

0841 RB

August 1, 2012

Chief of Company Licensing Division  
Insurance Department  
1345 Strawberry Square  
Harrisburg, PA 17120

RECEIVED  
Corporate & Financial Regulation

AUG - 3 2012

Pennsylvania  
Insurance Department

Dear Mr. Robert Brackbill,

Recently, I saw an article in the Greensburg Tribune Review regarding a review by state regulators of Highmark Blue Cross's purchase of West Penn Allegheny Health System. As this article indicated, I am responding to this issue.

In my opinion, this purchase has already and will continue way into the future to negatively impact all people with Highmark Blue Cross insurance coverage, especially those of us with Individual coverage. This impact has already and will be most evident by increased premiums. I have complained to the PA State Insurance Department for several years now regarding this. Yet that office continues to approve premium increases without regard to the impact on the individual.

In Oct. of 2009, I bought a policy from Highmark Blue Cross Blue Shield to provide medical coverage until I qualify for Medicare. (Prior to this I was on COBRA at \$451 per month and Blue Cross was the COBRA coverage. Due to my pre-existing conditions Blue Cross was the only carrier to offer me any coverage.) The premium in 2009 was \$558.25. In January of 2011 that premium became \$590.05. And in December of 2011 it became \$639.00. There is a difference of \$188 per month from 2009 to 2012 or \$2256 per year.

Currently my Blue Cross premiums are \$7668 per year, my deductible is \$500, and everything else is 80/20. This current year's Medical, Dental, and Audiologic costs for me will represent 77% of my income! I can't wait to see how much higher Blue Cross costs will become. No doubt it will be far more than I can pay.

The Blue Cross focus should be it's 'members' and its goal should be to provide adequate medical, dental and audiologic coverage at the lowest possible cost. Period!

Of interest, in mid July I received notice from the PA Insurance Department saying they had received my latest complaint. On the day I received this, I also got a notice from Highmark that they had requested a rate 'adjustment' from the Insurance Department. When I called Highmark to ask what kind of 'adjustment' was requested, I was told they would not know until they heard from the Insurance Department. The person I talked to would not say if they had requested an increase or not. However, I doubt they would request a decrease. Right?

Rather than rant on I have included all the documentation I've sent to the PA Insurance Department over the last several years.

Thank you for listening,

A handwritten signature in cursive script that reads "Sally Brier".

Sally Brier

1380 Mt. Pleasant Road  
Greensburg, PA 15601

**SALLY BRIER'S BC/BS EXPENSES**  
**OCT. 2011 TO JUNE 5, 2012**  
 JUNE 6, 2012 TO SEPT. 30, 2012

Items in black are actual costs and items in blue are expected costs for scheduled appointments/tests based on previous Benefit Year charges.

Premiums – I paid.

October 2011 -	\$590.05
November 2011 -	\$590.05
December 2011 -	\$639.00
January 2012 -	\$639.00
February 2012 -	\$639.00
March 2012 -	\$639.00
April 2012 -	\$639.00
May 2012 -	\$639.00
Total	\$5014.10
June 2012 -	\$639.00
July 2012 -	\$639.00
August 2012 -	\$639.00
September 2012 -	\$639.00
Total	\$2556.00
Grand Total	\$7570.10
2011 Total	\$7017.00
2010 Total	\$6378.78
2 year Prem. Increase	\$1191.82

Medications – I paid.

November 1, '11	\$130.00
January 22, '12	\$121.26
January 23, '12	\$10.00
March 5, '12	\$84.74
March 8, '12	\$24.00
April 6, '12	\$26.00
May 6, '12	\$16.00
June 5, '12	\$24.00
Total to date	\$436.00
Additional expected med expenses	
Med #1	\$48.00
Med #2	\$40.00
Med #3	\$84.74
Med #4	\$10.00
Anticipated Total	\$182.74
Grand Total	\$618.74
2011 Total	\$613.63
2010 Total	\$440.99

\*Note: I have been on the same medications for 32 years except for one which cost \$24 for 3 months. All my meds are generic.

Deductible (\$500) + 80/20 Coverage - I paid.

10/11 Neurologist	\$100.00
Lab Work	\$44.63
Ophthalmologist	\$115.00
1/12 Lab Work	\$108.89
2/12 Lab Work	\$43.00

3/12 PCP	\$133.00
4/12 Lab Work	\$21.78
Neurology	\$20.00
PCP	\$11.69
5/16 Audiology	\$15.54
Total to date -	\$603.53

Continuation of 80/20 Coverage

9/6 PCP \$20.00  
Dermatology \$20.00  
Total \$40.00  
Grand Total \$643.53  
2011 Total \$619.90  
2010 Total \$508.29

Non-covered – Dental and Hearing – I paid

10/11 Dental - \$95.00	8/12 Dental - \$90.00
2/12 Dental - \$90.00	Total - \$90.00
5/12 Audiology - \$65.00	Grand Total \$7105.00
“ - \$6765.00	2011 Total \$828
Total - \$7015.00	2012 Total \$1,032.11

\*Note: The Audiology cost in May of \$6765.00 represents new hearing aids; something BC pays nothing for because they consider them COSMETIC. I picked hearing aids that were medium priced. If I had gone with the base price and no extras, it would have cost \$3200 to \$4490. My extras (T-coil, noise suppression, moisture resistance and remote TV/phone connections) cost \$525.

**Overall Total of Actual and Anticipated \$ - \$15937.37**

**My yearly income is \$20,274.72.**

**This year my medical expenses represent 77% of my income. If BC had covered the minimum cost of my hearing aids with no extras, my medical expenses would represent 63% of my income – not great but better.**

**SALLY'S BLUE CROSS/BLUE SHIELD  
OCT. 2009 THROUGH  
SEPTEMBER 2010**

**Premiums**

Oct./Nov. \$846.55  
Dec./Jan. 1066.23  
Feb. 558.25  
March 558.25  
April 558.25  
May 558.25  
June 558.25  
July 558.25  
August 558.25  
Sept. 558.25

Total \$ 6378.78

Deductible \$500.00

80% / 20% to Out of Pocket \$2500  
(Not including Deductible)

3/24 Dr. Z=T-\$1.72 BC-\$1.38 Me-\$0.34  
3/24 Dr. Hill.=T-128.00 BC-102.40 Me-25.60  
4/20 Stress Test Read=T-158.00 BC-126.40  
Me-31.60  
4/20 Stress Test=T-1624.61 BC-1299.69  
Me-324.92  
6/19 Lab=T-116.62 BC-93.31 Me-23.31  
9/11 Lab=T-119.43 BC-95.53 Me-23.90 *Pl 10/14*  
9/20 Dr. Wolfe=T-70.00 BC-56.00 Me-14.00 *Pl 10/14*  
9/3 Dr. Tomci=T104.42 BC-83.54 Me-28.88 *Pl 10/18 #10.88*  
9/15 Dr. Z=T100.00 BC-80.00 Me-20.00 *Pl 10/20*  
9/25 Mammo=T127.16 BC-101.72 Me-25.44 *Pl 10/28*  
9/25 Mammo Read=T41.50 BC-33.20  
Me-8.30 *Pl 11/10*

80/20% Total \$2591.46 BC \$2073.17  
Me \$508.29

**Non-covered Expenses**

Dental - 1/4 \$95.00  
2/11 \$90.00  
3/29 \$85.00  
4/27 \$300.00  
5/13 \$300.00  
8/12 \$68.00  
Total = \$938.00

Hearing Aid - 3/8 \$10.00 (Aid check)  
4/5 \$55.00 (Drier)  
7/20 \$11.12 (Battery)  
9/26 \$17.99 (Battery)  
Total = \$94.11

**Partial BC Coverage**

Medco - 11/24 \$170  
2/1 \$140  
2/17 \$30  
5/3 \$30  
5/16 \$20  
6/12 \$40  
6/29 -\$100  
8/2 \$10  
8/26 \$80  
Total - \$420

RiteAid - 9/3 \$20.99  
Total for Meds - \$440.99

Total Amt. Paid by BC - \$2073.17  
Total Amt. Paid by Me - \$8810.17  
Total without Dental and HA expenses -  
\$7838.06

**Actual Medical Expenses for Sally  
Oct. 2010 to Sept. 2011  
Highmark Blue Cross**

**Deductible & 80/20%**

10/25 Dr. Hartman - \$206 Deduc.  
 12/8 Lab Work - \$119.43 "  
 2/25 " " - \$47.69 "  
 2/25 " " - \$125.16 "  
 3/4 Dr. Tomci - \$12.58 - (\$1.72 "  
 3/4 Dr. Tomci - EKG - \$6.00  
 4/20 Dr. Zaretsky - \$20  
 6/29 Lab Work - \$41.06  
 7/25 Dr. Tomci - \$11.78  
     Urinalysis  
     8/2 Office Vs. & UA  
 8/26 Mammogram - \$0  
 9/2 Dr. Tomci - \$15.20  
 9/22 Dr. Wolff - \$14.00  
 9/26 Dr. Philipkosky - \$0  
                     Total - \$618.90

**Highmark Blue Cross Premiums**

October 2010 - \$558.25  
 November 2010 - \$558.25  
 December 2010 - \$590.05  
 January 2011 - \$590.05  
 February 2011 - \$590.05  
 March 2011 - \$590.05  
 April 2011 - \$590.05  
 May 2011 - \$590.05  
 June \$590.05  
 July \$590.05  
 August \$590.05  
 September - \$590.05  
                     Total - \$7017.00

**Grand Total - 9077.53**

**Medications**

11/8/10 Medco - \$70  
 1/4 /11 Medco - \$121.26  
 2/5 Medco - \$10  
 2/21 Medco - 168.74  
 3/19 Medco - \$20  
 5/13 Medco - \$30  
 6/7 Medco - \$80  
 7/25 Rite Aide - \$3.63  
 8/2 Medco - \$110  
                     Total - 613.63

*BC Premiums represent 77% of  
my Med. Charges*

**Other (No BC Coverage)**

1/10 Dr. Butler - Crown - \$300  
 1/17 C. D'Aurora - Tubes - \$10  
 1/25 Dr. Butler - Crown - \$300  
 2/15 Dr. Butler - Ch. Up & xrays - \$90  
 7/5 C. D'Aurora - \$10  
 8/16 Dr. Butler - Ch. Up & Panarex - \$118  
                     Total - \$828

THURSDAY, JULY 19, 2012

Worthy of Western Pennsylvania  
★★



50¢

# TRIBUNE-REVIEW



**ACC IN 2013** Pitt is paying  
\$7.5M to leave Big East early **C6**

**HAPPY 'B' DAY** 'Burgh-awaited  
Batman movie lands in theaters **TICKET**

## Highmark shells out \$32M to amass property

BY ALEX NIXON

The state's largest health insurer has spent \$32 million in the past eight months quickly acquiring vacant land and commercial property throughout Western Pennsylvania as pieces together a new \$1 billion health care system. Highmark Inc., using shell companies, has bought prop-

erty in five municipalities, stretching from Cranberry in Butler County to South Strabane in Washington County, as it seeks to compete with rival UPMC and draw patients to a struggling hospital network the health insurer wants to buy.

Highmark officials declined to comment on specific plans, but it's likely the insurer will build outpatient medical centers on the properties, raising questions about duplicating medical services that increase the cost of health care.

Adding medical facilities — with extra beds, doctors and equipment — raises health care costs and can encourage over-treatment, experts have found. The Congressional Budget Office reported in 2008: "Physicians are more likely

to recommend hospitalization if beds are available." Once a patient is admitted, it found, costs rise sharply with consultations, tests and surgeries. And Highmark, a \$146 billion enterprise with \$4.1 billion in reserves, is probably not done

### Moves likely part of strategy to fortify health system

acquiring property. Through a Cranberry attorney, it has formed more than a dozen shell companies for property acquisition. And it has said it plans to have 10 outpatient centers throughout the region.

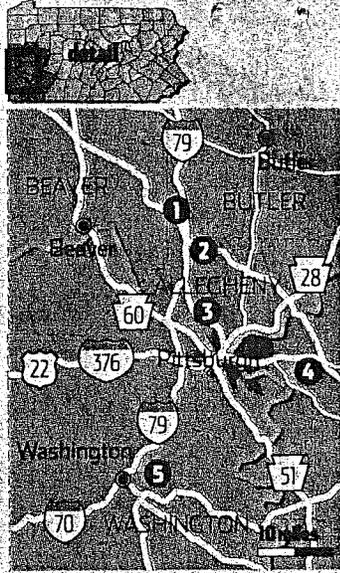
"We have said publicly that keeping care in the community is an important part of

HIGHMARK • A9

## Acquisitions

Highmark Inc. has spent \$32 million buying property in the Pittsburgh region for its new health care system.

1. **Cranberry**  
\$8.9 million for land
2. **Pine**  
\$14.5 million for land and office building
3. **Ross**  
\$2.7 million for monastery
4. **Monroeville**  
\$3.2 million for store and land
5. **South Strabane**  
\$2.7 million for store and land



Source: Tribune-Review research

THERESE LIS | TRIBUNE-REVIEW

# Highmark amasses land

**HIGHMARK** — FROM AT our provider strategy," Highmark spokesman Aaron Billger said. He declined to offer further details.

Highmark's \$475 million deal to buy West Penn Allegheny Health System awaits state approval. Key to turning around the system's finances will be increasing patient volume, experts have said. A network of outpatient medical centers, which house diagnostics, imaging, physician offices, surgery centers, pharmacies and other services, in suburban areas can pull new patients into the system.

### Properties add up

Newly uncovered property purchases by Highmark came in January in South Strabane, adding to acquisitions in Cranberry, Pine, Ross and Monroeville.

A company named Silver Rain made two property buys totaling \$2.7 million on Washington Road in a busy commercial area just north of Interstate 79. Silver Rain is a Highmark subsidiary, states a recent Highmark filing with the state Insurance Department.

burgh's monastery in Ross last spring, other Highmark property acquisitions also are near existing UPMC facilities.

In Cranberry, Highmark paid \$8.9 million for 25 acres in the Cranberry Woods office park. The site is just east of UPMC Passavant, across I-79. UPMC also is negotiating to buy land near the office park for a sports medicine facility that would be used as a training facility by the Penguins.

In Pine, Highmark has assembled more than 35 acres and an office building on Copperleaf Court, off Route 19. UPMC has an urgent care center and several physician offices nearby.

And in Monroeville, where the \$250 million UPMC East opened this month about a mile away from West Penn Allegheny's Forbes Regional Hospital, Highmark also has purchased commercial property.

Pennsylvania ranked fourth among states last year in a Tribune-Review study of U.S. hospital public bond financing for construction, refinancing, equipment and other expenses. Nationwide, hospitals borrowed \$144 billion over 34 months from Jan-

Silver Rain bought a 4.6-acre wooded lot from former Jeep and Chrysler dealer Chester "Bo" Corwin and his siblings for \$1.5 million and an adjacent former animal hospital property from Andrew Uram for \$1.2 million, Washington County deeds show.

The property is across the road from a MedExpress Urgent Care center, the registered address for Silver Rain, according to state records.

Silver Rain was a property-acquisition subsidiary of MedExpress, a Morgantown, W.Va.-based owner of urgent care centers in Western Pennsylvania, West Virginia and other states. Highmark purchased Silver Rain from MedExpress, Billger said.

UPMC operates a cancer-treatment center in nearby Washington Hospital. UPMC and Washington Hospital also are collaborating on building jointly operated urgent care centers in Washington County.

Not counting Highmark's \$2.7 million purchase of the Benedictine Sisters of Pitts-

uary 2008 to November, the Tribune-Review's yearlong series "Code Green: Bleeding Dollars" found.

Like the top two states in the analysis — California and Texas — Pennsylvania no longer has a so-called certificate of need process in which health care companies must obtain state approval to build facilities or purchase major equipment. Following the series, some state lawmakers called for renewing the state's certificate of need law, and state Sen. Jim Ferlo, D-Highland Park, introduced legislation in March.

No one at the national level — or even on a state-by-state level — tracks health care need and matches that to available services, said Dr. Albert Wu, professor of health policy and management at the Johns Hopkins Bloomberg School of Public Health in Baltimore.

Staff writer Andrew Conte contributed to this report. Alex Nixon is a staff writer for Trib Total Media. He can be reached at 412-320-7928 or [anixon@tribweb.com](mailto:anixon@tribweb.com).

6/28/12

TRIBUNE-REVIEW

# Highmark buys monastery campus

*Insurer continues its plans to expand through purchases of land for medical facilities*

BY ALEX NIXON

Maybe health insurer Highmark Inc. found religion.

The Downton-based company has continued its real estate-buying spree with the purchase last month of the Benedictine Sisters of Pittsburgh's 11-acre monastery campus in Ross.

While Highmark confirmed that a subsidiary, Summer Wind Management Co., purchased the property on May 31 for \$2.7 million, spokesman Aaron Billger declined to discuss the company's plans.

The Perrysville Avenue property includes a 75-bedroom monastery, built in 1928, and St. Benedict Hall, which was a school until 1985 when it was converted to a senior center, among other buildings.

Sister Evelyn Dettling said a confidentiality agreement prevented her from discussing the sale. She said the property had been on the market for several years.

The 52 sisters who live at the monastery will remain there until a monas-

tery is built in Richland, Dettling said. The sisters held a ground-breaking for that building on Bakerstown Road on June 18, and they expect construction to be complete by the fall of 2013.

Working through law firm DiPaulo & Russo, which has offices in Uptown and Cranberry, Highmark has formed more than a dozen shell companies over the last year for its property acquisition activities. Billger called the practice a standard business activity to avoid being overcharged by landowners.

PNC Financial Services Group Inc. recently employed the same strategy, when it used shell companies to quietly buy up a block of property Downton for its new 33-story headquarters office tower.

Highmark, the state's largest health insurance company, is in the process of creating a \$1 billion medical-service network to compete with UPMC, the dominant health system in Western Pennsylvania. The network will be anchored by West Penn Allegheny Health System, a five-hospital system Highmark is trying to buy for \$475 million. It also has partnered with Jefferson Regional Medical Center is a deal worth at least \$275 million.

Key to its strategy is acquiring and

partnering with physician practices throughout the Pittsburgh region and building outpatient medical centers to attract new patients.

Highmark officials have said they expect to have 10 outpatient centers, or medical malls, ringing Pittsburgh. Medical malls can be one-stop centers for a variety of medical services, such as primary care physician offices, pharmacy, diagnostics and imaging, rehabilitation, ambulatory surgery centers and other outpatient services.

So far Highmark subsidiaries have purchased property in Cranberry, Pine and Monroeville, in addition to the Benedictine campus in Ross.

In Cranberry, Highmark last month bought a 25-acre parcel in the Cranberry Woods office park for \$8.9 million. In Pine, using two subsidiaries, it spent more than \$14 million earlier this year to assemble 35 acres along Route 19, including a three-story office building on Copperleaf Court. And in Monroeville last month, it spent \$2.6 million to buy a commercial property on Monroeville Boulevard.

Alex Nixon is a staff writer for Trib Total Media. He can be reached at 412-320-7928 or [anixon@tribweb.com](mailto:anixon@tribweb.com).

4-1-12



ERIC HEYL

# So, think Highmark will deny this claim?

**NEWS ITEM:** Highmark Inc. CEO Dr. Kenneth Melani was suspended without pay on Thursday after being charged with simple assault and defiant trespass.

The head of Pennsylvania's largest insurer was arrested following a fist-fight last weekend with his live-in mistress's husband, Mark Myley. The fight occurred after Melani barged uninvited into Myley's house.

## HIGHMARK BLUE CROSS-BLUE SHIELD MEDICAL CLAIM

■ Patten name: Mark Myley

■ Patient address: Canonsburg, PA

■ Highmark subscriber name: Melissa Myley

■ Relationship to patient: Estranged spouse

■ Subscriber occupation: Highmark sports marketing manager

■ Claim submitted for treatment of: Illness (X) Injury ( ) Other ( )

■ Nature of illness, injury or condition: Patient suffered forehead contusion, lacerated nose and several leg lacerations during an altercation with Highmark CEO Dr. Kenneth Melani (see attached Oakmont Police report)

■ Is illness or injury work-related? Yes ( ) No (X)

■ If so, please describe how, in detail. According to police, three weeks after subscriber began working for Highmark in October, she and Melani began having an affair. Subscriber

and Melani moved in together in January, after Melani's wife became aware of their relationship and informed patient what was going on.

Things recently started to go south for subscriber and Melani when subscriber discovered Melani had hired a private investigator to probe her past. Highmark employees learned they were dancing the Hokey Pokey after the resulting argument over the private eye.

At that point, subscriber felt as though she had no choice but to leave the company. When subscriber went to patient's house to inexplicably update him on her plans, an angry Melani arrived and almost immediately started acting like Charlie Sheen on a bender.

Melani accused subscriber of cheating on him — apparently with the patient — called subscriber a slut, according to patient, and implied that subscriber only wanted him for his money. Patient led Melani out of the house and onto a porch, where the fight ensued and police were called.

Melani, who heads a \$14.6 billion health-care conglomerate and made \$4.35 million last year, was arrested after allegedly acting like a jealous, lovesick teenager.

Are you kidding? ( ) Yes (X) No

We check out all of this stuff pretty thoroughly before paying any claim. So seriously, are you kidding?

( ) Yes (X) No

Please check the following boxes to acknowledge:

(X) The above information is correct and accurate to the best of my knowledge, and that I have attached all relevant forms completed in full by my physician.

(X) This claim most likely will be denied by an apprehensive Highmark paperwork processor who fears for his/her job and wants no part of this tawdry mess.

Eric Heyl can be reached at eric.hey@tribweb.com or 412-320-7857

4-8-12



ERIC HEYL

# Golf deal could put Highmark in rough

**G**olf can be an infuriating game on many levels. Sometimes, even for those who don't play it. For example, Highmark Inc. subscribers should be plenty angry over the devotion to the game the state's largest insurer displays. That's regardless of whether they know the difference between an eagle and a birdie.

(Trust me on this. It isn't because all eagles are birdies, but not vice versa. If you're stumped on this, just read on and please don't bother the folks over at the National Aviary. They're busy chasing a runaway penguin.)

The golf course was where recently deposed Highmark CEO Ken Melani helped drive his professional and personal life into a bunker from which he might find it difficult to emerge.

Melani was fired last week after getting arrested in connection with a fist fight with Mark Myler of Oakmont. He's the husband of Melani's mistress, Melissa Myler, with whom Melani often golfed before sharing more with her than putting tips.

Melani and Myler began hooking up shortly after Myler started work at Highmark last fall. Myler, 43, not remains employed there, though it is a long shot she'll receive a breakroom birthday celebration from the company's board of

been to help broker a sponsorship agreement with the PGA Tour and Champions Tour.

The four-year deal, pegged at between \$6 million and \$15 million depending on your source, puts the name of Highmark and Allegheny Sports Medicine on trailers at tour events.

From strictly a promotional perspective, the move makes sense. If you run a health care conglomerate, you want to be perceived as the go-to treatment facility for a sport that suffers as many gruesome injuries as golf.

(Who will ever forget Latrobe's Arnold Palmer courageously winning the 1973 Bob Hope Desert Classic after suffering a dislocated ankle when he was gang-tackled in the opening round by Johnny Miller and Jack Nicklaus? That remains the last tournament won by anyone with a bone protruding from the skin.)

But there is a reason why Highmark still hasn't disclosed what it is paying to provide its upper-echelon executives with access to high-profile golf tournaments all over the country through 2015.

It's because of the bad publicity that will result when subscribers subjected to skyrocketing premium increases for years learn of the millions they are paying for something wholly unrelated to their health care.

It's because irate subscribers might go to the PGA website and discover that Highmark is the only "nonprofit" organization among the PGA's 38 corporate partners. (Use the "nonprofit" term loosely, as Highmark made \$444.7 million last year and enjoys a \$4.1 billion revenue surplus.)

It's because subscribers might angrily and rightfully conclude that Highmark officials care far more about golf than about keeping rates down.

Talk about your public relations bogey. Eric Heyl can be reached at ehey@tribweb.com or 412-320-7857.



LUIS FABREGAS

# Patient takes stand against Highmark

Soon after doctors diagnosed Mahendra Patel with prostate cancer late last year, his health insurer delivered a bombshell.

Representatives of Highmark's Freedom Blue plan informed Patel that the insurer would not pay for the full radiation treatment plan recommended by his oncologist. Instead of three phases of radiation, Highmark would pay for only two.

Patel, 73, of Upper St. Clair reacted the way most people do when their lives are at stake. "You are telling me you know better than my doctor?" he asked Highmark.

The insurance giant turned down his appeal, and so did an independent panel.

Not that it mattered.

Patel is a successful civil engineer who can afford to pay for the treatment that his insurance won't cover. He told his radiation oncologist, Dr. Robert Werner of UPMC, to go ahead with the three-phase radiation plan.

"I have one life to live, and I can't take money with me," Patel told Werner in a letter.

He wanted to be treated the way his doctor wanted, not the Highmark way.

Patel is a man of principle and, money matters aside, wanted to take a stand against Highmark. He told me about his case on

Wednesday and immediately called Highmark. By Friday, the health insurer had done a complete turn around and agreed to pay for Patel's full treatment, spokesman Aaron Billger

Highmark's change of heart, however, won't apply to other prostate cancer patients in the same predicament as Patel. The insurer will review treatment on a case-by-case basis and cover it when medically necessary, Billger said.

Using a highly advanced form of radiation, the treatment is the same that doctors have used for about 12 years, according to Dr. Dwight Heron, director of radiation services for UPMC Cancer Centers. Treatment in three phases gradually reduces the intensity of the radiation. The final phase focuses entirely on the prostate and avoids radiating surrounding areas that can be harmed. The goal is to avoid "severe side-effects" such as bleeding, he said.

Heron said he is puzzled by Highmark's rule, which became effective Jan. 1, not to cover three-phase treatments for everyone. About 12 other UPMC patients have been affected by the change, he said.

"Basically, they're practicing medicine in patients they don't even know," Heron said.

It's a good thing that Highmark's reviewers reversed their decision about Patel's case. The credit should go to the man himself. Patel spoke up, even though he was willing to pay the extra \$8,000 for the third phase of his treatment.

If you need proof that it wasn't about the money, consider what Patel did five years ago when his wife was diagnosed with uterine cancer.

He promised God that he would give a \$10,000 gift to a charity if she conquered the illness. She survived and the ever-grateful Patel gave \$10,000 to the Greater Pittsburgh Community Food Bank. He and his wife were delighted to help those who don't have enough.

Patel finished his last radiation treatment on Thursday. His cancer was caught early, so his prognosis should be good. Let's hope so. He deserves a long, happy life.

Luis Fabregas can be reached at [lfabregas@tribweb.com](mailto:lfabregas@tribweb.com) or 412-320-7998.

# Insurer seeks 9.9% boosts

Highmark asks state's  
OK of rate hikes for its  
direct consumer plans

BY BILL VIDONIC  
TRIBUNE-REVIEW

Highmark Inc. wants to raise monthly premiums up to 10 percent or lower benefits on several of its insurance plans, according to filings made public on Saturday.

In all, about 75,000 consumers who purchase insurance coverage directly from Highmark would be affected. The insurer hopes to make an additional \$22.5 million annually with the proposed increases.

Highmark spokesman Michael Weinstein said the increases are not related to the insurer's pending \$475 million acquisition of West Penn Allegheny Health System or this month's announcement that Highmark would extend its contract with UPMC through 2014. Instead, he said, the proposed premium increases "generally reflect medical cost increases we see in the market."

"Over the last 12 to 18 months, we have been seeing a slow and steady increase in costs of medical services in our region," Weinstein said. "Looking forward, we expect some of those cost trends to continue."

State officials posted notice of the proposed rate increases yesterday on the PA Bulletin website. Some notices indicated that Highmark

HIGHMARK · C6

## Proposed increases

Highmark has proposed increases in these plans, which consumers buy directly from Highmark:

**9.9 percent:** Blue Cross Blue Shield Direct Pay PPO Plans, including High Deductible Health, Non-Qualified High Deductible and Simply Blue; CompleteCare; Blue Shield Direct Pay PPO (Central Region); and Keystone Health Plan West Direct Pay HMO.

**7.5 percent:** Blue Cross Blue Shield Direct Pay PPO (Western Region).

**4.6 percent:** Blue Shield Direct Pay PPO High Deductible; Direct Pay Non-Qualified HDHP; Simply Blue Direct Pay PPO (Central Region).

**Other changes:** For the High Deductible Health, Non-Qualified High Deductible and Simply Blue plans, benefits will be decreased by 1.7 percent. For the Direct Pay PPO (Western Region), the company wants to reduce benefits by 3.63 percent.

Source: State Department of Insurance

# ks 9.9% boosts

### HIGHMARK · FROM C1

requested the increases on April 25.

State Insurance Department spokeswoman Roseanne Placey said yesterday that the department will examine the increase requests and weigh them on three standards: Whether they are excessive, inadequate or unfairly discriminatory. She noted that Highmark has regularly applied for increases.

"This is a regular annual filing. This isn't out of the norm of doing business," Placey said.

Some proposed increases will be costly. For example, the 9.9 percent proposed average increase for Keystone Health Plan West means a customer will pay an additional \$47.61 per contract per month.

Under provisions of the Patient Protection and

Affordable Health Care Act that began Sept. 1, a premium increase of 10 percent or more means the insurer must submit detailed justification for the increases. Weinstein said the 9.9 percent requests were not an attempt to skirt any scrutiny.

"We have to strike a balance between some level of affordability with the need to make sure these programs reflect the cost of medical programs," Weinstein said.

Last year, Highmark announced it would raise rates by 10 percent in monthly premiums for nearly 30,000 subscribers under five plans. After public outcry, the insurer lowered its rate increase request for its SpecialCare insurance plan, which helped cover the working poor, to 4.9 percent.

Erin Gill-Ninehouser, education outreach coordinator

for the advocacy group Pennsylvania Health Access Network, said the public has to have a chance to weigh in on the proposals.

"It's really important for (Highmark and the state) to see that pushback, because when they do, it makes a big difference," Gill-Ninehouser said.

The state Department of Insurance has until July 25 to take action against the proposed increases, which would go into effect Oct. 1.

Interested parties can submit objections or written comments about the proposed rate hikes to Cherri Sanders-Jones, Insurance Department, Insurance Product Regulation, Room 1311 Strawberry Square, Harrisburg, PA 17120, or e-mail csandersjo@pa.gov. Comments should be filed by June 11.

Bill Vidonic can be reached at bvidonic@tribweb.com.

FRIDAY, APRIL 1, 2011

Western Pennsylvania **\$5.00**

# TRIBUNE-REVIEW



## STEP ON OUT

It's a fine month for the Shrine Circus — or for the plethora of events April has to offer **D1**



## FINGERS, AND BATS, CROSSED

Pirates hopeful this season **C6-9**

# Health law to spur hospital, doctor networks

*Such accountable care organizations could save Medicare \$960 M over 3 years, feds say*

BY **LUIS FABREGAS**  
TRIBUNE-REVIEW

Health care rules the Obama administration announced on Thursday will force hospitals and health insurers to work together to cut costs and improve quality, experts said.

a move that could have significant implications in Western Pennsylvania.

The rules, part of the year-old health care law, will spur the formation of accountable care organizations, or ACOs, networks of hospitals and doctors. The networks could save Medicare as much as \$960 million over three years, federal officials said.

Under the new rules, the networks would coordinate care for patients covered by Medicare, the federal pro-

gram for the elderly and disabled. It will give hospitals financial incentives for providing good quality care while keeping down costs.

"We're going to watch a dramatic change in relationships," said Dr. Karen Wolk Feinstein, president of the Pittsburgh Regional Health Initiative. "You are setting up new terms of engagement. It's going to be a challenge if you don't have the payors, the

**NETWORKS A6**

## Highmark's profit surges 146%

*Fewer claims, sound investments, niche ventures bolster rise*

BY **KIM LEONARD**  
TRIBUNE-REVIEW

Highmark Inc. said Thursday that its profit grew by 146 percent last year as

medical claims rose less than expected, investments earned more money and specialty businesses such as vision care grew.

Pennsylvania's largest nonprofit health insurance company "had a very good year in 2010," said Nanette DeTurk, executive vice president and chief finan-

cial officer. The Downtown-based company reported a \$462.5 million profit on revenue of \$14.6 billion, compared with \$177 million of revenue of \$13.7 billion in 2009.

Across the industry, medical claims were up last year.

**HIGHMARK A6**

## Recent results

Highmark Inc. on Thursday reported a 146 percent increase in net income. Here are past results.

Year	Net income	Revenue
2006	\$398.3M	\$11.1B
2007	\$375.4M	\$12.4B
2008	\$94.1M	\$13.0B
2009	\$187.7M	\$13.7B
2010	\$462.5M	\$14.6B

Source: Highmark Inc.

BOB NEWELL | TRIBUNE-REVIEW

# Profit surges 146%

HIGHMARK · FROM A1

year but remained below forecasts, possibly because people tend to go to doctors less often to save on co-payments and other costs during tough economic times, DeTurk said.

As a result of fewer claims and better controls on expenses, premiums for most Highmark members will rise less than 10 percent in 2011, compared to low double-digit hikes in recent years, she said. Highmark lost enrollment when some companies dropped coverage, but it ended the year with about 100,000 more members for a total of 4.8 million.

Standard & Poor's Rating Services listed Highmark with a negative credit outlook for most of last year, based on weaker earnings earlier, analyst James Sung said.

"But when we reviewed their first three quarters through September, we revised their rating from A-negative to A-stable" in December, Sung said. The full-year numbers "look pretty good."

Two years ago, Highmark and other insurers lost customers as companies trimmed benefits and cut staffs but still paid out more in benefits because workers nervous about losing their jobs rushed to schedule checkups and procedures, said Steve Zaharuk, a Moody's analyst who follows the company. At the end of 2009, the H1N1 flu scare raised costs.

Analysts anticipated more of the same last year. "But 2010 came, the flu went away, and people's behavior changed," Zaharuk said. Faced with higher deductibles and co-pays, members sought fewer medical services.

revenue, up from 1.4 percent the year before. The company said it spends 88 cents of every dollar it takes in on medical care — more than many for-profit insurers, and a key number as increased federal scrutiny on this subject increases.

Highmark is preparing for a more "retail-style health care market," DeTurk said. Six Highmark Direct stores sell insurance policies, and more will open this year, she said, without giving specifics.

Vision insurance, eyewear manufacturing and optical stores made a \$70.5 million profit for Highmark last year, up 57 percent from 2009. Highmark operates 541 stores with various names in 40 states, including eight Vision Works stores in the Pittsburgh area. A wholesale business distributes eyeglass frames.

"They've been pretty successful in that business," Sung said, adding that with more government pressure to keep rates under control, many insurers are moving into niche businesses. Highmark's United Concordia dental subsidiary made a \$56.7 million profit last year, up about 6 percent.

A "stop-loss," or reinsurance, business designed to limit exposure for companies that self-insure earned \$37.8 million, up 57 percent.

Separately, the company said it plans to cooperate with a Justice Department investigation into whether Blue Cross Blue Shield plans suppressed competition in violation of antitrust laws, resulting in rising health care costs. Highmark Blue Cross Blue Shield West Virginia received requests for information. The investigation involves insurance plans in other states.

# Health law to spur care networks

NETWORKS · FROM A1

providers and the physicians in the same room together."

Financially strapped West Penn Allegheny Health System is working to establish an accountable care organization, but officials won't say whether they have held formal discussions with health insurers. CEO Dr. Christopher Olivia declined requests for an interview.

Olivia last year expressed interest in talking with executives at Highmark Inc. about creating an insurance product. At the time, he said West Penn Allegheny did not want to form a full-blown health plan like the one rival University of Pittsburgh Medical Center established in 2001.

A spokesman for Highmark said yesterday that the insurance giant has not made any deals or arrangements with West Penn Allegheny. In a December interview with the Tribune-Review, Highmark CEO Dr. Kenneth Melani said the system is flawed and Highmark members will not be able to afford the rising cost of health care, which he blamed locally on UPMC and its control of the market. Highmark is in the midst of contract negotiations with UPMC, but Melani said the two are far apart in coming to an agreement.

In addressing the need to provide a competitive alternative to UPMC, Melani said, Highmark would not necessarily be interested in operating a hospital but raised the possibility of working closely with physicians and establishing outpatient centers.

"Some might say, 'Well, that's irrational because you're duplicating what's already there,' but if it's too costly for my customers, don't I have the obligation to do that for my customers?" Melani said in December. "If UPMC has a health plan, wouldn't you think it would make sense that we would be allowed to be on the provider side?"

A UPMC spokesman said officials are studying the Medicare rules, but the region's health care giant has been building what it considers an ACO for the past two decades. UPMC has invested more than \$1 billion in electronic health records and other technologies that allow it to mine and share data in the same manner that ACOs will be able to do, said spokesman Paul Wood.

Implementing the networks will require considerable upfront costs, such as adding new nurse care managers, Feinstein said.

Because hospitals will need to establish services that Medicare typically does not reimburse, other parties — such as commercial insurers — will need to step up and help.

"You sure as heck want your commercial insurers to be sharing in the upfront investment," Feinstein said. "The hospitals will not generate savings doing business as usual."

Mike Nugent, managing director of Navigant, a health care consulting firm in Chicago, said financially unstable organizations should experience benefits from becoming an ACO.

"It's an opportunity to survive and get paid for reducing cost," said Nugent, author of the just-published book "Accountable Care Organizations: Your Guide to Strategy, Design, and Implementation." "I believe strongly that the ones that will succeed are going to be those whose hearts and minds are focused on quality."

Dr. Tom McClure, chief accountable care officer at West Penn Allegheny, said ACOs will be coordinated by primary care doctors who help patients avoid unnecessary tests and procedures. Some patients now see more than one doctor, and some specialists don't talk to each other, which often leads to waste, he noted.

"There's no one driving the ship," McClure said.

**SPORTS** Former Pitt player Fitzgerald sits down for a wide-ranging Trib interview **B1**



# TRIBUNE-REVIEW

 \$1.50  
Worthy of Western Pennsylvania

## Highmark's board gets premium pay

### Insurer, Blue Cross firms in state compensate directors, unlike most nonprofits

BY ALEX NIXON  
TRIBUNE-REVIEW

It pays to be on the board of directors for health insurer Highmark Inc.

Highmark's 20 board members last year collected an average of \$64,142 apiece — a common practice among Pennsylvania's nonprofit health insurers. The state's three other Blue Cross/Blue Shield organizations also compensate board members, according to a Tribune-Review examination of public records.

"Why aren't they lowering premiums?" asked Pablo Eisenberg, a senior fellow in nonprofit leadership at Georgetown University's Public Policy Institute.

Most nonprofit organi-

zations don't pay directors because compensation can weaken objectivity and hurt credibility, he said. Two other experts — Peggy Outen, executive director of Robert Morris University's Bayer Center for Nonprofit Management, and Joseph Greiger, executive director of the Pennsylvania Association of Nonprofit Organizations in Harrisburg — agree.

"Because they are in the pay of the organizations about whom they're supposed to be stewards, their ability to be independent overseers of the organization is impaired," Eisenberg said.

# Highmark's board gets premium pay

By [Name] and [Name]

Highmark, which spent almost \$1.3 million in 2010 compensating board members, counters that it is not a traditional charity taking donations and distributing money for public good, spokesman Michael Weinstein said because Highmark competes with for-profit national insurance companies which, like most corporations, pay board members — it offers money to attract experienced business people.

Highmark's board compensation last year ranged from \$23,955 for Dr. Calvin Johnson, state health secretary under former Gov. Ed Rendell, and chief medical officer for MinSec Corrections Corp., an operator of private prisons to \$110,075 for board chairman J. Robert Baum, a University of Maryland associate professor.

The Tribune-Review sought comment from Highmark's board members. They declined to comment or did not return messages.

"It is crucial that we have a diverse and qualified board of directors, and I believe it is important for our board members to be compensated for their expertise," Weinstein said.

Nonprofit groups such as public charities and trade associations have been to direct as free as But Blue Cross of Pennsylvania is not a nonprofit group, and its board members are compensated by the company, which is a charitable and

## Blue Cross directors

All four nonprofit Blue Cross organizations in Pennsylvania compensate members of their boards of directors. These figures show how much each organization paid last year in total compensation and an average figure per board member:

Blue Cross of Northeastern Pennsylvania — \$107 million; 15 directors, paid average of \$71,594 each  
 Capital Blue Cross — \$120 million; 16 directors, paid average of \$75,184 each  
 Highmark Inc. — \$1.28 million; 20 directors, paid average of \$64,142 each  
 Independence Blue Cross — \$912,100; 51 directors, paid average of \$29,423 each

Source: Tribune-Review

benchmarked against similar companies, varies depending on the director's responsibilities, Weinstein said. They typically attend six one- to two-day board meetings and nine committee meetings a year. He declined to estimate the average hours that directors spend working for Highmark.

Public outrage over executive and board compensation by nonprofit health insurers caused Massachusetts lawmakers to consider banning the practice.

"There is no justification for board members to be compensated at the commonwealth's four major nonprofit health insurers," Attorney General Martha Coakley said in April. She estimated a typical director of a nonprofit insurer in Massachusetts worked an average three to four hours a week.

During an investigation of the four insurers, Coakley said Blue Cross Blue Shield of Massachusetts and Fallon Community Health Plan

he said.

"Directors are paid what is necessary to attract and retain people with the unique ability and experience necessary to shape the strategic direction of a \$3 billion company, to assess its progress toward strategic goals, and to mentor and hold accountable the management of the company," he said.

Blue Cross of Northeastern Pennsylvania in Wilkes-Barre spent more than \$1 million to compensate its board last year, averaging more than \$71,000 for each of its 15 directors. The organization did not respond to requests for comment.

Independence Blue Cross spent \$921,100, or an average of \$29,423 for each of its 31 members last year. Officials with the Philadelphia insurer declined to comment.

Outen, of RMU's Bayer Center, said most large nonprofit organizations don't pay in order to attract qualified board members. "I'm not particularly con-

## Highmark board compensation

Highmark and other Blue Cross companies in Pennsylvania pay their board members. Below are Highmark's 2010 board members, their profession and compensation.



**Gretchen F. Robinson Haggerty\***  
 Chief financial officer, U.S. Steel Corp.  
 \$69,075



**Glen T. Meakem**  
 Venture capitalist  
 \$56,575



**Victor A. Roquer**  
 Former CEO, Hill House Association  
 \$73,575



**William M. George**  
 Retired president, Pennsylvania AFL-CIO  
 \$56,575



**J. Robert Baum**  
 University of Maryland associate professor  
 \$110,075



**Yvonne Campos**  
 CEO, Campos Inc.  
 \$51,075



**Joseph C. Guyaux**  
 President, PNC Financial Services Group Inc.  
 \$63,575



**David M. Matter**  
 Retired CEO, Oxford Development Co.  
 \$59,575



**William E. Trueheart\***  
 CEO, Achieving the Dream Inc.  
 \$55,463



**William J. Stallkamp\***  
 Retired vice chairman, Mellon Financial Corp.  
 \$80,463



**Dr. Calvin B. Johnson**  
 Chief medical officer of MinSec Corrections Corp.  
 \$23,955



**Don P. Foster**  
 Partner, Philadelphia law firm  
 \$65,879



**Mark S. Kamlet**  
 Provost, Carnegie Mellon University  
 \$48,075



**Rufus A. Fulton Jr.**  
 Retired CEO, Fulton Financial Corp.  
 \$79,965



**Susan W. Shoval**  
 President, Shoval Enterprises  
 \$57,575



**Dr. Thomas J. Castellano**  
 Gastroenterologist  
 \$65,579



**Doris A. Carson Williams**  
 CEO, African American Chamber of Commerce of Western Pennsylvania  
 \$65,575

ought comment from Highmark's board members. They declined to comment or did not return messages.

"It is crucial that we have a fully qualified, diverse and active board of directors, and we believe it is important for our board members to be fairly compensated for their time and expertise," Weinstein said.

Most nonprofit groups organize as public charities under IRS code 501(c)3, which allows them to collect tax-free donations. But Blue Cross companies in Pennsylvania are "nonprofit hospital plan organizations," created by state law as "charitable and benevolent institutions, exempt from taxation by the commonwealth and its political subdivisions," according to the state Insurance Department.

In exchange for state tax exemption, they must offer insurance plans to Pennsylvanians and report "community health reinvestment activities," the department said. The four Blue Cross companies must pay federal taxes.

Highmark pays property taxes on buildings that it owns, such as Fifth Avenue ace, Downton, and its for-profit subsidiaries pay local, state and federal income taxes, Weinstein said. Last year, Highmark paid a total of \$260 million in taxes. It reported net income of \$25 million for 2010. Its surpluses: \$3.7 billion.

Blue Cross of Northeastern Pennsylvania in Wilkes-Barre spent more than \$1 million to compensate its board last year, averaging more than \$71,000 for each of its 15 directors. The organization did not respond to requests for comment.

Independence Blue Cross spent \$921,100, or an average of \$29,423 for each of its 31 members last year. Officials with the Philadelphia insurer declined to comment.

Outen, of RMU's Bayer Center, said most large nonprofit organizations don't pay in order to attract qualified board members.

"I'm not particularly convinced by that argument that they have to pay to get quality people," she said. "Plenty of smart, experienced business people serve on boards and don't get paid."

Many Pittsburgh-area nonprofits don't pay their boards. Board members for UPMC, the region's dominant health-care provider, and its separate insurance subsidiary UPMC Health Plan aren't compensated, spokesman Paul Wood said. Neither are the 19 members of West Penn Allegheny Health System's board, spokeswoman Kelly Sorice said.

Highmark and West Penn Allegheny have reached verbal agreement on terms and conditions of the insurer's planned \$475 million acquisition of the region's second-largest hospital network.

The Pittsburgh Foundation, with more than \$820 million in assets, does not pay

its 18-member board. But it reimburses them for expenses related to board service, spokesman John Ellis said.

Nor do the University of Pittsburgh and Carnegie Mellon University, with respective annual budgets of nearly \$2 billion and \$900 million, compensate trustees, officials said.

Independent Sector, a Washington-based association for nonprofit groups that created a list of nonprofit management principles, said board members are expected to vol-

unteer. But if an organization pays its board, it "should use appropriate comparability data to determine the amount to be paid, document the decision, and provide full disclosure to anyone."

Greiger, of the Pennsylvania Association of Nonprofit Organizations in Harrisburg, said he prefers to see board members volunteer their service so that nonprofits aren't criticized for behaving like corporations.

That's a charge Highmark and UPMC face from patients

and lawmakers. A contract stalemate between the two nonprofits threatens to disrupt patient access to doctors and hospitals.

State Rep. Anthony DeLuca recently called UPMC and Highmark conglomerates that should worry less about money and more about protecting patient health.

Said Greiger: "The penalty ends up being: 'You don't look like a nonprofit anymore; why should you be tax-exempt?'"

Alex Nixon can be reached at [anixon@tribweb.com](mailto:anixon@tribweb.com) or 412-320-7928.

TRIBUNE-REVIEW



**Stallkamp\***  
Retired vice chairman, Mellon Financial Corp.  
\$80,463



**Johnson**  
Chief medical officer of MinSec Corrections Corp.  
\$23,955



Philadelphia law firm  
\$65,879



**Mark S. Kamlet**  
Provost, Carnegie Mellon University  
\$48,075



**Rufus A. Fulton Jr.**  
Retired CEO, Fulton Financial Corp.  
\$79,963



**Susan W. Shoval**  
President, Shoval Enterprises  
\$57,575



**Dr. Thomas J. Castellano**  
Gastroenterologist  
\$65,379



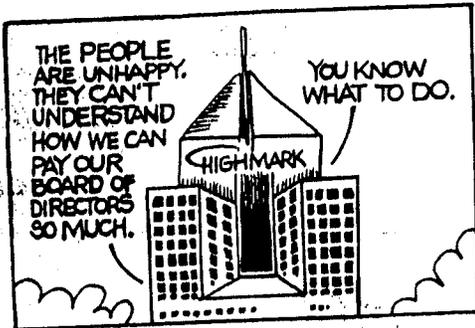
**Doris A. Carson Williams**  
CEO, African American Chamber of Commerce of Western Pennsylvania  
\$65,575

**Dr. David A. Blandino**  
**Dr. John H. Dancott**  
**John S. Cramer\***

Retired president Pinnacle Health System  
Physician  
Retired dentist  
\$87,379  
\$49,575  
\$63,463

NO LONGER ON BOARD  
Source: Highmark Inc.

**OPINION**



High Mark