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August 28, 2012

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Insurance Department Announces Updated Highmark Filing

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Harrisburg – The Pennsylvania Insurance Department today announced that UPE/Highmark has filed updated information regarding its proposed change of control and affiliation with West Penn Allegheny Health System.

News and Media

"The new supplemental filing describes significant developments that have occurred since last November's original filing," said Insurance Commissioner Michael Consedine.

Accessing Public Documents

"This includes changes in Highmark's leadership, governance structure, an additional affiliation with another regional medical center, and the UPMC contract extension. The department will continue to analyze this new information and make it available for public review and comment."

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Significant developments and changes in the proposed transaction include:

Testimony and Speeches

- **Integrated delivery network expenditures:** In addition to the initially proposed West Penn Allegheny Health System (WPAHS) expenditures, which remain at \$475 million, the supplemental filing describes \$525 million of additional expenditures related to Highmark's implementation of a broader integrated delivery network, including an affiliation with Jefferson Regional Medical Center (JRMC). The supplemental filing discloses the currently anticipated allocation of expenditures, which totals an estimated \$1 billion:
 - o WPAHS: \$475 million
 - o JRMC: \$120 million
 - o Provider network expansion (physicians, community hospitals and medical malls): \$364 million
 - o Infrastructure development (physician practice management company, group purchasing organization): \$41 million
- **UPMC contract extension:** The original filing anticipated that contracts between Highmark and the University of Pittsburgh Medical Center (UPMC) would be terminated effective June 30, 2012, with a one-year run out period. Those contracts have now been extended and the supplemental filing describes the impact of that extension.
- **Proposed affiliation with Jefferson Regional Medical Center:** The affiliation between Highmark and JRMC occurred in June 2012 and is described in the supplemental filing.
- **Change in UPE/Highmark CEO and description of leadership:** The supplemental filing describes the appointment of William R. Winkenwerder Jr., M.D., M.B.A. as President and Chief Executive Officer of UPE and Highmark; and also describes the proposed leadership of the Integrated Delivery Network and WPAHS, if the filing is approved.
- **Governance and reserved powers:** The supplemental filing provides a revised description of the proposed governance structure and discloses proposed amended and restated Bylaws of Highmark, including powers to be reserved to UPE.
- **Other developments:** The supplemental filing describes other developments that are relevant to Highmark's proposed change of control.

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The updated filing, public comments and related materials are available on the department's website. Visit www.insurance.pa.gov and click on "Highmark/West Penn."

"A full, transparent, and robust public record has been one of our goals with this filing review," Consedine added. "The public comment period will remain open to afford everyone ample opportunity to provide written comments regarding this new information."

In November 2011, a "Form A" was filed by a newly-formed nonprofit corporation, UPE, which sought approval for change of control of Highmark and its insurance subsidiaries.

Written comments on Highmark's filing should be directed to:

Robert Brackbill, Chief, Company Licensing Division
PA Insurance Department
1345 Strawberry Square

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Harrisburg PA 17120
Fax: 717-787-8557
rbrackbill@pa.gov

Comments received as part of the public record are available on the department's website. Additionally, all comments received are forwarded to Highmark for appropriate response. Those responses are also made available on the department's website at www.insurance.pa.gov.

Media contacts: Rosanne Placey or Melissa Fox, 717-787-3289

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