## 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 Northern 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

## **RESPONSE TO SUPPLEMENTAL REQUEST 4.4.2.1(A) FROM THE PENNSYLVANIA INSURANCE DEPARTMENT**

SUPPLEMENTAL REQUEST 4.4.2.1(A) (via letter from the PID dated September 26, 2012):

4.4.2.1(A) Provide a detailed description of governance, reporting lines and structure for regulatory oversight of economic transfers between UPE Entities in light of the Supplemented Transaction and with respect to transfers to or within the IDN. This Supplemental Filing Request is not intended to require additional disclosure of materials previously filed with the Department.

## **RESPONSE:**

Upon the consummation of the JRMC transaction, either UPE Provider Sub (having UPE as its sole member) or an affiliate of Highmark will become the sole member of JRMC, which in turn will remain the parent company of the other JRMC Entities in the JRMC health system of hospitals and other health care providers. The new sole member of JRMC and its parent company will each have certain reserved powers in JRMC which are as described in the proposed Amended and Restated Bylaws of JRMC. The reserved powers that the new sole member of JRMC and its parent company will exercise over the other JRMC Entities are as set forth in the proposed Amended and Restated Bylaws of the other JRMC Entities. In addition, JRMC will maintain its Board of Directors which will continue to have significant control over operations. Reporting lines across entities that will participate in the new health system will be consistent with the allocation of corporate governance authority described above. By way of example, to the extent that issues arise at a corporate subsidiary level that are within the purview

of its member or the member's parent company, the subsidiary, by and through its board of directors and management, will have accountability for such issue to its member or the member's parent company, as applicable.

As far as regulatory oversight is concerned, those corporations that engage in regulated activities (e.g. Highmark) will continue to be responsible for their regulated activities, and as such, will continue to be responsive and answerable to those regulatory agencies (e.g. PID) that exercise oversight authority over their various lines of business.

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