

**BEFORE THE INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA**

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

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

By UPE, a Pennsylvania nonprofit corporation

**SUPPLEMENTAL RESPONSE TO
PID INFORMATION REQUEST 3.7
FROM THE PENNSYLVANIA INSURANCE DEPARTMENT**

REQUEST 3.7:

Provide a full and complete copy of any written testimony given on behalf of the Applicant or any Highmark and WPAHS Entity regarding or referencing the Transaction.

SUPPLEMENTAL RESPONSE:

UPE hereby supplements its prior response to this Request by (1) referencing the written testimony given at the public informational hearing held by the Department on April 17, 2012; and (2) attaching at Tab A a copy of written testimony given on behalf of Highmark that regards the Transaction.

UPE
120 Fifth Avenue
Pittsburgh, PA 15222

TAB A



Pennsylvania Senate Majority Policy Committee Hearing

“Impact of the Changing Health Care Marketplace
on
Community Health Systems”

Comments
of
Deborah L. Rice
Division President, Health Services
Executive Vice President

August 1, 2012

Thank you, Chairman Erickson and members of the Committee. My name is Deb Rice, President of Health Business and Highmark's executive vice president, and I am responsible for overseeing Highmark's health insurance business including our relationships with health care providers. With me today is Dan Lebish, an executive vice president of our integrated delivery system group that is responsible for developing a new and better care health care delivery system for Western Pennsylvania.

We welcome the opportunity to discuss the health care industry environment that is driving change for both health care providers and health insurers in our region and nationally, as well as the unique market dynamics of southwestern Pennsylvania and Westmoreland County.

I think we can all agree that the health care environment is at a crossroads, with increasing concerns about medical costs, quality of care, and access to medical services. The cost of health care, including hospital and physician services, is ever increasing. Health care costs are increasing at an unsustainable rate in our region and, as a result, the burden of health insurance costs on individuals and businesses continues to grow.

There are many reasons why our region spends more on health care than other regions of similar size. One reason is the high utilization of services in the region. For example, Western Pennsylvanians, on average, undergo 27% more outpatient procedures, have 47% more MRIs and CT scans and have 44% more lab tests than people in similar Mid-Atlantic regions.

Because of very high medical costs, residents of our region spend a much higher level of their income on health insurance premiums compared to other metropolitan areas in the Mid-Atlantic region and the Midwest.

Many consumers and employers also believe they're not getting real value for their health care dollar. One of the primary drivers of inefficient medical care is the way doctors and hospitals are paid. A fee-for-service payment system gives health care providers the incentive to do more tests and procedures. As a result, too many health care dollars are going toward ineffective, repetitive or inappropriate care rather than optimal care that benefits patients.

In addition, our region has a fragmented health care delivery system among hospitals, primary care doctors and specialty physicians.

This inefficiency leads to poor coordination of care for an increasing number of people with chronic medical conditions, such as diabetes, COPD and heart disease.

At a number of legislative hearings and other forums, business leaders have been quite vocal that runaway health care costs are threatening the region's economic growth. Employers of all sizes are thinking twice about expanding operations and adding jobs in this region because medical costs here are too high. If we are to sustain the region's economic vitality, then the status quo in health care is not a viable option. It is imperative that all participants in the region's health care delivery system change the way they do business.

The integrated health care delivery system we are putting together is designed to meet the needs and demands of the marketplace and prepare the community for the changes coming under health care reform. Our objectives are straightforward:

- Make health care and health insurance more affordable,
- Assure appropriate access to medical care,

- Improve the quality of health care in Western Pennsylvania, and
- Create a more caring and responsive delivery system at all levels of care to produce a better patient experience.

I would like to say a word about assuring affordable access to care and maintaining provider choice for our members. This is an important topic. Highmark has a long-standing mission to make sure that all members of the community have access to affordable, quality health care, while also contributing to the economic vitality of the communities we serve.

As you know, our members may lose in-network access to some UPMC hospitals and doctors beginning in 2015. We have an obligation to our members to assure that they continue to have access to necessary medical care. That is another important reason why we are developing an alternative care delivery system for our members.

Independent community hospitals, such as Excelsa Health System, will play a central role in our effort to improve the region's delivery of medical care. Highmark is committed to working with independent community hospitals and physicians to support improvements in health care that will enable them to remain independent -- and will also ensure affordable access to necessary medical care for our members.

Westmoreland County has been and continues to be important to Highmark. We serve 160,000 members in the county who depend on the health care system here to provide high-quality and affordable care to meet their daily health care needs. But as with other counties in southwestern Pennsylvania, Westmoreland County is facing unique health care issues that must be addressed promptly.

Increasingly, the residents of Westmoreland County are bypassing local hospitals, doctors and services for their medical care.

More and more care is migrating directly to Pittsburgh-based facilities that have higher costs, are less convenient and offer no measurable improvement in quality or patient outcomes. We estimate that medical care valued at more than \$300 million a year is leaving the county.

We believe it is in the best interests of Westmoreland County to reverse this pattern. A high priority for Highmark is keeping care in the community, thus assuring continuity of care, lower costs and convenience for our members living in Westmoreland County.

Because of this focus on keeping care in the community, we have committed to local hospitals, and this includes Excelsa, that physicians aligning with Highmark will continue to extensively use the local facilities so that patients receive care in the local community.

We have had numerous discussions with the leadership of Excelsa Health System to lay out our strategy and to identify joint opportunities to work together to meet what we see as common goals. Although we have not been able to reach agreement with Excelsa to this point, we remain committed to this effort.

Excelsa, as Westmoreland County's leading health care institution, and Highmark, as the area's largest health insurance company, are critical elements of the delivery and financing of health care in Westmoreland County. For decades, our two organizations have worked together to help meet the medical care and health care coverage needs of Westmoreland County residents.

Highmark is committed to continuing its long-standing relationship with Excelsa Health System and doing the right thing for Westmoreland County residents. To underscore this point, in the past two years, Highmark has

provided grants totaling \$9.5 million to help Excelsa improve its health information technology capabilities and meet government requirements under health care reform.

In today's rapidly changing health care environment, we understand the challenges facing independent health systems such as Excelsa to remain financially stable. We have made clear to Excelsa's leadership that Highmark has no plans to recruit physicians currently employed by Excelsa or shift physician referral patterns from Excelsa to other health systems.

However, I have spoken with a number of Westmoreland County physicians who acknowledge that the county and our region are behind the times in bending the cost curve, eliminating unnecessary testing, and minimizing preventable emergency room visits and hospital admissions and readmissions. They want to work collaboratively to break down barriers to the coordinated care that patients want, that providers want to give, and that our unsustainable system so desperately needs.

At the same time that we have continued to talk with Excelsa's leadership, we have begun to collaborate with a number of advanced care and independent community health systems and physician practices across Western Pennsylvania.

These partnerships are taking different forms depending on the needs of communities and providers. And they are being driven by a shared mutual interest to improve the patient experience, better coordinate care, improve quality, control costs and keep care in the local community.

What, specifically, can be done to improve health care delivery? Here are just a few examples:

- We can safely move more care from hospital inpatient settings to less costly hospital outpatient units and to convenient freestanding outpatient sites that are closer to people's homes in the community.
- And we can better manage care in community post-acute centers so that people with chronic conditions don't end up in the hospital ER every month.

As Highmark develops closer working relationships with providers across Western Pennsylvania, I believe the community, over time, will see a positive transformation of overall care delivery in our region.

In closing, I want to say that forums such as this one provide a foundation for all stakeholders to discuss ways to create a more satisfying health care experience for consumers, keep health care in the community and prepare Westmoreland County for the future in health care.

Thank you and we are prepared to answer any questions.