UPMC is given full
21 control over your health care market.
22 And I urge you to consider the example,
23 that we learned the hard way in Braddock. And
24 learned from these lessons.
25 At the end of the day, without this merger,

1 we are all Braddock.
2 Thank you.
3 (Applause.)
4 MR. CONSEDINE: Thank you very much.
5 Okay. We are going to take a 15 minute
6 afternoon break and start at 3:00 o'clock.
7 Thank you.
8 And on deck, we have --
9 MS. LUCAS: For the next session, it will
10 be Robert Sylvestor, and Megan Nolte and Amy
11 Crawford after that.
12 MR. CONSEDINE: Thank you, folks.
13 (Recess taken.)
14 MR. CONSEDINE: I think we are ready to
15 start up with our afternoon session, which should
16 take us up to 5:00, unless we finish beforehand.
17 Who do we have up and on deck?
18 MS. LUCAS: First speaker is Amy Miller.
19 On deck is Megan Nolte and Amy Crawford.
20 MS. MILLER: Good afternoon.
21 My name is Amy Miller. I am a nurse at
22 Allegheny Valley Hospital in Natrona Heights.
23 I support the affiliation of West Penn
24 Allegheny Health System with Highmark, because I
25 support and believe in my community.

1 And I urge the Insurance Department to
2 approve it as soon as possible.
3 I grew up in Natrona Heights.
4 And I still live there today.
5 It is a small steel mill town just like
6 many others in this region.
7 We have two major employers, the steel mill
8 and the hospital.
9 Each employee employs hundreds of people.
10 Most of the people in our town were born
11 here. They have worked here. And they retired
12 here.
13 We have lots of elderly people in our
14 community, that depend on our hospital and the
15 doctors that are affiliated with us.
16 We have been coming to our hospital -- they
17 have been coming to our hospital for decades.
18 We are a familiar face to them.
19 And we know them by name.
20 It helps lessen their fears. And it makes
21 them feel comfortable, that they are getting
22 quality care right in their own community.
23 It would be a huge ordeal for many of our
24 elderly patients to have to go to a different
25 hospital.

1 Many have chronic conditions, that require
2 regular checkups, and the next closest hospital
3 is 15 miles away.
4 They can't easily go in to the city for
5 care.
6 And there is no need for them to provide
7 high quality care right here at Allegheny Valley
8 Hospital.
9 We are transitioning to electronic medical
10 records to make sure that our patients' full
11 histories are right at our fingertips.
12 We have a new MRI machine and department to
13 have the best diagnostic imaging.
14 We are constantly improving our hospital to
15 serve our patients better, with our chest pain
16 and our stroke center.
17 Beyond that, our hospital provides an
18 important service to the Natrona Heights
19 community.
20 At Destination Wellness, part of the West
21 Penn Allegheny Health System at the Pittsburgh
22 Mills mall, we provide health screenings, flu
23 shots and educational events.
24 We also have emergency drills and are
25 prepared for an industrial accident, if something

1 were ever to go wrong down at the mill.
2 Allegheny Valley Hospital employees in our
3 community are committed to keeping our community
4 hospital open.
5 I think the best way to do that is to have
6 it affiliated with Highmark.
7 That will give us the resources we need to
8 keep moving our hospital forward and providing
9 the quality care our community expects and
10 deserves.
11 Please approve this affiliation.
12 Thank you.
13 MR. CONSEDINE: Thank you very much.
14 (Applause.)
15 MS. LUCAS: Our next speakers are Megan
16 Nolte and Amy Crawford.
17 On deck is Mark DeRubeis and Robert
18 Crossey.
19 MS. CRAWFORD: Good afternoon.
20 MR. CONSEDINE: Good afternoon.
21 MS. CRAWFORD: I would like to thank the
22 insurance commissioner for the opportunity to be
23 here today.
24 My name is Amy Crawford.
25 And I have been a registered nurse at West

1 Penn Hospital for the past six years.
2 I work in our bone marrow transplant unit,
3 where we care for the sickest of the oncology
4 patients.
5 While I have been offered promotional
6 opportunities to move to more administrative
7 roles at West Penn, I chose to follow my passion
8 and remain at the bedside.
9 Like my colleagues across West Penn
10 Hospital and throughout the West Penn Allegheny
11 Health System, I am 100 percent committed to
12 providing the best possible care to those who
13 need us.
14 I am particularly honored to be here today
15 to represent the 11,500 employees of the West
16 Penn Allegheny Health System, but especially
17 those of us, who work in Bloomfield.
18 I am acutely aware that our ability to
19 provide care for patients at West Penn Hospital
20 has been in jeopardy over the past few years.
21 The people I work with provide tremendous
22 care, but my system's financial situation
23 threatened to close our doors for good.
24 I saw our emergency department close a year
25 ago. And I saw both jobs and patients lost.

1 I am very thankful to Highmark for helping
2 create new jobs at West Penn for reopening our
3 emergency room, and for reinvigorating our
4 hospital.
5 We are once again able to provide full
6 service care to our community.
7 This is vital, because I see patients every
8 day, who are literally fighting for their lives.
9 These patients go through so much, that I
10 would hate to think of a future with no choice in
11 where they receive care.
12 Like my colleagues, I believe that an
13 affiliation with Highmark can help preserve West
14 Penn Allegheny's ability to provide the quality
15 care, that our patients deserve and depend on.
16 That is why I am here today.
17 I am proud to represent all West Penn
18 Allegheny employees, who are hoping, that the
19 Pennsylvania Insurance Department will approve
20 the proposed affiliation with Highmark.
21 We believe that this affiliation represents
22 a needed step to preserve patient choice in our
23 region.
24 I would like to present the committee with
25 a petition signed by 6,000 employees, patients

1 and family members in support of this
2 affiliation.
3 I believe, as do the thousands of my
4 coworkers, who signed this petition, that
5 affiliation with Highmark could be beneficial for
6 our patients.
7 It has always been our mission to put
8 patients first.
9 And I ask you today to help us preserve
10 that mission.
11 Thank you once again for this opportunity
12 to share my thoughts.
13 MR. CONSEDINE: Thank you very much. We
14 would be happy to accept the petition.
15 Amy, if you could take those materials.
16 Thank you very much.
17 MS. CRAWFORD: Thanks.
18 MS. NOLTE: Good afternoon. Thank you,
19 Mr. Commissioner, for the opportunity to speak.
20 My name is Megan Nolte. I have been an
21 employee of Highmark for the past five years.
22 In that time, I have come to know and
23 appreciate the character of this company as
24 exemplified by my coworkers and friends.
25 What I have learned can be stated very

1 simply. Highmark cares, because its people care.
2 My job is in the customer service area of
3 Highmark, which means I get to interact with our
4 members every single day.
5 They come to us with issues and questions,
6 and with the expectation that we will be able to
7 help them.
8 Our goal is help our health care consumers
9 in every way possible.
10 It is a way to demonstrate that Highmark
11 cares, because its people care.
12 At the same time, the employees of Highmark
13 are also a part of that health care consumer
14 population.
15 That means we have the same concerns about
16 maintaining adequate choices in our local health
17 care marketplace: Healthy competition is good
18 for everybody.
19 That is why I am so honored to be here
20 today, representing the employees of Highmark.
21 We have a dedicated work force across the
22 state and across the nation.
23 I can tell you that right here in
24 Pittsburgh, our work force represents an
25 incredibly positive force for economic activity

1 in the region.
2 We park, shop, eat and enjoy cultural
3 activities year round.
4 We volunteer at an incredible number of
5 activities and support scores of worthwhile
6 nonprofit organizations. We care about what
7 happens here.
8 We would like to express our strong desire,
9 that the Pennsylvania Insurance Department
10 approve the proposed affiliation between Highmark
11 and West Penn Allegheny Health System.
12 We believe that this alliance represents a
13 needed step forward for the region.
14 As proof, I would like to present the
15 committee with a petition signed by more than
16 3,500 Highmark employees in support of this
17 affiliation.
18 Again, they are over there.
19 In my career at Highmark, I have seen some
20 great things, that have made me so proud to be a
21 part of this company.
22 I believe, as do thousands of my friends in
23 the Highmark work force, that the alliance
24 between West Penn Allegheny would be another step
25 forward.

1 Not only for Highmark, but more importantly
2 for the entire region.
3 Thank you once again for this opportunity
4 to speak today.
5 MR. CONSEDINE: Thank you very much.
6 (Applause.)
7 MS. LUCAS: Our next speakers are Mark
8 DeRubeis and Robert Crossey.
9 On deck is Lisa Harris.
10 MR. DeRUBEIS: Good afternoon.
11 MR. CONSEDINE: Good afternoon.
12 MR. DeRUBEIS: My name is Mark DeRubeis. I
13 am the CEO for Premiere Medical Associates, the
14 largest multispecialty physician practice in
15 western Pennsylvania located in Monroeville and
16 the eastern suburbs.
17 DR. CROSSEY: I am Dr. Robert Crossey. I
18 am a family physician. I am also the board
19 president of Premiere Medical Associates.
20 MR. DeRUBEIS: We are here today on behalf
21 of our 63 physicians, our over 300 employees, and
22 most importantly our more than 100,000 patients,
23 who entrust us with their very lives.
24 Our mission and passion at Premiere is to
25 bend the health care cost curve by providing the

1 highest quality care at the lowest possible cost.
2 This is also known as efficient care.
3 And we work very hard at it.
4 Dr. Crossey and I are not here today to
5 reiterate the virtues of competition. Because
6 quite frankly, by now they should be obvious to
7 everyone.
8 Instead, we want to delve more deeply in to
9 what that competition needs to look like, to
10 impress upon you all here today just how much
11 heavy lifting we have in front of us.
12 The need for competition in health care is
13 indeed fundamental.
14 But the competition must also be value
15 based.
16 We in western Pennsylvania must realize,
17 that our local health care problems, while
18 significant, are a dangerous distraction from the
19 national health care crisis. That should be our
20 true focus.
21 Health care in general is grossly
22 inefficient and just too expensive.
23 Let me also be clear, that western
24 Pennsylvania is behind the rest of the country in
25 our efforts to bend the cost curve.

1 And we cannot afford to stay there any
2 longer.
3 Many of our local media have quoted the
4 Hitchcock study that demonstrates Medicare spends
5 20 percent more on western Pennsylvanians with no
6 better outcomes.
7 This is the result of inefficient care.
8 Inefficient care includes duplicated tests,
9 unnecessary tests and preventable ER visits,
10 hospital admissions and readmissions, just to
11 name a few.
12 We must do better.
13 Insurers, hospitals, physicians and
14 patients alike, can and must do better.
15 Preserving competition is imperative, but
16 far from enough.
17 Let's face it, we have competition now. We
18 always have. And it is still not working.
19 Competition that is not value based is like
20 having a race car without a steering wheel.
21 Value and health care is the health outcome
22 per dollar of cost expended.
23 Value based competition on results is the
24 only antidote to the inefficiency and quality
25 problems that plague the health care system.

1 The most efficient care is delivered when
2 systems, plural, compete based on cost and
3 quality combined.
4 Efficient care is capital intensive,
5 resource intensive and requires great
6 coordination and collaboration.
7 We have much to do to position our health
8 care community for this type of success.
9 For value based competition to occur,
10 patients and consumers must have information at
11 their disposal, to make educated choices. Not
12 just choice for choice sake.
13 Information is fundamental to competition
14 in any well functioning market.
15 It enables buyers to shop for the best
16 value, and allows sellers to compare themselves
17 to rivals.
18 Without relevant information, doctors
19 cannot compare their results to best practice and
20 to other providers.
21 And without appropriate information,
22 patient choice has little meaning.
23 Giant Eagle has far more information about
24 our shopping habits than our doctors know about
25 their patients.

1 We all need to realize how much work it
2 will take for that to change.
3 More efficient care can only come from
4 dogged determination to collect and leverage data
5 for the use of evidence based outcomes, and also
6 from physicians willing to collaborate on the
7 data.
8 This technical knowledge is critical and
9 will show us where we need to improve.
10 Once we, as an industry, have made the
11 commitment to collect, leverage and collaborate
12 on data, what good would it be without
13 competition.
14 Where would the accountability be, when the
15 data calls for drastic improvement?
16 Without competition, there is no incentive
17 to change, no accountability, and no tangible way
18 to balance the cost quality curve.
19 Without competition, there will be no
20 opportunity to change the financial incentives,
21 which we know to be misaligned, by emphasizing
22 volume over value, and by emphasizing
23 intervention over prevention.
24 So on behalf of our 100,000 patients, we
25 implore the state to act quickly to preserve

1 competition, so we can get to the real work that
2 lies ahead, which is uniting to make a real
3 difference to bend the cost curve and providing
4 high quality care for the people of this region.
5 Thank you.
6 MR. CONSEDINE: Thank you, Doctor.
7 Quick question for you.
8 In terms of areas that you see where costs
9 can be controlled without sacrificing really the
10 quality of the care, what are the most obvious
11 areas you guys have focused on, and that we
12 should be looking at?
13 MR. DeRUBEIS: I think the move from an
14 acute care model to a chronic care model and many
15 prevention based activities make chronic diseases
16 more well managed and eliminates unnecessary ER
17 visits, hospital admissions, readmissions.
18 There is some low hanging fruit out there.
19 And we are not working hard enough to pick it
20 up.
21 DR. CROSSEY: Clearly, the other thing we
22 have done at Premiere, that is different, we have
23 really utilized our electronic health records to
24 basically manage the care better, to close
25 loopholes, to narrow gaps in care and prevent

1 duplication of service, which is a big cost
2 savings.
3 MR. CONSEDINE: Now, when you say western
4 Pennsylvania is behind in terms of bending the
5 cost care -- or the curve, the cost associated
6 with that, what was the -- what is the factor
7 there?
8 Is it lack of competition? Other areas of
9 the state you do see competition taking place, is
10 that cost curve being bent?
11 MR. DeRUBEIS: I think it is more of a lack
12 of collaboration.
13 I mean, when you look at the fact that
14 there is a national health care crisis, and we as
15 western Pennsylvanians have to lop off 20
16 percent, just to get to the norm, that is pretty
17 daunting.
18 And you look at all of the inefficiency.
19 A lot was made today about the value of all
20 of these organizations, and none of it can be
21 denied.
22 Every organization is a community asset and
23 precious.
24 But we all have to do a better job.
25 MR. CONSEDINE: Just so I am clear, do you

1 support this transaction as a way of achieving
2 those --
3 MR. DeRUBEIS: Absolutely.
4 Without competition -- I heard earlier
5 today, that your job here today is to make sure
6 that health insurance consumers don't get hurt by
7 this acquisition or this merger.
8 I assure you they will be hurt, if this
9 merger does not occur.
10 MR. CONSEDINE: Okay.
11 Thank you very much.
12 (Applause.)
13 MS. LUCAS: Our next speaker is Lisa
14 Harris.
15 On deck is Jean Robinson.
16 MR. CONSEDINE: Good afternoon.
17 MS. HARRIS: Good afternoon.
18 I would like to thank the commissioners for
19 allowing me to come speak today.
20 My name is Lisa Harris. I work for Eat 'N
21 Park Hospitality Group. I am director of
22 benefits and compensation.
23 And in the event that you are not aware of
24 what Eat 'N Park Hospitality Group is, we are a
25 portfolio of food service concepts, that focus on

1 personalized dining.
2 We are comprised of 72 Eat 'N Park
3 restaurants, two neighborhood bistro concepts, 36
4 Parkhurst dining service accounts, and over 50
5 hospitality accounts.
6 We also have an e Commerce division called
7 smileycookie.com, which is an on-line gourmet
8 cookie service delivery company.
9 At the heart of Eat 'N Park, we are more
10 than 9,000 team members strong, who serve guests
11 across Pennsylvania, Ohio, West Virginia and
12 Maryland.
13 Our team members are committed to providing
14 both friendly and attentive service to our
15 guests.
16 As a company, we also have that commitment
17 to providing the same friendly and attentive
18 service to the team members, that work for us.
19 Part of that service, that I speak about,
20 includes health care, which means that we want
21 our team members and our guests to have access to
22 competitively priced health care services in the
23 region.
24 A monopoly of the region's health care
25 services does not serve our community well.

1 However, a region with choices does.
2 More health care options for our region
3 means better health care for everyone.
4 It encourages doctors and service providers
5 and specialists to remain in the area.
6 It also increases competition, which is
7 critical to improving quality, expanding access
8 and keeping the health care costs of our region
9 low.
10 A level playing field, where health systems
11 accept all insurers without penalty or prejudice,
12 simply makes economic sense as well as moral
13 sense.
14 We believe the West Penn Highmark Allegheny
15 alliance would be logical and a positive step for
16 the region.
17 It would broaden the scope of available
18 health care options, help to keep health care
19 costs affordable, and ensure the benefits of open
20 and fair competition.
21 For both our employees and our guests of
22 Eat 'N Park Hospitality Group, we request the
23 Pennsylvania Insurance Department approve the
24 proposed affiliation between Highmark and the
25 West Penn Allegheny Health System.

1 Thank you.
2 MR. CONSEDINE: Thank you.
3 (Applause.)
4 MS. LUCAS: Our next speaker is Jean
5 Robinson.
6 On deck is Stanley Holbrook.
7 MR. CONSEDINE: Good afternoon.
8 MS. ROBINSON: Good afternoon. My name is
9 Jean Robinson.
10 I am a 55 year resident of Pittsburgh and a
11 community volunteer.
12 And I am eager and proud to offer my
13 support of the West Penn Allegheny Health System's
14 affiliation with Highmark.
15 I would like to add my thanks to the
16 Pennsylvania Insurance Department holding this
17 public hearing on the most important matter in
18 Pittsburgh, the future of health care.
19 Like so many Pittsburghers, I feel a strong
20 commitment to my community.
21 As such, I work as a volunteer for
22 organizations, that are important to me and to my
23 family.
24 I have the privilege of having served on
25 many community and health boards, including 30

1 years as a trustee of Children's Hospital.
2 And currently an honorary board member. A
3 member of the group that founded the Highmark
4 Caring Place. A board member of Ursuline senior
5 services. A board member and currently chair of
6 the Buell Foundation. And a member of Forbes
7 Hospice Founders Society.
8 It is my commitment to Forbes Hospice that
9 brings me here today. Forbes Hospice was the
10 first hospice in Pittsburgh.
11 When Forbes Hospice opened its doors in
12 1979, I learned about its mission to bring
13 dignity to the last stage of life for terminally
14 ill patients and their families.
15 The mission immediately struck a cord in,
16 my heart. And I signed up for the rather
17 extensive volunteer training.
18 I have been there now for 32 years, almost
19 every Thursday.
20 Back then, hospice was a new concept. A
21 philosophy and a dream for our community.
22 We cared for an average of five patients a
23 day.
24 Today Forbes Hospice serves 125 patients a
25 day. 16 hundred new patients and their families

1 each year.

2 I am lucky and proud to have been a part of

3 the Forbes Hospice team, which has pioneered

4 hospice programs and a hospice movement in the

5 country as well as our region.

6 Now it is the oldest and I believe the most

7 trusted nonprofit hospice and palliative care

8 program in the Pittsburgh region.

9 Despite the rising cost of health care,

10 Forbes Hospice continues to reach out to meet the

11 changing needs of our population.

12 Our programs are evidence of this. Our

13 pediatric program, nursing home outreach, a

14 respite program and 11th hour volunteer program

15 and a 12 bed inpatient unit are just a few of the

16 ways we have tried to meet the needs expressed to

17 us by those we serve.

18 Recently, we started a program to serve our

19 dying veterans.

20 It is our turn to serve those who have

21 served our country so well.

22 The Forbes Hospice team of care givers

23 offers a signature approach, a compassionate

24 loving approach to meet the needs of our

25 families, at a time when families are faced with

1 the burdens of care giving and emotional stress.
2 We try to be there to help them.
3 We couldn't see the future as bright
4 without the generous spirit of those who believe
5 in and support our mission.
6 We are grateful every day to the
7 organizations and individuals, who support our
8 efforts to give exceptional service to each
9 person, who seeks our care.
10 While Forbes Hospice is part of a larger
11 health system, the West Penn Allegheny Health
12 System, Forbes Hospice cannot be expected to
13 survive on its own.
14 West Penn Allegheny believes in the mission
15 of the hospice, and a special place Forbes
16 Hospice now holds in the hearts of Pittsburghers.
17 Even as West Penn Allegheny Health System
18 has experienced troubling times, the system has
19 supported Forbes Hospice at all times.
20 Forbes Hospice has a wealth of experience
21 in the delivery of comprehensive hospice care to
22 the community and features nationally recognized
23 leadership, including a full time medical
24 director, board certified in hospice and
25 palliative care medicine. And makes house

1 calls -- who has heard of house calls recently --
2 in patient's homes and in facilities.
3 I fear if West Penn Allegheny and Highmark
4 do not receive your approval to affiliate, we are
5 sure this treasured community asset will suffer.
6 The hard work of decades of dedicated
7 hospice workers will come to an end. And the
8 Forbes Hospice irreplaceable, inimitable and
9 signature end of life approach will be lost to
10 the generation to come.
11 Aside from the preservation of Forbes
12 Hospice and its workers, I believe the Highmark
13 and West Penn Allegheny Health System's proposed
14 affiliation will result in strengthening the
15 WPAHS facilities, as we have seen recently in
16 West Penn Hospital. Our hospital is located in
17 West Penn Hospital.
18 Revitalizing West Penn Hospital by
19 reopening the emergency department is providing
20 much needed services to the surrounding
21 communities.
22 Through my experience over the years on
23 health care boards, I understand that Highmark
24 and the West Penn Allegheny Health System's
25 proposed agreement is part of a bigger strategy

1 to build an integrated health system and deliver
2 value, choice and high quality health care.
3 An integrated health system will help fix
4 the health care delivery problems that lead to
5 higher medical costs.
6 I have experienced firsthand the
7 inefficiencies, which exist, when there is lack
8 of coordinated care.
9 Finally, this affiliation will also ensure
10 that patients have a choice for their care in
11 western Pennsylvania.
12 Western Pennsylvanians want and deserve
13 various options for their health care.
14 Thank you for your consideration of my
15 testimony.
16 MR. CONSEDINE: Thank you very much for
17 yours.
18 (Applause.)
19 MS. LUCAS: Our next speaker is Stanley
20 Holbrook.
21 And on deck is Timothy Jackson.
22 MR. CONSEDINE: Good afternoon.
23 MR. HOLBROOK: Good afternoon.
24 My name is Stan Holbrook, president and CEO
25 of Three Rivers Center for independent living.

1 I am here representing the constituency we
2 serve, which are people with disabilities, as
3 well as broad based community. And that is
4 consumers of health.
5 There is a danger I feel, when you are in a
6 public informational forum like this. The
7 further down you are, the more chance that you
8 are going to hear some of the things that you
9 wanted to say.
10 With that being said, I will say that I am
11 going to piggy back a little bit off the
12 gentleman from Premiere Medical Associates.
13 I want to start out by saying nationally,
14 health care is on a collision course with patient
15 needs and economic reality.
16 In today's dysfunctional health care
17 competition, players try not to cooperate value
18 for patients, but to capture more revenue, shift
19 cost and restrict services.
20 To reform health care, we must reform the
21 nature of competition itself.
22 The health care struggles, that we
23 currently are facing in western Pennsylvania, is
24 not focused on delivering value for patients.
25 Instead, it appears to become a zero sum

1 competition. What I mean by zero sum is zero sum
2 competition does not necessarily create value.
3 It actually destroys value by adding
4 administrative costs and leads to structures
5 involving health plans and providers and other
6 actors, which are misaligned with patient value.
7 It is zero sum competition in health care,
8 that creates unacceptable results such as high
9 cost, low and variable quality, under and over
10 treatment, too many preventable errors and
11 diagnosis in treatment, restrictions on choice,
12 rationing of services, limited access and a wrath
13 of costly lawsuits.
14 Zero sum competition in health care is
15 manifested in a number of ways.
16 One, there is a competition to shift costs.
17 There is a competition to increase
18 bargaining power.
19 There is competition to capture patients
20 and restrict choice.
21 Finally, there is competition to reduce
22 costs by restricting services.
23 Approving the Highmark West Penn Allegheny
24 affiliation is the first step to eliminate zero
25 sum competition and create healthy competition.

1 Healthy competition is to improve value for
2 customers with the quality of products and
3 services relative to their price.
4 It leads to relentless improvements in
5 efficiency.
6 Product quality and customer service
7 improve. Innovation propels advances in the
8 state of the art.
9 Quality adjusted prices fall, and the
10 market expands. More customer needs are met.
11 And choice expands.
12 Health care competition must be transformed
13 to a value based competition on results. The
14 approval of the West Penn Allegheny Highmark
15 affiliation promotes value based competition.
16 I am here today, because I am here to look
17 for a win win for the consumers as well as our
18 health system.
19 We must preserve West Penn Allegheny Health
20 System to maintain provider choices for consumers
21 and to assure value based competition among
22 viable health care delivery systems.
23 If there is no choice of providers for
24 consumers and a lack of competition among
25 providers, physicians will have little or no

1 choice where and how they practice medicine and
2 potentially leave the region to practice
3 elsewhere.
4 Costs will rise.
5 When we talk about rising costs, I want to
6 refer to people with disabilities.
7 The rising cost for health care for our
8 consumers, especially those who are poor,
9 elderly, may not -- and people with disabilities,
10 who may not be able to afford proper care they
11 need to live productive lives.
12 Access to affordable health care is
13 desperately needed by people with disabilities,
14 to eliminate health disparities, as well as to
15 live a quality independent life.
16 In addition to issues of actions that
17 affect people regardless of disability status,
18 people with disabilities encounter unique
19 challenges in accessing health care.
20 For persons with disabilities,
21 accessibility describes the useability of product
22 and service, regardless of age, body, dimension
23 and disability status.
24 If choice is not preserved, it will result
25 in a much higher health care cost for the region,

1 which would facilitate a zero sum competition in
2 our region.
3 Employers will struggle to continue to
4 provide adequate health care benefits, and
5 consumers and patients will go without needed
6 care.
7 Real competition among viable health care
8 systems is critical to improving quality,
9 expanding access and containing health care
10 costs.
11 As I said earlier in my testimony, healthy
12 competition is competition that improves value
13 for customers.
14 And the quality of products and services
15 relative to their price. It leads to relentless
16 improvements in efficiency, quality and customer
17 service.
18 I respectfully ask the commissioners to
19 swiftly act and save the West Penn Allegheny
20 hospitals, which are important high quality
21 community assets.
22 I want to speak also about a personal
23 experience of mine.
24 I had -- I was on dialysis for five years.
25 And in 2000, I got a call to get a kidney

1 transplant.
2 I got that call from Allegheny General.
3 Here today, I sit, and if I didn't tell you
4 that, you would never know, that I had a kidney
5 transplant.
6 That is the asset. They are in the
7 community.
8 So I end by saying, by doing the right
9 thing, you preserve consumer choice, facilitate a
10 positive sum, values based competition in the
11 health care delivery system, where everyone wins.
12 Thank you for your time and attention.
13 MR. CONSEDINE: Thank you very much for
14 your time.
15 (Applause.)
16 MS. LUCAS: Our next speaker is Timothy
17 Jackson.
18 And on deck is Kevin McMahon.
19 MR. JACKSON: Good afternoon.
20 MR. CONSEDINE: Afternoon.
21 MR. JACKSON: Thank you for having me. My
22 name is Timothy Jackson, director of corporate
23 risk and insurance for NLMK U.S.A.
24 We are a manufacturing firm with corporate
25 offices here in Pittsburgh and three

1 manufacturing companies in the United States.
2 Two of which are here in western
3 Pennsylvania.
4 My personal comments focus on three points.
5 First, effects on local industry.
6 Two, effects on our community.
7 And three, speaking from experience.
8 First, effects on local industry employees
9 and their employers.
10 We must preserve West Penn Allegheny Health
11 System to maintain provider choices for our
12 employees and to ensure competition among health
13 care providers.
14 Our company is self insured for our health
15 care.
16 I am responsible for the administration of
17 the health plan, for more than 760 western
18 Pennsylvania employees.
19 And I am also responsible for the
20 reimbursement of claims costs, back to our
21 provider and partner, Highmark.
22 I understand the cost and the trends of
23 health care.
24 If there is no choice of providers for our
25 employees and a lack of competition among

1 providers, costs will rise.
2 Employers will struggle to continue to
3 provide affordable benefits.
4 No. 2, effects to our community.
5 It would be a negative effect, if the
6 affiliation between Highmark and West Penn
7 Allegheny did not go through, in my opinion.
8 I believe we will see a dramatic downsizing
9 of the current West Penn Allegheny Health System,
10 without the affiliation between the two.
11 Employees will lose their jobs. And
12 patients will lose their choice.
13 No. 3, speaking from experience. I have
14 seen the negative effects on our employees, when
15 they learned of a disruption with their health
16 care provider.
17 Our two main production facilities are
18 located in Farrell and Sharon, Pennsylvania.
19 UPMC's commitment to lead the Highmark
20 network has fear in our employees. Employees
21 will lose their choice and employer costs will
22 increase.
23 So I am concerned where will the Highmark
24 subscribers go for care in this area, if West
25 Penn Allegheny Health System failed and UPMC

1 continued their track of not playing in the same
2 sandbox as Highmark?
3 I am concerned what would happen to the
4 subscribers in this area, which includes me.
5 So in summary, I believe national health
6 care players will welcome the affiliation. As
7 UPMC is currently the only major health care
8 delivery system in western Pennsylvania,
9 currently. And UPMC has demonstrated they enjoy
10 this current lack of competition.
11 I recommend the state Insurance Department
12 move quickly to approve the affiliation between
13 Highmark and West Penn Allegheny Health System.
14 Thank you for your time.
15 MR. CONSEDINE: Thank you very much,
16 Mr. Jackson.
17 (Applause.)
18 MS. LUCAS: Our next speaker is Steve
19 Vaccaro.
20 MR. VACCARO: Did I miss the on deck call?
21 MS. LUCAS: Actually, we had to skip one.
22 MR. VACCARO: Sorry.
23 MS. LUCAS: No problem.
24 MR. VACCARO: Good afternoon.
25 I would like to thank you for the

1 opportunity to submit comments today on the
2 proposed affiliation of the West Penn Allegheny
3 Health System and Highmark Blue Cross.
4 My name is Steve Vaccaro. I am an employee
5 of Frank and Vaccaro Associates.
6 Our firm provides administrative services
7 to collectively bargain benefit trust funds.
8 Union plans, if you will.
9 In recognition of the comments offered
10 earlier, I will do my best to avoid redundancy.
11 But I believe our perspective to be a
12 unique one.
13 Our office here in Pittsburgh administers
14 the health benefit programs for several
15 Pittsburgh trade unions, including groups
16 representing the steamfitters, plumbers,
17 electrical workers, and asbestos workers and
18 insulators.
19 These groups collectively represent
20 thousands of families, working and residing in
21 the greater Pittsburgh area.
22 In this role, we have had the opportunity
23 to interact on a daily basis with the
24 representatives of the various labor unions, the
25 participating employers, and most importantly,

1 the members of these groups.
2 Each will share with us their opinions, as
3 they relate to health care in general, its cost,
4 and the ability of our members to access care
5 specifically in the area served by the West Penn
6 Allegheny Health System.
7 Interacting with these people one on one or
8 in small groups, their sincerity and genuine
9 concern is unmistakable.
10 Although we would typically not involve
11 ourselves in an issue such as this, their message
12 of concern has prompted us to attend today and
13 convey their comments.
14 Our members tell us, they are concerned
15 that without the affiliation with Highmark Blue
16 Cross, the West Penn Allegheny Health System may
17 not be able to survive.
18 This will cause them to have to seek out
19 new health care providers and go through a change
20 disrupting in most cases longstanding
21 relationships.
22 This would be seen particularly in cases
23 where participants had been treated over extended
24 periods for illnesses or injuries, including
25 extended rehabilitations.

1 They are concerned that without the
2 affiliation, the employee portion of their health
3 care costs would increase, at least by virtue of
4 their having to utilize out of network providers.
5 In the area of overall cost of health care,
6 they are concerned that without this affiliation,
7 lack of competition among health care delivery
8 systems would ultimately cause the cost of health
9 care in this area to increase beyond levels,
10 which already pose a significant financial hurdle
11 to the workers.
12 Finally, they are concerned that without
13 this affiliation and the degree of competition it
14 will tend to ensure, the quality of care will
15 also ultimately suffer.
16 The members of the various boards of
17 directors of these client funds also voiced their
18 concerns.
19 From their perspective, concern is raised
20 over the impact that lack of this affiliation may
21 have on the cost of health care in the area, and
22 the ability of their health and welfare benefit
23 funds to maintain their existing programs of
24 benefits without significant increases to
25 employer contributions that fund these programs.

1 Noting that failure to keep pace would tend
2 to cause additional shifts in the cost of care to
3 the participants or may ultimately lead to
4 curtailment of benefits.
5 Because of the pressure these concerns
6 bring to bear on our members and their families,
7 we would close by urging the panel to approve
8 this affiliation in as expeditious a manner as
9 possible.
10 We thank you for the opportunity to comment
11 here today and your thoughtful approach to this
12 significant issue.
13 MR. CONSEDINE: Thank you very much.
14 (Applause.)
15 MR. CONSEDINE: Apparently, we are finished
16 with everybody who signed up for our afternoon
17 slots at this point.
18 So we are going to recess until 7:00
19 o'clock, when we will restart for the 7:00 p.m.
20 session.
21 Let me just check.
22 Is there anybody here, who is a late
23 arrival or would still like to provide public
24 comments, since we do have the time?
25 Okay.

1 Well, thank you very much.

2 As I said, we will be back here at

3 7:00 p.m.

4 Thank you.

5 – – –

6 (Thereupon, at 3:50 o'clock p.m. a recess

7 was taken until 7:00 o'clock p.m.)

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1 E-V-E-N-I-N-G S-E-S-S-I-O-N
2 MR. CONSEDINE: For those of you who
3 weren't here for our morning session, I will just
4 give some brief background and opening remarks.
5 Then we will move right in to our public
6 comments.
7 We are here tonight just for purposes of a
8 public informational hearing on the proposed
9 affiliation between Highmark and the West Penn
10 Allegheny Health System.
11 I am Mike Consedine, Insurance Commissioner
12 for the Commonwealth of Pennsylvania.
13 To my left is Deputy Commissioner Steve
14 Johnson.
15 And to my right, chief counsel Yen Lucas.
16 Again, just by way of brief background, in
17 November of last year, UPE, an entity that
18 Highmark created just for purposes of this
19 transaction, submitted a filing to the
20 Department, which is the subject of the hearing
21 we had today.
22 In the filing, UPE asked the Insurance
23 Department to approve its acquisition of control
24 of Highmark and its Pennsylvania domiciled
25 insurance company subsidiaries.

1 The Department will make its decision based
2 on a statute called the Insurance Holding
3 Company's Act.
4 I won't go in to details on that.
5 But the Act requires the Department to look
6 at a variety of different factors, including most
7 importantly the impact of the transaction on the
8 health insurance marketplace and whether the
9 transaction is likely to be hazardous or
10 prejudicial to the insurance buying public.
11 The purpose of our hearing today is not to
12 reach a final decision on the form A filing.
13 The purpose really is to receive comments
14 from interested persons to aid the Department in
15 ultimately reaching a decision on the filing, and
16 to allow UPE Highmark and West Penn to discuss
17 the details of the proposed transaction.
18 The entire record of the filing including
19 the transcript of this hearing will be reviewed
20 by the Department before any filing -- final
21 conclusions are made.
22 The Department will closely consider any
23 comments about the filing, that are presented to
24 us today.
25 But once again, no final decision will be

1 rendered at the conclusion of the hearing.
2 If any of you are waiting around for that,
3 sorry to ruin it for you.
4 This is a public informational hearing,
5 similar to a town meeting or city council
6 meeting.
7 All interested persons are invited to
8 provide their comments or ask questions about the
9 filing.
10 However, I must ask you to address your
11 comments to the given subject and be as concise
12 as possible.
13 The Department's chief council, Yen Lucas,
14 is just going to give a very brief overview of
15 how we are taking the public comments for this
16 evening.
17 Yen.
18 MS. LUCAS: Thank you, Commissioner.
19 Because many of you may have just joined us
20 here this evening, I would like to take a few
21 moments to go over the procedures of the hearing.
22 I will be calling each commenter to the
23 front table, when it is your turn to present.
24 At that time, I will also ask the speaker
25 immediately following to move to the reserve

1 seating area, to be on deck for the next
2 presentation.
3 When speaking, please indicate if you are
4 speaking on your own behalf.
5 If you are speaking in a representative
6 capacity, please identify your role and
7 relationship to the represented organization.
8 Or if you are representing a particular
9 client. Your remarks should be specific and
10 relate to the form A filing, that is before the
11 Department.
12 In order to make sure all presenters have
13 the opportunity to comment, we are limiting the
14 presentations to eight minutes.
15 Whenever you reach the two minute mark, I
16 will give you this sign here.
17 Because of the informal nature of today's
18 proceedings, there will be no sworn testimony.
19 Further, cross examination or interrogation
20 of speakers will not be permitted.
21 However, you may pose questions to UPE,
22 Highmark or West Penn during your presentation.
23 Please note that today's hearing is also
24 being web streamed live, so when you speak or
25 present, please make sure you speak directly in

1 to the microphone.
2 And the web stream will be available on the
3 Department's web site after today's hearing.
4 Thank you.
5 MR. CONSEDINE: Thank you.
6 I believe first up we have Senator Ferlo.
7 Senator, good evening.
8 SENATOR FERLO: Good evening.
9 I want to thank the Commission for coming
10 out to the affected communities that are part of
11 the West Penn Allegheny Health System and not
12 just meeting in Harrisburg.
13 I want to thank you, Commissioner, not only
14 for your years of service prior to rising to the
15 top as the Insurance Commissioner, but you have
16 been a great individual, that has been highly
17 accessible and accountable to both sides of the
18 aisle in the state Senate.
19 We very much appreciate that.
20 I am state Senator Jim Ferlo. Just to
21 clarify the record, I represent the 38th state
22 senatorial district.
23 I represent a lot of the residents and
24 businesses that reside in this district. It is
25 an unusual district. I cover a three county area

1 including a large part of the City of
2 Pittsburgh.
3 Within that service area, probably, is the
4 greatest hospital system, the West Penn Allegheny
5 Health System, which includes the West Penn
6 Hospital in Bloomfield, and the Alle-Kiski
7 medical center in my community of Natrona Heights
8 Harrison Township, and Allegheny General Hospital
9 on the North Side.
10 Throughout the day, and certainly behind me
11 today are also members of a community based ad
12 hoc coalition, that represents workers and
13 residents and communities that rely on these
14 facilities.
15 I will talk more about the coalition
16 shortly.
17 As their elected representative, however,
18 in the Pennsylvania state senate, I appreciate
19 the opportunity to express my support for the
20 Highmark West Penn Allegheny Health System
21 affiliation agreement.
22 And my comments will touch on three key
23 points.
24 First, expedited approval of the
25 affiliation by the Pennsylvania Insurance

1 Department is supported by a majority of elected
2 state representatives from throughout
3 southwestern Pennsylvania.
4 Representative Costa is in the audience
5 this evening as an example.
6 Throughout Allegheny County and City of
7 Pittsburgh, especially, you have heard pretty
8 much from every elected official in support of
9 this proceeding forward.
10 Importantly, a large skilled work force and
11 professionals and paraprofessionals numbering in
12 the thousands is providing vital health care
13 service on a 24-7-365 basis.
14 It is also our hope that the affiliation
15 will increase competition and lead to a reduction
16 in the cost of health insurance in western
17 Pennsylvania.
18 Secondly, Highmark has demonstrated
19 considerable good faith in their proposed
20 affiliation with West Penn Allegheny.
21 This affiliation is likely the only way to
22 save West Penn Allegheny from financial
23 collapse.
24 Thirdly, working with the legislature to
25 adopt policy reforms that hold health care

1 providers accountable and increased community
2 involvement in health planning processes should
3 be a high priority for the Pennsylvania Insurance
4 Department.
5 You will hear from a number of elected
6 officials today, as I stated, who represent
7 communities in support and the need for an
8 expedited review.
9 I realize you could take as long as
10 September October. I don't question the fact
11 that you have a lot of responsibility and due
12 diligence, that other documents are yet to be
13 forthcoming from Highmark and from West Penn.
14 But again, time is of the essence.
15 The contract standoff between Highmark and
16 University of Pittsburgh Medical Center, UPMC,
17 has made this last point painfully clear.
18 And you are certainly aware since August
19 2011, the state House Insurance Committee as well
20 as our own committee, State Banking and Insurance
21 Committee, has hosted numerous public hearings in
22 attempts to resolve this dispute.
23 Coming out of these hearings, Democrats and
24 Republicans agree increased competition could
25 have avoided a dispute all together.

1 The question is not whether there should be
2 more competition.
3 But what role the state should play to
4 ensure more competition. By approving the
5 Highmark West Penn Allegheny affiliation, the
6 Insurance Department will allow the local markets
7 to evolve without direct state intervention.
8 Last week, as you well know, the United
9 States Department of Justice approved a proposed
10 affiliation, and announced it is likely to
11 increase competition in our region's hospital
12 physician services and health insurance markets.
13 The Insurance Department's review will
14 consider other factors, and I appreciate the
15 strict level of due diligence that is required at
16 the Pennsylvania Insurance Department's
17 obligations.
18 We are hopeful, but not presumptuous, about
19 the due diligence, that you and your staff will
20 perform, but again, I stress time is of the
21 essence.
22 As you know, the most immediate goal of
23 Highmark's application is to create an integrated
24 finance and delivery system.
25 Their plan is do this by merging a

1 nonprofit finance system with West Penn
2 Allegheny's nonprofit health care system.
3 Ultimately, the plan is to house both
4 organizations, as you stated earlier, under a
5 neutral umbrella nonprofit corporation referred
6 to as UPE.
7 Highmark has committed to investing 470
8 million dollars to date in the affiliation. And
9 a large amount of that commitment has already
10 been demonstrated.
11 And a large sum will also have to be
12 demonstrated, I think, in the early part of June.
13 Highmark is the largest health insurance
14 provider in Pennsylvania, with three million
15 subscribers.
16 And they control over 60 percent of the
17 health insurance market in Allegheny County.
18 Compare this to West Penn Allegheny, which
19 currently has negative operating margin and
20 reported net loss of over 30 million dollars
21 during the last quarter 2011.
22 The fact that Highmark has agreed to
23 affiliate with West Penn as equals under a
24 neutral umbrella corporation demonstrates
25 considerable good faith on the part of Highmark.

1 In the past, I have joined in criticizing
2 Highmark, as you well known, for stowing away
3 over 4.1 billion dollars in revenues.
4 But here Highmark is putting its reserves
5 to good use by investing in the rebirth of West
6 Penn Allegheny.
7 For Highmark, the affiliation is a sound
8 business endeavor, that is also charitable.
9 Without Highmark as a financial partner,
10 the financial collapse of the West Penn system
11 will take place very shortly.
12 In addition, Highmark has demonstrated
13 considerable good faith by investing 150 million
14 dollars in West Penn Allegheny since 2011.
15 Even before the approval, at least
16 officially, of their affiliation agreement.
17 Additional examples of such positive
18 efforts continue to emerge.
19 Last week and a couple weeks ago Highmark
20 announced a Braddock based partnership with Med
21 Express, to serve the health care needs that were
22 abandoned when UPMC closed Braddock Hospital.
23 Only to build a multimillion dollar facility half
24 a mile from an existing hospital.
25 We want to talk about waste and abuse.

1 However, West Penn Allegheny stills suffers
2 serious financial challenges including immediate
3 possibility of bankruptcy.
4 Time is of the essence. If the Insurance
5 Department does not expedite approval of the
6 proposed affiliation, Highmark's multimillion
7 dollar investment in West Penn Allegheny will go
8 to waste.
9 In addition, thousands of health care
10 practitioners in my district will be out of a job
11 and thousands more, who depend on them for
12 medical care, will be out of options.
13 The Pennsylvania citizens and businesses,
14 that reside in my district, cannot afford such an
15 economic catastrophe. Western Pennsylvania as a
16 whole cannot afford it. Especially in these
17 difficult economic times.
18 In addition to the lost jobs and economic
19 activity, the region will be left with one
20 monopolistic health care system, that will be
21 able to demand unreasonable costs in an already
22 overpriced market.
23 After decades of urban flight, the
24 Pittsburgh region is expected to have an influx
25 of possibly up to 100,000 new residents over the

1 next 25 years.
2 One of the greatest threats to the future
3 of this region is the possible collapse of the
4 West Penn Allegheny system.
5 If Pittsburgh is the economic engine of
6 western Pennsylvania, saving West Penn Allegheny
7 is like replacing an important broken cylinder.
8 Without West Penn Allegheny, our region's
9 economy cannot move forward at full throttle.
10 That is exactly what is required, if we are to
11 continue down the path of progress.
12 As market conditions -- I apologize for
13 reading quickly, I want to stay in my eight
14 minutes.
15 As market conditions further evolve, we
16 must strive to meet these challenges with
17 proactive public policy reforms.
18 I believe that such reforms should
19 primarily seek to reduce health insurance costs
20 and improve the quality of care.
21 These are not mutually exclusive goals.
22 Hospital closings, double digit health
23 insurance premium increases, contract standoffs
24 between dominant health care and insurance
25 providers, these situations are detrimental to

1 the public at large and can be avoided in the
2 future.
3 They must be avoided, if only because they
4 cause the cost of insurance to increase, but do
5 not lead to improvements in the quality of care.
6 Large capital expenditures for competing
7 facility construction instead of allocating
8 health care resources targeted to specific
9 community health care needs must be given
10 critical review and approval with input from the
11 community and patients in need.
12 Commissioners, I am asking you to be
13 proactive about this. And to consider working
14 with the legislature in Harrisburg to enact
15 policies that embrace the forthcoming market
16 changes.
17 As I mentioned at the outset, with me today
18 are members of Community Collaborative
19 Stakeholders, an ad hoc group. This impressive
20 and inspiring group has been very active.
21 It is composed of elected officials from
22 the city, the state, the county, all levels of
23 government working together.
24 And as well, we had extensive community
25 input from community based organizations. And

1 they are active in the fields of neighborhood
2 development, consumer health advocacy and labor
3 advocacy, all here throughout the day to support
4 this acquisition and merger.
5 We initially convened in response to the
6 2010 closing of West Penn Hospital's emergency
7 room.
8 Since then, we have worked closely with
9 West Penn Allegheny officials to support them as
10 a community, and to do our part to help them
11 through the difficult financial times, that they
12 are facing.
13 The relationship, that has developed
14 between this group and West Penn Allegheny,
15 demonstrates that open communication and
16 collaboration between health care providers and
17 affected communities is essential to stable,
18 efficient and accessible health insurance
19 products.
20 For example, our group met with Highmark
21 officials, when news of the possible affiliation
22 first broke.
23 And urged them to show good faith in moving
24 forward with the deal, by providing the necessary
25 funds to reopen West Penn Hospital's emergency

1 room.

2 Today, West Penn's ER once again employs

3 practitioners, cares for patients, supports local

4 businesses.

5 A similar collaboration, which affected

6 communities in Braddock -- I think you heard from

7 Mayor Fetterman earlier today -- led to the

8 recent activity with Med Express and Highmark.

9 These models suggest open communication and

10 collaboration between health care providers and

11 affected communities lead to market efficiencies,

12 which in turn should lead to reduced health

13 insurance premium costs.

14 Public policies should encourage health

15 care providers in local communities to work

16 together and to identify and address community

17 health needs, as well as other economic benefits

18 that these institutions and communities provide

19 for each other.

20 I am sponsoring certificate of need

21 legislation as a vehicle for these tried and

22 tested community involvement models.

23 My hope is reinvent the certificate of

24 need. And I know you know the history of the

25 health system's agency in the '70s, and that law

1 technically is still on the books although not
2 utilized and not functioning.
3 But my hope is really inventing the
4 certificate of need process, so that communities
5 get involved in the front end of the long term
6 planning decisions of institutions rather than in
7 reaction to disinvestment decisions such as the
8 hospital closings like the tragedy at Braddock
9 Hospital.
10 The process that produced the Highmark West
11 Penn Allegheny affiliation agreement has resulted
12 in financial and community investments that
13 should not go to waste.
14 These investments have laid the groundwork
15 for important market changes and policy reforms.
16 I look forward to working closely with the
17 Insurance Department as western Pennsylvania
18 continues to adapt to these changes.
19 I just want to conclude a couple points. I
20 want to thank you for your attention, obviously.
21 I am confident that you will give all of today's
22 speakers, and throughout the day you have, their
23 attention and consideration that their comments
24 deserve and certainly require.
25 They have come to present their

1 considerable expertise and diverse perspectives,
2 because they care about the future of this region
3 and are committed to doing everything they can to
4 assist you in making decision that Highmark's
5 application deserves.
6 I would be remiss -- however, two separate
7 points in conclusion.
8 I would be remiss, if I did not indicate my
9 appreciation for the men and women, some of whom
10 are in the audience today, who work day in and
11 day out, many at the lower end of the employment
12 wage scale.
13 And most without protections afforded by
14 union representation and collective bargaining.
15 I see an awful lot of money spent. A lot
16 of waste. A lot of marketing. A lot of
17 promotion. A lot of PR. UPMC unbelievable
18 profitable medical care certainly epitomizes
19 that.
20 It would be nice, if they would respect the
21 workers at the lowest rung of the economic ladder
22 and give them consideration for wages and
23 benefits.
24 We should all thank these men and women,
25 who care for the people we care about, day in and

1 day out.

2 And I think we need to be sensitive to

3 their quality of life as well.

4 I would also be remiss, if I did not

5 mention that the financial crises and lack of

6 sustainability in our American health care

7 nonfunctioning health care industry in our system

8 can only be resolved, in my opinion, by enacting

9 a national Medicare for all single payer system.

10 Not that I want to put you all out of

11 business.

12 But the fact of the matter is we could have

13 some sanity in this country without all of the

14 waste and abuse and lack of sustainability of the

15 Medicare Medicaid system.

16 We are just going to crumble underneath the

17 weight, financially and otherwise. We need to

18 come to our sanity in this country.

19 We need to support a single payer national

20 Medicare for all, that preserves the private

21 rights of individual consumers to pick and choose

22 physicians and their hospital system and other

23 services.

24 I hope and pray that before I meet the good

25 Lord up above, we will actually see this system

1 in place in the United States of America. Single
2 payer, everybody in, and nobody out.
3 Thank you very much.
4 MR. CONSEDINE: Thank you very much,
5 Senator.
6 (Applause.)
7 SENATOR FERLO: Thank you.
8 There is no bourbon here either. Just
9 water.
10 Thank you, though.
11 MR. CONSEDINE: That is a good thing.
12 Thank you very much.
13 MS. LUCAS: The next speaker we have is
14 Janet Cercone Scullion.
15 On deck is Stephen Foreman.
16 MS. SCULLION: Good evening. My name is
17 Janet Cercone Scullion.
18 I am part of the collaborative, that Jimmy
19 Ferlo has organized to work together.
20 I represent the grass roots group of
21 Bloomfield community.
22 And I am with the Bloomfield citizens
23 council, as their president and executive
24 director of the historical society in Bloomfield.
25 I am very proud to support the West Penn

1 Allegheny Health System affiliation with
2 Highmark, which is under review by your office.
3 West Penn Hospital has been a life line for
4 the Bloomfield community.
5 And the Bloomfield community being such a
6 valuable neighborhood in the City of Pittsburgh.
7 And as you know, we are all about neighborhoods,
8 City of Pittsburgh's 89 neighborhoods.
9 And we are very proud that Bloomfield is
10 one of the remaining ethnic communities.
11 And as a turn of the century, and after
12 World War II, the West Penn Hospital embraced a
13 very large immigrant movement in to Bloomfield.
14 It was the thing -- the immigration
15 movement was something that actually saved
16 Bloomfield from urban decay, when there was a
17 flight to the suburbs.
18 What we were doing was replacing people
19 with working immigrants.
20 That employment was coming through West
21 Penn Hospital.
22 They hired mothers, fathers, sons,
23 daughters, whole families, brothers, sisters, and
24 there was a very strong trusting relationship
25 between West Penn Hospital and the community and

1 the residents of Bloomfield.
2 That still remains. And with it was
3 announced that the hospital was going to close.
4 The community actually went in to a state of
5 mourning, as though they had lost a mother, they
6 had lost their life.
7 And we knew that this was going to
8 devastate entire families, because we have entire
9 families that are working for you.
10 And we are very proud of West Penn
11 Hospital.
12 And I have noticed it in your vision,
13 Highmark's vision is simple and compelling.
14 And they say that they would structure
15 reimbursements to providers on the basis of how
16 well providers perform services and measure by
17 quality and customer satisfaction.
18 West Penn has a glowing history meeting
19 those standards.
20 West Penn has been very important to the
21 community. We want to keep it there. We
22 appreciate your consideration.
23 And we are hoping that you will view our
24 request favorably.
25 Thank you very much.

1 MR. CONSEDINE: Thank you.
2 And thank you again for the book. We
3 really appreciate it.
4 MS. SCULLION: Thank you.
5 And Jimmy Ferlo is a tough act to follow.
6 MR. CONSEDINE: He is indeed. He is.
7 (Applause.)
8 MS. LUCAS: Our next speaker is Stephen
9 Foreman.
10 And on deck is Amy Galuska.
11 MR. CONSEDINE: Mr. Foreman, good to see
12 you again.
13 MR. FOREMAN: Good to see you again. Good
14 evening.
15 I am Stephen Foreman, associate professor
16 at Robert Morris University, where I teach health
17 economics, health policy and health law and
18 ethics.
19 I am here tonight as a member of the
20 community and as a health economist.
21 My family is insured by Highmark. We use
22 UPMC Northwest Hospital. My observations and
23 remarks are my own.
24 They do not in any way reflect policies,
25 viewpoints or positions of Robert Morris

1 University.
2 At the outset, I would like to make it
3 clear, that my remarks aren't intended as a
4 negative reflection on the performance or motives
5 of the people, who are trying to do the best they
6 can to deal with this serious community problem,
7 the continued viability of West Penn Allegheny.
8 I have friends and students, who work for
9 both Highmark and West Penn Allegheny, and value
10 those relationships.
11 It is or should be clear, that the West
12 Penn Allegheny financial problems threaten the
13 well being of thousands of people in our
14 community, who depend on that system for medical
15 care in their livelihood.
16 What is not so clear is whether the
17 proposed solution to the problem of Highmark's
18 acquisition of an ailing health system is the
19 best that we can do.
20 Indeed, I am concerned that Highmark's
21 acquisition of West Penn Allegheny will not only
22 fail to accomplish the intended result of shoring
23 up the system, but will create a setting in which
24 our community's real health care problems cannot
25 be solved, and indeed may be worse.

1 I fear that the acquisition may well
2 generate a host of new unintended problems for
3 all of us.
4 Highmark's strategic vision of the future
5 of health care in the region actually provides a
6 mixed message about the future of West Penn
7 Allegheny and other hospitals in our region.
8 The history of magnitude of West Penn
9 Allegheny's problems are well known. Continuing
10 financial losses, medical staff departures, fewer
11 patient days, facility closures and service
12 cutbacks.
13 A downsized West Penn Allegheny will find
14 it difficult, if not impossible, to amortize the
15 debt load that the system has generated.
16 In that sense, Highmark's offer to become a
17 champion for it is a gesture, that I would
18 describe as heroic.
19 Good intentions notwithstanding, the
20 negatives that are attached to the acquisition
21 provide substantial pause and compel rethinking
22 of the reality of our problems and what a better
23 resolution of them might look like.
24 In the first instance, I have a concern,
25 that Highmark's strategy may actually weaken West

1 Penn Allegheny.
2 One of Highmark's proposed innovations is
3 to revamp the medical care delivery system by
4 developing medical malls, ambulatory care
5 centers, health information changes and
6 partnerships with community hospitals and
7 outpatient services.
8 At the outset, this direction seems to be
9 directly at odds with the proposed West Penn
10 Allegheny acquisition and further threatens the
11 viability of West Penn.
12 Indeed, the Highmark strategy shows just
13 how far we have come from a competitive health
14 care market, where such innovations would come
15 from private development rather than major
16 industry players.
17 In addition, Highmark's ownership of West
18 Penn Allegheny creates a conflict of interest for
19 which there is no effective work around or
20 resolution.
21 Highmark will need to reimburse or pay West
22 Penn Allegheny at a level that maintains its
23 future viability.
24 How will it reimburse West Penn Allegheny's
25 competitors?

1 If, as UPMC has discussed, and evidence
2 appears to support, West Penn Allegheny needs
3 additional hospital admissions, will Highmark
4 steer patients to West Penn Allegheny to the
5 detriment of other hospitals in the community?
6 When other community hospitals compete for
7 patients, will Highmark reimburse them at a level
8 that strengthens the competition?
9 If West Penn Allegheny remains inefficient,
10 will Highmark reward that inefficiency?
11 Will Highmark's acquisition doom a number
12 of smaller community hospitals that have managed
13 to survive to this point?
14 The proposed acquisition may not consider
15 unintended vertical integration issues.
16 From my experience, when a health insurance
17 firm owns hospitals and physician practices,
18 there were fewer incentives for the hospitals and
19 the physicians to be efficient.
20 It becomes, as a practical matter,
21 difficult or impossible for health insurers to
22 replace problem providers through contract or
23 otherwise.
24 Coordination becomes difficult in
25 vertically integrated medical care settings.

1 Economic theory suggests that vertical
2 integration may make it possible for the
3 integrated firm to monopolize a market.
4 Vertically integrated enterprises often
5 exhibit rigid organizational structures.
6 But even granting the foregoing problems,
7 the real difficulty with proposed acquisition is
8 that it fails to deal with -- indeed, exacerbates
9 what I see as the three most pressing health
10 policy problems, that we face in western
11 Pennsylvania.
12 Yes. The viability of West Penn Allegheny
13 is important to the community and perhaps to
14 Highmark's ability to control health care
15 premiums.
16 However, the three problems relate to the
17 structure of our health care industry and what
18 that structure has produced.
19 First, the region's dominant health insurer
20 and dominant health system cannot reach agreement
21 on a contract thereby threatening access to
22 quality care for many, if not most of us in the
23 community.
24 The proposed acquisition fails to deal with
25 this problem, and if anything, makes the impasse

1 between Highmark and UPMC far worse, if not
2 irreconcilable.
3 Second, concentrated health insurance and
4 hospital markets in our region lead to strategic,
5 not competitive decisions in conduct.
6 These decisions are made by and for the
7 entities involved, not for the public.
8 The proposed acquisition will do nothing to
9 improve the nature of the decisions, nor will it
10 consider public good other than as a byproduct of
11 advancing the interests of entities involved.
12 Third, the current structure of health
13 insurance and hospital markets is the result of
14 decades of consolidations and acquisitions.
15 As a result, the public depends on the
16 ability and viability of large health care
17 concerns.
18 The Highmark acquisition of West Penn
19 Allegheny advances this in to a new arena.
20 Despite the Justice Department's finding,
21 that the proposed acquisition will not harm
22 competition, because Highmark is not in the
23 hospital business, the acquisition may well
24 further erode and concentrate health care markets
25 in our region.

1 The Highmark acquisition makes further
2 concentration in the health market not only
3 possible, but likely.
4 15 years ago, I expressed public concern
5 about the increased consolidation in the health
6 insurance industry, that the creation of Highmark
7 would pose.
8 And here we are again.
9 If Highmark and UPMC persist in engaging in
10 a strategic battle to the death, the winner may
11 well be the sole provider of health insurance and
12 hospital care, as well as sole employer of
13 doctors and nurses in our community.
14 So what do we do?
15 In the first instance, and as a simple
16 matter, without being overly simplistic, it would
17 seem there ought to be other ways that we, as a
18 community, could deal with West Penn Allegheny's
19 problems in a way that improves its efficiency,
20 allows access to quality health care, and avoids
21 the market issues, that I have talked about.
22 Highmark could be a strong and effective
23 participant in the solution, without having to
24 control West Penn Allegheny.
25 West Penn Allegheny could be financially

1 reorganized with a solid plan for financial
2 viability following the reorganization.
3 But more important, the community needs to
4 demand that whatever Highmark and UPMC do, they
5 must find ways to cooperate, so that all of us
6 can continue to get high quality medical care
7 anywhere and everywhere in the community.
8 As part of this, we should reflect deeply
9 about the structure of health care industry in
10 western Pennsylvania.
11 And consider steps that we might take to
12 lessen the impact of industry consolidation here.
13 It is time for innovation.
14 However, if we fail to deal with the
15 structural problems and their outgrowth, no level
16 of innovation will be able to overcome the
17 systemic problems, that we face.
18 Failing that, we will meet here again in
19 the future.
20 Thank you.
21 MR. CONSEDINE: Thank you very much,
22 Dr. Foreman.
23 A couple questions for you.
24 I guess from an economic perspective, do
25 you object to all integrated delivery systems, or

1 just this particular proposed one?
2 MR. FOREMAN: I wouldn't say I object to
3 all integrated delivery systems.
4 I think you take them one by one.
5 I think there is a way to accomplish the
6 goal here, which is ensuring viability of West
7 Penn also making it more efficient.
8 So in the future we don't have to pump
9 money in to it.
10 And I don't think that requires a full
11 integration at the level of control.
12 MR. CONSEDINE: Okay.
13 Because I thought I heard you say that
14 there were sort of economic consequences to an
15 integrated delivery system.
16 MR. FOREMAN: There are. They are fairly
17 endemic.
18 So I surely wouldn't go in to a class and
19 try to come up with scenarios where integrated --
20 vertically integrated delivery systems work well.
21 But when asked, can I ever say "never
22 never" to a vertically integrated system? No.
23 I wouldn't say "never never". But it would
24 be a rare one, that I think would accomplish some
25 goals without getting in to major problems in

1 terms of efficiencies and incentives.
2 MR. CONSEDINE: And I guess a fairly
3 simplistic question, but if the consequence of
4 this deal not moving forward is perhaps the
5 failure of West Penn, and you are left with a
6 marketplace, where you have one dominant health
7 care system, I mean from an economic perspective,
8 I am guessing that is not a good result?
9 MR. FOREMAN: First of all, I don't see
10 West Penn Allegheny failing.
11 I heard today. It is a viable vibrant
12 entity.
13 MR. CONSEDINE: I think you were suggesting
14 a reorganization, which I am taking to mean a
15 bankruptcy.
16 MR. FOREMAN: Perhaps.
17 I understand the majority of words that go
18 along with that. But the nature of the
19 bankruptcy proceeding is to let people reorganize
20 and get out from under debt load and take those
21 portions of a business that are viable and
22 actually provide a grounds for them to succeed.
23 So in fact, if part of all of this -- if
24 what we are really saying, and we have a billion
25 dollars of debt load out there, that is the

1 result of a fair period of operating losses, I
2 don't see how this entity or even an affiliated
3 entity can and should undertake that type of debt
4 load.
5 That would put the affiliation at a large
6 disadvantage moving forward.
7 MR. CONSEDINE: Okay.
8 Any questions?
9 Thank you very much.
10 MR. FOREMAN: Thank you.
11 MS. LUCAS: Our next speaker is Amy
12 Galuska.
13 And on deck is Cathy Olschefsky and Robert
14 Sylvestor.
15 MR. CONSEDINE: Good evening.
16 MS. GALSUKA: Hi.
17 MR. CONSEDINE: Hi.
18 MS. GALUSKA: My name is Amy Galuska. I am
19 a registered nurse at Allegheny General Hospital.
20 And I work on a cardiac unit there. In
21 fact, I was born and raised on the North Side.
22 And I was sorry to be a little bit late today.
23 But I actually baby-sat the Mayor and all
24 his little brothers. I was hoping to see him.
25 My mom worked in the emergency room there

1 since I was a little kid. I volunteered there in
2 the emergency room as a high school student. And
3 this has been the family and the community
4 hospital to me and so many other North Siders for
5 many generations.
6 Allegheny General and the West Penn
7 Allegheny Health System doesn't just provide
8 quality health care to our region.
9 But it also provides quality jobs in our
10 community. And it is a source of competition,
11 that pushes all of the area hospitals to be the
12 best that they can be.
13 Of the 11,000 jobs, that West Penn
14 Allegheny Health System provides, about 2,000 of
15 us, including the registered nurses at Allegheny
16 General, are in a union, which means we have a
17 strong voice in our work background and a voice
18 for our patients.
19 The nurses on our patient care committees
20 and nurse collaboration council have complete
21 input, and we include the employees in our unit
22 based decisions, all of the employees in our unit
23 based decisions, which provides our patients with
24 a smoother hospital experience.
25 And that has been proven by the increase in

1 our Press Gainey survey scores.
2 To the nursing staff of Allegheny General,
3 our patients come first, before the business
4 interest.
5 But it is so important for this affiliation
6 to be completed, so that we have the business
7 resources to remain competitive.
8 All of this with West Penn health system
9 and with UPMC reminds me of the classic movie
10 with George Bailey, "It's a Wonderful Life".
11 You have to be careful what you wish for.
12 Because you may not know how important our role
13 is in this region until we aren't there any more.
14 So to paraphrase George Bailey, Pittsburgh
15 needs a measley one horse institution, so we
16 don't have to cross the river over to
17 Pottersville.
18 Thank you.
19 MR. CONSEDINE: Thank you very much.
20 (Applause.)
21 MS. LUCAS: Our next speakers are Cathy
22 Olschefsky and Robert Sylvestor. On deck is
23 Barbara McNees.
24 MR. CONSEDINE: Good evening.
25 MS. OLSCHEFSKY: Hello. My name is Cathy

1 Olschefsky. And not only am I an employee of
2 Allegheny Valley Hospital, I am also a life long
3 resident of Natrona Heights, where our facility
4 is located.
5 I have been an employee for 23 years. And
6 I have seen many changes at Allegheny Valley.
7 Most recently for the better, as I feel we are on
8 the path forward to improved quality, with our
9 emergency room expansion, our chest pain unit,
10 and many other health care upgrades.
11 I am here today to ask the Commission to
12 not only do the right thing for the employees of
13 Allegheny Valley Hospital, but for my community
14 at large.
15 We are one of the largest employers in our
16 valley.
17 We have always strived to give quality
18 patient care with the hometown feel, because we
19 are a hometown family.
20 My brothers were born at Allegheny Valley.
21 My mother passed there.
22 Today my husband, my nieces and nephews
23 still use the excellent services that our
24 hospital provides.
25 As I and my coworkers become ever cognizant

1 of our aging community and the need to always
2 keep our doors open, we feel anything less than a
3 merge with Highmark would be totally detrimental
4 to the entire community.
5 As you know, this also affects a very vast
6 health care system within West Penn Allegheny
7 health care system.
8 That said, we also feel the competition
9 with UPMC gives the consumer options as to where
10 they can choose their health care delivery.
11 "Choose" being the operative word.
12 Monopolies are never about choice. Please
13 approve this merger expeditiously.
14 MR. CONSEDINE: Thank you.
15 (Applause.)
16 MR. SYLVESTOR: Hello.
17 I am Bob Sylvestor, registered nurse at
18 Allegheny Valley Hospital.
19 I work in the endo department there. I
20 have been there 12 years. It is my new home away
21 from home.
22 My old home away from home was Citizens
23 General Hospital, which unfortunately closed.
24 Another good hospital that went down,
25 because there just wasn't any money around.

1 I don't want to see that happen to
2 Allegheny Valley Hospital. So I hope you do
3 approve this. And get us back on solid ground.
4 Thank you.
5 MR. CONSEDINE: Thank you.
6 (Applause.)
7 MS. LUCAS: Our next speaker is Barbara
8 McNees.
9 And Nick Gigante is on deck.
10 MS. McNEES: Good evening.
11 My name is Barbara McNees.
12 I am the executive vice-president for
13 public policy of the Allegheny conference on
14 community development. And the president of the
15 greater Pittsburgh Chamber of Commerce, an
16 affiliate of the Allegheny conference.
17 Thank you for the opportunity to be here
18 today and to provide comments on the proposed
19 affiliation of Highmark West Penn Allegheny
20 Health System.
21 Our organization represents the private
22 sector in southwestern Pennsylvania.
23 We are led by chief executive officers of
24 our region's most significant employers,
25 including hospitals and universities.

1 And our mission is to improve the economy
2 and quality of life in the ten county Pittsburgh
3 region.
4 Speaking on behalf of employers across the
5 region, we want our employees to have access to
6 high quality, cost effective and transparent
7 health care.
8 This kind of access is a high priority to
9 us.
10 These attributes are of critical
11 significance to all members of our community.
12 And we should advocate that any successful
13 affiliation between Highmark, West Penn Allegheny
14 Health System place great emphasis on these
15 issues.
16 With that in mind, I would like to state
17 that the Allegheny conference supports the
18 proposed affiliation of Highmark and West Penn
19 Allegheny system.
20 We believe an affiliation of the two
21 entities is important to the health of our
22 regional economy. And would lead to both an
23 improved business climate and a better quality of
24 life in southwestern Pennsylvania.
25 The health care industry is a key part of

1 our regional economy.
2 We have more than 500 health care and life
3 sciences institutions and companies in our
4 region, which employ more than 125,000 people.
5 The West Penn Allegheny Health System
6 currently employs 11,500.
7 In our region, more than 560 million
8 dollars is spent every year on life sciences
9 research and development activities with
10 significant research funding flowing from the
11 Federal government to our research hospitals.
12 According to West Penn Allegheny Health
13 Systems, there are more than 400 active research
14 projects in progress throughout their system,
15 with nearly 150 West Penn Allegheny faculty
16 serving as principal investigators.
17 One facet of our organization focuses on
18 business attraction and retention.
19 Health care costs are a factor in how
20 organizations view our business climate, just
21 like taxes and regulatory policies.
22 Businesses that want to remain, expand or
23 locate here are taking a hard look at the cost of
24 providing health care insurance to their
25 employees.

1 We have heard from various businesses, that
2 if we continue to see increases in health care
3 costs, we may see companies start to look to
4 other regions for continued investment and
5 expansion.
6 A recent study by the Pittsburgh Business
7 Group on Health shows that the Pittsburgh region
8 has higher costs for health care compared to our
9 benchmark regions.
10 A competitive health care environment is
11 important to our business climate, because
12 competition in the provider market can lead to
13 greater cost efficiency and better quality of
14 care.
15 Stabilizing the West Penn Allegheny Health
16 System through a successful affiliation with
17 Highmark would be a step in the right direction
18 to increase competition.
19 We believe that competition in the health
20 care industry will drive costs and prices down,
21 and ultimately we do believe make health care
22 more affordable here.
23 In addition, I would like to reference the
24 recent ruling of the Federal Department of
25 Justice's antitrust division.

1 The division was investigating whether the
2 proposed affiliation would pose a threat to
3 competition in the region. But it announced on
4 April 10th, that it was closing its
5 investigation, having found no such threat.
6 We were pleased to learn of that outcome.
7 And of course, we will continue to monitor
8 further developments from the Department.
9 We are in a time of increased uncertainty
10 in health care climate, both in our region and
11 across the country.
12 During this time of transition, we believe
13 that the appropriate and responsible step to take
14 is to preserve the viability of West Penn
15 Allegheny Health System to ensure continued
16 competition in the provider market.
17 Highmark's proposal to affiliate with the
18 health system does that.
19 The conference understands the Pennsylvania
20 Insurance Department must undertake a thorough
21 process of review.
22 But we too would encourage timely approval
23 of this transaction.
24 A prompt approval would be essential, so
25 Highmark can begin to institute the operating

1 efficiencies necessary to begin a successful
2 affiliation process with West Penn Allegheny
3 Health System.
4 Thank you again for the opportunity to
5 appear.
6 MR. CONSEDINE: Thank you.
7 (Applause.)
8 MS. LUCAS: Our next speaker is Nick
9 Gigante.
10 And on deck is Don Balla.
11 MR. GIGANTE: Good evening.
12 MR. CONSEDINE: Good evening.
13 MR. GIGANTE: My name is Nick Gigante. I
14 am vice-president of development at the
15 Pittsburgh Cultural Trust. I am speaking tonight
16 on behalf of Kevin McMahon, our president and
17 CEO. He had a conflict and apologizes for his
18 absence tonight.
19 I will now read a statement on his behalf
20 in support of the proposed partnership between
21 Highmark and West Penn Allegheny Health System.
22 "As president and CEO of the Pittsburgh
23 cultural trust, I am honored to lead the ongoing
24 development of the Pittsburgh cultural district,
25 which has emerged as a unique international model

1 of urban revitalization through the arts. And a
2 paradigm for successful public private
3 partnerships.
4 "Once a blighted adults only neighborhood,
5 the cultural district today attracts more than 2
6 million visitors annually and generates an
7 estimated economic impact of 303 million.
8 "Yet there is another side to this
9 equation. For the cultural district to succeed,
10 as it has, this region needs a robust, vibrant
11 mix of multiple businesses and jobs providers.
12 "Increased competition across the entire
13 spectrum of business opportunities leads to a
14 vibrant cultural district and a stronger economy
15 overall.
16 "That is why on behalf of the Pittsburgh
17 cultural trust, I would like to express our
18 support for the Highmark Blue Cross Blue Shield
19 and West Penn Allegheny Health System plan to
20 align.
21 "This plan, I think, generates the very
22 kind of job creating energy, that is so vital to
23 the region and to our cultural district.
24 "From the perspective of the arts
25 community, Highmark has long had the best

1 interest of the community at heart. Highmark's
2 commitment to fostering the cultural community is
3 demonstrated annually through dozens and dozens
4 of critical programs.
5 "The alliance between Highmark and West
6 Penn Allegheny Health System only promises to
7 further benefit our entire economic region.
8 "Thank you for the chance to express our
9 hope that the Pennsylvania Insurance Department
10 award its approval of the Highmark West Penn
11 Allegheny Health System alliance."
12 Thank you.
13 MR. CONSEDINE: Thank you very much.
14 (Applause.)
15 MS. LUCAS: Our next speaker is Don Balla.
16 On deck is Rick Flanagan.
17 MR. BALLA: Good evening.
18 MR. CONSEDINE: Good evening.
19 MR. BALLA: My name is Don Balla. I am a
20 licensed insurance agent in the state of
21 Pennsylvania.
22 Thank you again for making time to hear all
23 of our comments today.
24 Today I will be speaking on behalf of my
25 firm, Simpson McCrady.

1 Simpson McCrady is a regional risk
2 management and insurance brokerage firm based in
3 Pittsburgh. We represent over 15 hundred
4 companies with a presence here in western
5 Pennsylvania.
6 As a shareholder of the firm and the
7 practice leader for the employee benefits
8 division, I am here today to share with you why
9 we feel that Highmark's acquisition of the West
10 Penn Allegheny Health System is good for business
11 and the members of the community.
12 We are speaking in favor of the
13 acquisition.
14 As you are well aware, health care costs
15 nationally and more specifically in this region
16 continue to escalate at a rapid rate.
17 Employers are continuing to have difficulty
18 in absorbing these increases each and every year.
19 We see the financial hardship and burden of
20 providing an employer sponsored health care
21 benefit to employees firsthand, as we represent
22 these businesses in assisting them assemble
23 quality benefit programs. Something needs to be
24 done to address these costs.
25 Currently, in our marketplace, we have one

1 predominant health care provider.
2 That is UPMC Health System.
3 UPMC Health System has been successful in
4 developing an Integrated Delivery System or IDS.
5 They have learned from other predominant
6 health systems and insurers, such as Kaiser
7 Permanente, that an IDS is a successful way of
8 managing the delivery of health care to its
9 members.
10 Only having one health system in this area
11 severely influences the costs that are paid by
12 insurance companies representing UPMC Health
13 System, and eventually the employer, and lastly
14 the end user, the employee.
15 There are many components to why health
16 care costs what it does.
17 One of which is what the patient pays for
18 services, when services are provided.
19 These costs can be controlled by having
20 more than one viable IDS in western Pennsylvania.
21 By allowing Highmark to purchase the West
22 Penn Allegheny Health System, we can be assured
23 of three things.
24 No. 1, lower costs, by having more than one
25 viable choice for purchasing health care in

1 western Pennsylvania, we can be assured that
2 these two health systems will compete against
3 each other to provide health services at a lower
4 and more competitive cost.
5 Additionally, having more than one health
6 system will slow medical trend.
7 No. 2, improved quality.
8 By having more than one IDS locally, we can
9 be assured, that the quality of health care will
10 increase, and the outcomes and services will be
11 improved.
12 3, preservation of the financial health of
13 local businesses.
14 With the increasing cost of health care,
15 many businesses are considering lowering benefits
16 or even dropping coverage all together.
17 Comprehensive benefit programs allow
18 employers to offer competitive financial packages
19 to recruit and retain quality employees.
20 Two comprehensive health systems will allow
21 employers to compete for quality employees.
22 Highmark Blue Cross and Blue Shield created
23 a way to control costs ten years ago by creating
24 the Community Blue network.
25 This network was offered to employer groups

1 at a lower cost than the Select Blue network.
2 The reason for the lower cost of the
3 Community Blue network, it excluded the UPMC
4 facilities, which were traditionally a more
5 expensive health system than the alternative,
6 West Penn.
7 Additionally, a smaller network can be more
8 cost effective.
9 The Select Blue network included all
10 western Pennsylvania hospitals, including all of
11 the UPMC facilities, thus making it more
12 expensive in price.
13 Highmark was successful in offering these
14 two networks as a tiered approach to cost
15 management to their customer base beginning in
16 1999 as an answer to the newly launched UPMC
17 health plan.
18 The Community Blue network allowed a lower
19 cost option for employers.
20 Employers that were comfortable with the
21 smaller network elected that option between 1999
22 and 2002.
23 This created a member base of approximately
24 250,000 members in the Community Blue program.
25 At the last Highmark slash UPMC contract

1 negotiation in June of 2002, the Community Blue
2 network went away quietly.
3 This is for this reason, this is why that
4 it was a requirement by the UPMC Health System on
5 Highmark in order for them to settle and secure
6 their 2002 contract with the UPMC Health System.
7 This proves that a smaller network can
8 work, and having these two hospital systems
9 compete can be a viable alternative. Therefore,
10 a step in the right direction in controlling
11 health care costs in our region.
12 Again, this is only one component of
13 addressing the ever increasing and growing
14 concern of increased health care costs.
15 But it is a serious one for this region.
16 Most marketplaces have more than one
17 hospital system choice. Currently, in western
18 Pennsylvania area, we do not.
19 Highmark's acquisition of the West Penn
20 Allegheny Health System will be a step in the
21 right direction.
22 The one word that was summarized as the
23 current state of affairs for health care in
24 western Pennsylvania is unsustainable.
25 At this rate, no employer will be able to

1 continue to afford to provide quality benefits to
2 their employee base in the western Pennsylvania
3 area.
4 This will cause a loss of jobs and
5 eventually put some employers out of business.
6 Again, I appreciate your time and
7 consideration hearing our remarks today.
8 Thank you.
9 MR. CONSEDINE: Thank you very much.
10 (Applause.)
11 MS. LUCAS: Our next speaker is Rick
12 Flanagan.
13 MR. CONSEDINE: Good evening.
14 MR. FLANAGAN: Hi. My name is Rick
15 Flanagan. I am with the Bloomfield Garfield
16 Corporation, which is a community group in
17 Garfield.
18 And also manager of the East Side
19 neighborhood Employment Center.
20 I am far from any expert on the high level
21 discussion that is going on around mergers and
22 other things.
23 But my sense of things, though, is that the
24 consequences for this moving on would be
25 horrendous, and very negative in the short term

1 and the long term.

2 I would like to say something positive,

3 maybe, about both of the institutions.

4 And I think more along the line of UPMC and

5 our major partner, West Penn Hospital. That both

6 of these institutions have been -- we have been

7 very blessed with their giving in to the

8 communities around employment, around health care

9 giving, around outreach centers, around health.

10 I could go on and go on.

11 They engage us around when new construction

12 is going to occur, both UPMC and West Penn

13 Hospital has done that.

14 West Penn Hospital for many years, I have

15 been with the community group for 34 years now.

16 And probably engaged with West Penn for at least

17 25 years. We have had a community partnership

18 with them.

19 And we had a resource committee. We had a

20 facilities committee. We had a health care

21 committee.

22 Those particular committees were very

23 active around engaging local community around

24 housing and so forth.

25 I will tell you, though, in the last so

1 many months, until this was all hit, I would
2 consider it to be the dark days at West Penn
3 Hospital.
4 It was rather sad as the decline was
5 going. Because a lot of the things that they did
6 for us and were engaged with us on deteriorated.
7 It is almost like a new sense of hope has
8 come to the local community.
9 And we just had a meeting, as a matter of
10 fact, just a few days ago with Duke Rupert. And
11 we talked about many things about reengaging
12 around employment issues.
13 And it was a breath of fresh air talking
14 with him about just as UPMC does, around their
15 power program, around how we can get better
16 engaged around giving some priority hiring to the
17 local community around that hospital.
18 Not guaranteeing, just if we ourselves do
19 good organizing with other employment centers and
20 that, very open to all of those ideas.
21 Going back, they had a wonderful health
22 partnership at Peabody high school.
23 They seem open to maybe moving that up to
24 University Prep.
25 I am sure we will get back in discussions

1 around housing and other things, that we have
2 done around public safety.
3 So there is a new sense of hope coming in
4 to our local community around West Penn Hospital.
5 And I just truly hope you take that in to
6 consideration, not to break my heart, and do
7 something that doesn't permit this to move
8 forward in a very positive way, that will bring
9 strength back in to that institution.
10 Thank you.
11 MR. CONSEDINE: Thank you very much.
12 (Applause.)
13 MR. CONSEDINE: I think that brings us to
14 the end of our listed speakers.
15 Is there anybody that we missed or who is a
16 late arrival, that would like to provide public
17 comments?
18 I want to make sure everybody has an
19 opportunity.
20 Okay.
21 Well, let me start by thanking everybody
22 for attending today's public hearings.
23 We truly appreciate everyone's comments.
24 I would say, as regulators, we sometimes
25 get wrapped up in the facts and figures and the

1 data surrounding the transactions, that we
2 review.
3 So it is good for us to be reminded, that
4 there is a very human element to these kinds of
5 deals.
6 And that is what we heard today.
7 I think the stories, that we heard from
8 people in the communities, in the neighborhoods
9 and the hospitals were very important
10 perspectives for us to hear.
11 I would like to again thank you all for
12 taking the time out of your busy schedules,
13 especially the doctors and nurses. As the son of
14 a nurse, I know how long your days are.
15 But I know how important the work is. And
16 that it gets in to your blood.
17 So again, we appreciate all of the
18 comments, that we heard today.
19 And I would say at this point, that we will
20 continue to leave the public record open for the
21 time being, and allow you to submit any
22 additional comments, that you might have.
23 That comment, public comment period will
24 remain open until June 1st, at which point we
25 will close it, at least temporarily, and allow

1 for a period of consideration of the consultants
2 and their evaluation of this transaction.
3 Once we do have those evaluations in, we
4 will again reopen the public comment period for a
5 temporary period of time, to allow the additional
6 public comments on those evaluations.
7 So again, my thanks, and the thanks of the
8 Department, and both Ms. Lucas and Mr. Johnson,
9 for the testimony and comments we heard today and
10 for your participation.
11 Thank you.
12 (Applause.)
13 – – –
14 (Thereupon, at 8:00 o'clock p.m. the
15 hearing was adjourned.)
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1 REPORTER'S CERTIFICATE

2 I, Lance E. Hannaford, certify that the
3 foregoing three hundred forty-two (342) pages are
4 a true and correct transcript of my stenographic
5 notes taken at the proceedings on Tuesday, April
6 17, 2012, at the Westin Hotel and Convention
7 Center, Pittsburgh, Pennsylvania 15222.
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12 Lance E. Hannaford
Reporter
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