BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

Application of UPE for Approval of the Request by UPE to Acquire Control of 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.; and United Concordia Life and Health Insurance Company	:	Pursuant to Sections 1401, 1402 and 1403 of the Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§ 991.1401 - 991.1403; 40 Pa.C.S. Chapter 61 (relating to hospital plan corporations); 40 Pa.C.S. Chapter 63 (relating to professional health services plan corporations); and Chapter 25 of Title 31 of The Pennsylvania Code, 31 Pa. Code §§ 25.1-25.23 Order No. ID-RC-13-06

FINDINGS OF FACT AND CONCLUSIONS OF LAW

WHEREAS, on November 7, 2011, UPE (the "Applicant") filed an application on Form A, Statement Regarding The Acquisition of Control of or Merger With Domestic Insurers (the "Initial Form A Application") to acquire control (the "Change of Control") of Highmark Inc., ("Highmark") [1], and of various subsidiaries thereof as identified in the Initial Form A Application and set forth above; and

[1] On May 2, 2013, UPE filed with the Department of State to change its name to Highmark, and Highmark Inc simultaneously filed with the Department of State to change its name to Highmark Health Services. For purposes of these Findings of Fact and Conclusions of Law "UPE" will continue to be referred to as "UPE" and "Highmark, Inc." will continue to be referred to as "Highmark".

WHEREAS, the Applicant filed Amendment No. 1 to the Initial Form A Application dated July 13, 2012 ("Amendment No. 1"); and

WHEREAS, the Applicant filed Addendum No. 1 to Amendment No. 1 to the Initial Form A Application dated August 24, 2012 ("Amendment No. 1 – Addendum")

WHEREAS, the Applicant filed Amendment No. 2 to the Initial Form A Application, dated January 18, 2013 (Amendment No. 2"); and

WHEREAS, the Applicant filed Addendum No. 1 to Amendment No. 2 to the Initial Form A Application dated January 18, 2013 ("Addendum 1"); and

WHEREAS, the Applicant filed Addendum No. 2 to Amendment No. 2 to the Initial Form A Application dated January 23, 2013 ("Addendum 2"); and

WHEREAS, the Applicant filed Addendum No. 3 to Amendment No. 2 to the Initial Form A Application dated February 12, 2013 ("Addendum 3"); and

WHEREAS, the Applicant filed Addendum No. 4 to Amendment No. 2 to the Initial Form A Application dated March 8, 2013 ("Addendum 4"); and

WHEREAS, the Applicant filed Addendum No. 5 to Amendment No. 2 to the Initial Form A Application dated March 27, 2013 ("Addendum 5," and together with the Initial Form A Application, Amendment No. 1, Amendment No. 1 – Addendum, Amendment No. 2, Addendum 1, Addendum 2, Addendum 3, Addendum 4, thereto, collectively, the "Form A"); and

WHEREAS, the Department issued multiple, specific information requests to which UPE responded; and

WHEREAS, the comprehensive record developed in the course of the Department's review of the Form A included more than 64,000 pages of reports and analytical data, more than 10,000 pages of public comments and more than six hours of public testimony; and

WHEREAS, in determining whether to approve the Form A, the Department considered materials submitted by UPE, other information, presentations, reports, documents, public comments, and other inquiries, investigations, materials, and studies permitted by law; and

WHEREAS, the Department specifically considered reports prepared for the Department by The Blackstone Group, L.P. (the "Blackstone Report") and Margaret E. Guerin-Calvert, Senior Consultant, Compass Lexecon, LLC (the "Guerin-Calvert Report"); and

WHEREAS, on the basis of all of the information listed above, on April 29, 2013, the Department issued an Approving Determination and Order, a copy of which is attached hereto as Exhibit A and incorporated herein by reference (the "Approving Determination and Order") which approved the Change of Control and all other transactions included in the Form A which are subject to the Department's jurisdiction and require the approval of the Department, subject to the Conditions set forth in the Approving Determination and Order; and

WHEREAS, on the basis of all of the information listed above, on April 29, 2013, the Department found in the Approving Determination and Order that, with the imposition of the Conditions as set forth in the Approving Determination and Order to preserve and promote competition in insurance in the Commonwealth of Pennsylvania, to protect the public interest, and to protect the financial stability of the Highmark Insurance Companies, the Change of Control, and all other transactions included in the Form A which are subject to the Department's jurisdiction and require approval of the Department, did not violate Section 1402 of the Insurance Holding Companies Act, 40 P.S. § 991.1402 ("Section 1402"); and

WHEREAS, on April 29, 2013, Highmark consummated the Affiliation Agreement with West Penn Allegheny Health System, Inc. ("West Penn") and the purchase of certain tax-exempt bonds of West Penn; and

WHEREAS, the Approving Determination and Order provided that the Department would subsequently issue on or before May 31, 2013 further full findings of fact and conclusions of law that substantially reflect the factual conclusions reached in the Blackstone Report and the Guerin-Calvert Report; and

WHEREAS, the Approving Determination and Order defines certain terms as used therein and any capitalized terms not defined in these full findings of fact and conclusions of law have the meaning ascribed to them in Appendix 1 (Definitions) to the Approving Determination and Order.

NOW, THEREFORE, this 31st day of May, 2013, the Department makes the following further findings of fact and conclusions of law in further support of the Approving Determination and Order.

INTRODUCTION

The Form A that was before the Department ultimately originated from a plan Highmark announced in 2011 to create an integrated delivery network (or "IDN") for healthcare services in the western Pennsylvania area (the "WPA" or the "Western Pennsylvania Region"). An IDN usually includes an insurer or other payor and a system of healthcare providers – including physicians, hospitals, and/or health plans – operating within the same network, often under the same parent company. Among the perceived benefits of IDNs are that participants are incentivized to use better patient care strategies, such as coordination of care to secure better and more efficient patient outcomes, and are better equipped to benefit from economies of scale.

As part of its IDN Strategy, Highmark sought to formally affiliate with the West Penn which is referred to in the Form A, the Guerin-Calvert Report, and the Blackstone Report as "WPAHS". As part of this plan as set forth in the Form A, Highmark and West Penn would be

placed under the same parent company, the Applicant. Because these changes involved a change of control of Highmark and certain insurer subsidiaries thereof, the Applicant requested the Department's approval of certain elements thereof pursuant to the Insurance Holding Companies Act, and the Department was required to approve the Change of Control unless it found that one of the standards set forth in Section 1402 existed.

Upon its review of the Form A, the Department concluded that with the imposition of the Conditions the Change of Control and the transactions related thereto as noted in the Guerin-Calvert Report and the Blackstone Report do not violate Section 1402.

The foregoing Recitals and Introduction are deemed incorporated into the Findings of Fact and Conclusions of Law as if set forth therein.

FINDINGS OF FACT

I. Identity of Entities Involved.

A. UPE.

1. UPE is a Pennsylvania nonprofit corporation, exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code, with its principal place of business in Pittsburgh, Pennsylvania.

2. UPE was formed on October 20, 2011, in anticipation of the Transaction set forth in the Form A.

3. Upon the closing of the Transaction contemplated by the Form A, the members of Highmark consist of two classes: (i) UPE; and (ii) the persons constituting the Board of Directors of Highmark, with UPE having the authority as the corporate member to elect Highmark's Board.

4. UPE is also the sole member of UPE Provider Sub, a Pennsylvania nonprofit corporation exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code and that, after issuance of the Approving Determination and Order, changed its name to Allegheny Health Network ("UPE Provider Sub"). UPE Provider Sub is the direct or indirect parent corporation of West Penn, Jefferson Regional Medical Center, HMPG, Inc. and their subsidiaries.

5. UPE has certain reserved powers as it relates to Highmark and West Penn.

6. All of UPE's initial directors were selected from among Highmark's directors.

7. UPE has certain reserved powers as it relates to UPE Provider Sub, such as electing its Board of Directors and officers, and approving its strategic plans and annual budgets.

8. UPE's bylaws provide for the following as it relates to its Board and management:

a) The Board of Directors shall consist of at least three members, and the directors shall be divided into three classes so that 1/3 of the aggregate number of directors may be chosen each year.

b) The principal officers of UPE shall be a Chief Executive Officer responsible for the general and active management of the business; a Chief Financial Officer responsible for financial accounting and reporting for the business and such other duties as may be assigned by the Chief Executive Officer or the Board of Directors; a Treasurer responsible for all funds and securities of the business; and a Secretary who shall keep the minutes of the meetings of the Board of Directors and its committees and run elections and notices in accordance with the Bylaws.

c) Other officers include one or more President(s) responsible for the direct administration, supervision, and control of such activities in the management of the business as may be assigned by the Chief Executive Officer or the Board of Directors; and Vice Presidents responsible for duties assigned by the Chief Executive Officer or the Board of Directors.

9. The directors of UPE prior to the issuance of the Approving Determination and Order were William Winkenwerder, Jr., MD; J. Robert Baum, Ph.D.; David A. Blandino, M.D.; David J. Malone; David M. Matter; and Victor A. Roque.

10. The senior officers of UPE prior to the issuance of the Approving Determination and Order were William Winkenwerder, Jr. MD (President and CEO); Thomas L. VanKirk (Secretary); and Nanette P. DeTurk (Treasurer).

B. Highmark.

11. Highmark is a Pennsylvania nonprofit corporation with its registered address in Camp Hill, Pennsylvania. In July 2012, William Winkenwerder, Jr., M.D. was hired as Highmark's President and CEO to fill the vacancy created by the termination of the employment of Kenneth R. Melani, M.D. The office of CEO is currently vacant. The senior officers of Highmark currently are: Deborah L. Rice-Johnson (President, Highmark Health Plan); David L. Holmberg (President, Diversified Services); Nanette P. DeTurk (Treasurer); and Thomas L. VanKirk (Secretary).

12. Highmark was created through the consolidation in 1996 of Blue Cross of Western Pennsylvania and Pennsylvania Blue Shield. It is an independent licensee of the Blue Cross Blue Shield Association. Highmark operates as Highmark Blue Cross Blue Shield in the twenty-nine western-most counties of Pennsylvania, and as Highmark Blue Shield in the remaining counties of the Commonwealth. Highmark provides traditional "fee for service" coverage to groups and individuals in Pennsylvania. In addition, Highmark also offers health insurance coverage in 49 of Pennsylvania's 67 counties through a preferred provider

organization, or "PPO" program. Highmark is also an administrative services only, or "ASO," provider for certain self-insured groups.

13. As a party to a joint operating agreement, Highmark provides professional health services coverage in conjunction with hospital coverage provided by Blue Cross of Northeastern Pennsylvania and by Independence Blue Cross ("IBC"). Highmark has several subsidiaries and affiliates that are engaged in offering health insurance, dental insurance, vision services, workers' compensation insurance, stop-loss insurance, real estate management services, and other administrative services. On a combined entity basis, Highmark and its subsidiaries have approximately 32 million members, of which approximately 4.7 million are health plan members.

14. Highmark has several subsidiaries that provide insurance products in numerous states, including HMO coverage; group and individual Medicare products; and vision, dental, and stop loss coverage.

15. First Priority Life Insurance Company, Inc. is a Pennsylvania stock insurance company with its principal address in Wilkes-Barre, Pennsylvania. Highmark owns 40.1% of the outstanding stock of First Priority Life Insurance.

16. Gateway Health Plan, Inc. is a Pennsylvania business corporation and licensed health maintenance organization with its principal address in Pittsburgh, Pennsylvania. Gateway Health Plan, Inc. is wholly owned by Gateway Health Plan, LP, in which Highmark has a 49% limited partnership interest and a 1% general partnership interest (through Highmark Ventures, Inc., a wholly-owned subsidiary of Highmark).

17. Highmark Casualty Insurance Company is a Pennsylvania stock insurance company with its principal address in Pittsburgh, Pennsylvania. It is a wholly-owned subsidiary of HM Insurance Group, Inc., which is a wholly-owned subsidiary of Highmark.

18. Highmark Senior Resources, Inc. is a Pennsylvania stock insurance company with its principal address in Pittsburgh, Pennsylvania. It is a wholly-owned subsidiary of Highmark.

19. HM Casualty Insurance Company is a Pennsylvania stock insurance company with its principal address in Pittsburgh, Pennsylvania. It is a wholly-owned subsidiary of HM Insurance Group, Inc., which is a wholly-owned subsidiary of Highmark.

20. HM Health Insurance Company, d/b/a Highmark Health Insurance Company, is a Pennsylvania stock insurance company with its principal address in Pittsburgh, Pennsylvania. It is a wholly-owned subsidiary of Highmark.

21. HM Life Insurance Company is a Pennsylvania stock insurance company with its principal address in Pittsburgh, Pennsylvania. It is a wholly-owned subsidiary of HM Insurance Group, Inc., which is a wholly-owned subsidiary of Highmark.

22. HMO of Northeastern Pennsylvania, Inc., d/b/a/ First Priority Health, is a Pennsylvania nonprofit corporation and licensed health maintenance organization with its principal address in Wilkes-Barre, Pennsylvania. Highmark owns a 40% interest in HMO of Northeastern Pennsylvania, Inc.

23. Inter-County Health Plan, Inc. is a Pennsylvania nonprofit corporation licensed to operate a professional health services plan, with its principal address in Horsham, Pennsylvania. Highmark owns a 50% interest in Inter-County Health Plan, Inc.

24. Inter-County Hospitalization Plan, Inc. is a Pennsylvania nonprofit corporation licensed to operate a hospital plan, with its principal address in Horsham, Pennsylvania. Highmark owns a 50% interest in Inter-County Hospitalization Plan, Inc.

25. Keystone Health Plan West, Inc. is a Pennsylvania business corporation and licensed health maintenance organization with its principal address in Pittsburgh, Pennsylvania. It is a wholly-owned subsidiary of Highmark.

26. United Concordia Companies, Inc. is a Pennsylvania stock insurance company with its principal address in Harrisburg, Pennsylvania. It is a wholly-owned subsidiary of Highmark.

27. United Concordia Dental Plans of Pennsylvania, Inc. is a Pennsylvania business corporation and licensed risk-assuming PPO with its principal address in Harrisburg, Pennsylvania. It is a wholly-owned subsidiary of United Concordia Companies, Inc., which is a wholly-owned subsidiary of Highmark.

28. United Concordia Life and Health Insurance Company is a Pennsylvania stock insurance company with its principal address in Harrisburg, Pennsylvania. It is a wholly-owned subsidiary of United Concordia Companies, Inc., which is a wholly-owned subsidiary of Highmark.

29. Highmark; 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; HM Life Insurance Company; HMO of Northeastern Pennsylvania, Inc.; 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.; and United Concordia Life and Health Insurance Company are collectively referred to herein as the "Highmark Insurance Companies."

C. West Penn.

30. West Penn is a Pennsylvania nonprofit corporation, exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code.

31. West Penn owns and operates hospitals and primary and specialty care practice sites throughout Allegheny, Armstrong, Butler, Beaver, Washington, and Westmoreland Counties in the Western Pennsylvania Region.

32. West Penn owns or controls directly or indirectly the following five acute care hospitals:

a) Allegheny General Hospital ("AGH") in Pittsburgh, Pennsylvania;

b) Alle-Kiski Medical Center, d/b/a Allegheny Valley Hospital ("AVH"), in northeast Pittsburgh, Pennsylvania;

c) Canonsburg General Hospital ("CGH") in northern Washington County, Pennsylvania;

d) The Western Pennsylvania Hospital-Forbes Regional campus, d/b/a Forbes Regional Hospital ("FRH"), in Monroeville, Pennsylvania; and

e) Western Pennsylvania Hospital ("WPH") in Pittsburgh, Pennsylvania.

33. West Penn is the second-largest healthcare provider in the Greater Pittsburgh market. Among its five hospitals, West Penn operates approximately 1,600 inpatient beds. It employs approximately 11,500 employees, and has over 1,700 physicians (employed and private practice) on staff at its hospitals.

34. At the time the Form A was filed, West Penn had approximately an 18% inpatient market share in the Greater Pittsburgh market, compared to a 40% market share of the largest health care provider in the Greater Pittsburgh market, UPMC.

D. Jefferson Regional Medical Center.

35. Jefferson Regional Medical Center ("JRMC") is a Pennsylvania nonprofit corporation, exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code. JRMC provides a range of comprehensive health care services on an 83-acre campus in southern Allegheny County, Pennsylvania. The major subsidiaries of JRMC at the time the JRMC Affiliation Agreement was entered into were the following:

a) Jefferson Regional Medical Center Foundation, a nonprofit corporation that conducts fundraising, donation management, and fund management activities to support the charitable, educational, and scientific purposes of JRMC;

b) JRMC - Diagnostic Services LLC, a Pennsylvania nonprofit, single-member limited liability company that provides professional billing services;

c) Health System Service Corporation, a Pennsylvania for-profit corporation that provides health-related programs and services for patients and healthcare providers;

d) The Park Cardiothoracic and Vascular Institute, a Pennsylvania nonprofit, taxable corporation that is a cardiothoracic and vascular surgical practice consisting of four cardiothoracic surgeons providing services to patients living in central and southwestern Pennsylvania, eastern Ohio, and northern West Virginia;

e) JRMC Specialty Group Practice, a Pennsylvania nonprofit, taxable corporation that employs physicians in various specialties to provide services to patients in JRMC's service area; and

f) JRMC Physician Services Corporation, a Pennsylvania nonprofit, taxable corporation that houses the billing services for professional house physician and physician assistant services to patients of JRMC.

36. On March 1, 2013, JRMC became a wholly-owned subsidiary of UPE Provider Sub.

E. Saint Vincent Health.

37. Saint Vincent Health System ("SVHS") is a Pennsylvania nonprofit corporation exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code., with Sisters of St. Joseph of Northwestern Pennsylvania ("SSJ") as its sole member. It is the parent company of the controlled affiliates Westfield Memorial Hospital ("WMH"), Clinical Services, Inc. ("CSI"), Saint Vincent Medical Education and Research Institute, Inc. d/b/a Saint Vincent Medical Group, and Saint Vincent Affiliated Physicians.

38. Saint Vincent Health Center ("SVHC") is a Pennsylvania nonprofit corporation with SSJ as its sole member. It owns and operates an acute care and two major outpatient centers separately licensed by the Pennsylvania Department of Health: Saint Vincent Surgery Center and Saint Vincent Endoscopy Center.

F. History Between Highmark and West Penn.

39. Highmark and West Penn have had a relationship that long predates the parties' present affiliation.

40. In 1996, Highmark executed indemnity hospital agreements with AGH, FRH, AVH, CGH, and WPH, which were at the time owned by the Allegheny Health, Education and Research Foundation ("AHERF").

41. In 1997, Highmark executed managed care hospital agreements with these hospitals.

42. In 1998 AHERF declared bankruptcy.

43. In 2000, these five hospitals formed West Penn.

44. Since that time, West Penn has experienced financial difficulties, particularly in recent years. West Penn suffered annual operating losses of $19 million in 2010, $52 million in 2011, and $113 million in 2012.

45. In April 2011, Highmark's Board of Directors was advised that West Penn needed a $25 million cash advance on claim payments prior to April 11, 2011, in order to give West Penn working capital, which was advanced to West Penn .

46. Despite the cash advances to West Penn by Highmark, West Penn continued to experience operational and financial difficulties.

G. The Affiliation Agreement.

47. In June 2011, Highmark and West Penn announced an agreement in principle to formally affiliate, and on or about June 28, 2011, the parties entered into a term sheet (the "Term Sheet").

48. As of October 31, 2011, UPE, UPE Provider Sub, Highmark, West Penn and certain subsidiaries of West Penn entered into the Affiliation Agreement (the "Original Affiliation Agreement") which was later amended by that certain Amendment No. 1 to Affiliation Agreement entered into as of January 22, 2013 (the "Affiliation Agreement Amendment," and together with the Original Affiliation Agreement, collectively, the "Affiliation Agreement"), pursuant to which Highmark and West Penn agreed to affiliate and establish the IDN.

49. Highmark stated that the affiliation with West Penn would be the "cornerstone. . .of an integrated health system" that would allow the achievement of a "more affordable, more efficient, more satisfying and higher quality" healthcare experience for its policyholders and subscribers.

50. Highmark has expressed the belief that the affiliation with West Penn would: (i) provide more choice and access to providers; (ii) reduce anticipated increases of healthcare costs and premiums; (iii) improve quality of care; (iv) improve subscriber experience; and (v) preserve a community asset, West Penn.

51. As described in the Form A, UPE would become the direct parent of Highmark (and an indirect parent of Highmark's subsidiaries, including subsidiaries that write insurance), and the indirect parent of West Penn. UPE would not be authorized to write any health insurance.

52. The contemplated Transaction also proposed the creation of an additional new subsidiary of UPE, UPE Provider Sub, that would be the sole member of West Penn.

53. Pursuant to the transaction contemplated by the Affiliation Agreement: (i) Highmark would continue to be a Pennsylvania nonprofit corporation, but be subject to control by UPE; (ii) West Penn would retain all of its existing assets, liabilities, and operations, but would be subject to governance and certain oversight by UPE and UPE Provider Sub as provided in the West Penn Bylaws; (iii) Highmark would continue to operate a nonprofit hospital plan and nonprofit professional health services plan; (iv) Highmark would continue to participate in Blue Cross and Blue Shield Association programs; and (v) Highmark did not assume the debts or obligations of West Penn.

54. The Affiliation Agreement provided for UPE to become the sole corporate member within a new class of membership that would be established in Highmark. UPE was to hold all right in this new class of corporate membership in Highmark, with the other class of members consisting of the existing members of Highmark's Board of Directors.

55. The Affiliation Agreement also provided that UPE would be the sole member of UPE Provider Sub. UPE Provider Sub in turn would become the sole member of West Penn, which in turn would remain the parent company of the various hospital and healthcare provider entities in the West Penn health system.

56. The Affiliation Agreement provided that UPE would have certain reserved powers in West Penn. Effective upon the consummation of the Affiliation Agreement, Section 3.3(a) of West Penn's Amended and Restated Bylaws ("West Penn Bylaws") provides for the right of UPE Provider Sub to make recommendations to UPE with respect to actions by UPE on matters reserved to UPE under Section 3.3(b). That section gives UPE the following reserved powers over West Penn, subject to limitations as provided in Section 3.3(b) of the West Penn Bylaws:

a) to determine the number of directors that will comprise the Board of Directors of West Penn;

b) to elect the directors of West Penn;

c) to remove any of the directors of West Penn to replace any such director for the unexpired portion of his or her term;

d) to approve the election, re-election, and removal of all officers including the Chief Executive Officer of West Penn, and its subsidiaries in accordance with the Article V of the West Penn Bylaws;

e) to amend, revise or restate West Penn's and the subsidiaries' Articles of Incorporation and Bylaws, subject to limitations;

f) to adopt or change the mission, purpose, philosophy or objectives of West Penn or its subsidiaries;

g) to change the general structure of West Penn or any of its subsidiaries as a voluntary, nonprofit corporation;

h) to (1) dissolve, divide, convert or liquidate West Penn or its subsidiaries, (2) consolidate or merge West Penn or its subsidiaries with another corporation or entity, (3) sell or acquire assets, whether in a single transaction or series of transactions, where the consideration exceeds 1% of West Penn's consolidated total assets;

i) to approve the annual consolidated capital and operating plan and budget of West Penn and its subsidiaries, and any amendments thereto or significant variances therefrom;

j) to approve the incurrence of debt by West Penn and its subsidiaries or the making of capital expenditures by West Penn and its subsidiaries during any fiscal year of West Penn, in either case in excess of one quarter of 1% of the consolidated annual operating budget of West Penn for such fiscal year, if such debt or capital expenditures are not included in West Penn's or its subsidiaries' approved budgets, whether in a single transaction or a series of related transactions;

k) to approve any donation or any other transfer of West Penn's or its subsidiaries' assets, other than to its member or to West Penn by its subsidiaries in excess of $10,000.00, unless specifically authorized in West Penn's or the subsidiaries' approved budgets;

l) to approve strategic plans and mission statements of West Penn and its subsidiaries;

m) to approve investment policies of West Penn and its subsidiaries;

n) to approve the closure or relocation of a licensed healthcare facility of West Penn and its subsidiaries;

o) to approve the formation of subsidiary corporations, partnerships and joint ventures or to make investments in existing subsidiary corporations, partnerships and joint ventures, if the new investments of West Penn and its subsidiaries in such subsidiary corporations, partnerships and joint ventures during any fiscal year would, in the aggregate, exceed 1% of West Penn's consolidated total assets at the end of the prior fiscal year of West Penn;

p) to approve the dissolution of subsidiary corporations, partnerships and joint ventures of West Penn and its subsidiaries, if the aggregate value of

the ownership interests of West Penn and its subsidiaries in such subsidiary corporations, partnerships and joint ventures so dissolved in any fiscal year would exceed 1% of West Penn's consolidated total assets at the end of the prior fiscal year;

q) to establish and manage West Penn's program for compliance with all legal requirements applicable to West Penn and the hospitals operated by West Penn, all accreditation and licensing requirements and the conditions of participation in all governmental payor programs applicable to West Penn or West Penn's hospitals;

r) to select and appoint auditors and to designate the fiscal year of West Penn and its subsidiaries; and

s) to give such other approvals and take such other actions as are specifically reserved to members of Pennsylvania nonprofit corporations under the Nonprofit Corporation Law.

57. The West Penn Bylaws provide that no more than 75% of the Board of Directors of West Penn can be appointed by UPE, with the balance being selected by a self-perpetuating arrangement described in Section 4.2 (b) of the West Penn Bylaws.

58. The Original Affiliation Agreement provided for a series of funding commitments from Highmark to West Penn of up to $400 million as follows:

a) an unrestricted payment of $50 million funded on June 28, 2011 (upon execution of the Term Sheet) to West Penn to be used as determined by a joint committee as provided in the Original Affiliation Agreement for among other purposes, to make capital improvements and fund operations; and

b) an unrestricted payment of $100 million which was paid upon signing the Original Affiliation Agreement in October 2011, of which $50 million was advanced as a loan; and

c) a loan of $50 million funded 180 days after the execution of the Original Affiliation Agreement (April 2012); and

d) two additional loans of $100 million each to be advanced on the later of the closing or April 1, 2013, and April 1, 2014, respectively, to be reduced by any positive cash flow of the West Penn-affiliated organizations.

These payments were subject to limitations as provided in the Original Affiliation Agreement.

59. In addition to the Highmark funding commitments of up to $400 million as provided above, (i) the Original Affiliation Agreement provided for Highmark to make an additional $75 million charitable contribution at the time of closing to provide scholarships for medical students and pre-medical and health-related science studies and other health-related professional education; and (ii) in April 2012, Highmark authorized an unrestricted contribution of up to $8 million to West Penn to pay for management consultants of West Penn.

60. In July 2012, Hammond Hanlon Camp LLC ("H2C"), an independent investment banking and financial advisory firm that had been retained by Highmark, reported to Highmark's Board concerning the financial situation of West Penn and various strategic options available to it, including West Penn bond debt restructuring.

61. In August 2012, Highmark and West Penn began regular meetings to discuss a potential restructuring of the Bonds.

62. On September 28, 2012, West Penn claimed that Highmark had anticipatorily breached the Original Affiliation Agreement by Highmark: (i) announcing it would not consummate the affiliation even if the Department approved it; and (ii) insisting that West Penn restructure through bankruptcy. Accordingly, West Penn announced that it no longer considered itself bound by the Original Affiliation Agreement.

63. On October 1, 2012, Highmark sued West Penn in the Allegheny County Court of Common Pleas, seeking an order that West Penn's attempted anticipatory repudiation of the Original Affiliation Agreement was improper and of no effect, that Highmark had not

anticipatorily breached the Original Affiliation Agreement, and that West Penn was forbidden from negotiating an affiliation with any other organization.

64. On November 9, 2012, the court granted Highmark's motion for a preliminary injunction, ruling that the Original Affiliation Agreement remained in place, that Highmark was not in breach, and that West Penn was not permitted to negotiate an affiliation with any other party (the "2012 Court Ruling").

65. The obligations of the parties under the Original Affiliation Agreement were subject to various conditions precedent that needed to be satisfied or waived as a condition to closing of the Original Affiliation Agreement.

H. The Amendment to the Original Affiliation Agreement.

66. After the 2012 Court Ruling, Highmark and West Penn began new negotiations concerning the parties' relationship going forward and possibilities to address West Penn's financial condition. On January 22, 2013, the parties agreed to the Affiliation Agreement Amendment.

67. The Affiliation Agreement Amendment did not change the organizational structure of UPE, UPE Provider Sub, Highmark, or West Penn, or change UPE's reserved powers in West Penn as described above.

68. The Affiliation Agreement Amendment increased the obligation of Highmark to make aggregate funding commitments from $400 million to $475 million and revised the terms by:

a) eliminating Highmark's obligation to make the charitable contribution of $75 million at closing and replacing it with an obligation to make at closing an unrestricted and unconditional grant payment of up to $75 million, subject to deduction for any advances against such amount up to $33.6 million to pay certain West Penn obligations coming due prior to closing; and

b) revising the terms of the Fourth Funding Commitment to provide for the payment of $50 million into escrow upon the execution of a certain Bond Tender, Consent and Forbearance Agreement among the bond holders of the West Penn Series 2007A Bonds (the "Bonds") covering not less than 73.5% of the aggregate outstanding principal amount of the Bonds and that upon the closing of the Affiliation Agreement, the $50 million in escrow would be released to West Penn and an additional $50 million funded by Highmark to West Penn, the aggregate of which continuing to be in the form of loans from Highmark and if the closing did not occur by April 30, 2013, or an agreed extension to that date, the $50 million would have been paid to West Penn; and

c) revising the extent of any security that would be available for the repayment of the loans.

69. In addition to the obligations of Highmark to West Penn as provided in the Affiliation Agreement, the Affiliation Agreement Amendment provided for Highmark to make a tender offer to purchase the Bonds, provided that a sufficient number of bondholders agreed to tender. Specifically, launching the tender offer was conditioned upon the holders of at least 73.5% of the aggregate outstanding principal amount of the Bonds agreeing to tender their Bonds. The tender offer was an all cash offer at $0.875 per $1.00 of principal plus accrued interest, with an approximate $65 million to $89 million discount.

70. In January 2013, Highmark's Board approved the proposed tender offer transaction for the Bonds and Highmark's Board was advised of the expectation that the Bonds acquired in the tender offer transaction would be refinanced with the proceeds of a subsequent tax-exempt bond issue.

71. The Affiliation Agreement Amendment added an express covenant that West Penn would continue to provide charitable care consistent with past practices for at least four years following closing.

72. The Affiliation Agreement Amendment also provided that West Penn would not pursue any comparable transaction or affiliation while the Affiliation Agreement was pending and that neither party would make any material change to West Penn's operations inconsistent with its federal income tax-exempt status for a period of four years. Furthermore, the pending litigation between Highmark and West Penn relating to West Penn's asserted default by Highmark under the Original Affiliation Agreement would be dismissed when the Affiliation Agreement closed.

73. By an order dated February 12, 2013, the Orphans' Court Division of the Court of Common Pleas of Allegheny County approved UPE's proposed organization and structure with UPE Provider Sub as the sole member of West Penn conditioned upon the receipt by the Highmark Entities of approval from the Department for the creation of UPE as the parent of Highmark.

I. Affiliation with Jefferson Regional Medical Center.

74. As part of its IDN Strategy, Highmark pursued other hospital affiliations as well, but the West Penn affiliation remained at the core of its strategy.

75. On August 13, 2012, UPE, UPE Provider Sub, and Highmark entered into an Affiliation Agreement (the "JRMC Affiliation Agreement") with JRMC and its subsidiaries (including but not limited to JRMC - Diagnostic Services LLC, Health System Service Corporation, the Park Cardiothoracic and Vascular Institute, the JRMC Specialty Group Practice,

and the JRMC Physician Services Corporation) and Jefferson Regional Medical Center Foundation.

76. The JRMC Affiliation Agreement provided that at closing, UPE Provider Sub would become the sole member of JRMC.

77. To facilitate the closing of the JRMC Affiliation Agreement prior to the approval of the Form A by the Department, Highmark and JRMC then slightly modified the structure of the transaction from what is described in the JRMC Affiliation Agreement. UPE Provider Sub would become the sole member of JRMC at Closing and Highmark would become an "other body" as defined in Section 5103 of the Pennsylvania Non Profit Corporation Law of 1988 (the "Other Body") of UPE having the reserved power to appoint the UPE Board of Directors. JRMC's Bylaws provide that UPE and JRMC shall each have authority to appoint members to the JRMC Board provided that at all times the approximate number of aggregate board votes authorized to be cast by JRMC Board members appointed by UPE is as close as possible to seventy-five percent (75%) but not eighty percent (80%) or more.

78. Upon the Department's approval of the Form A, UPE's Bylaws were amended to remove the authority of Highmark as the Other Body.

79. Highmark agreed to make available to JRMC grants in the aggregate of up to $100 million to finance certain capital projects. Highmark further agreed to guarantee the payment of debt, pension, and all other liabilities of JRMC on the books as of March 31, 2012. Highmark also committed to make a monetary contribution in the amount of $75 million to the JRMC Foundation, to be made in installments by January 1, 2014.

80. In addition, JRMC staffing levels would be maintained, JRMC's employees would be retained, JRMC's existing charity care policy and level of support for education and community programs would not change for at least 5 years after closing, and JRMC would not pursue any comparable affiliation or transaction while the JRMC Affiliation Agreement was pending.

81. By an order dated February 12, 2013, the Orphans' Court for the Court of Common Pleas of Allegheny County approved the transactions described in and contemplated by the JRMC Affiliation as provided therein.

82. On March 1, 2013, Highmark and JRMC announced the consummation of the JRMC Affiliation Agreement.

J. Affiliation with Saint Vincent.

83. On March 28, 2013, Highmark, UPE, UPE Provider Sub and SVHS, SVHC, the Saint Vincent Foundation for Health and Human Services ("SVH"), Clinical Services, Inc. and SSJ entered into an Affiliation Agreement (the "SVHC Affiliation Agreement") pursuant to which UPE Provider Sub would become at the closing thereunder the sole corporate member of SVHS, SVHC and SVH, and SSJ would relinquish its reserved powers over SVHS, SVHC and SVH.

84. Pursuant to the SVHC Affiliation Agreement, Highmark, UPE or UPE Provider Sub agrees to: (a) transfer to SVHC grants in the aggregate amount of $25 million to be used as provided therein and (b) make a contribution of $10 million to SSJ.

85. Upon a closing of the SVHC Affiliation Agreement, the SVHS/SVHC Boards would be structured so that the directors entitled to exercise approximately 75% of the voting power of the Boards would be elected by UPE. The other approximate 25% would be elected by SVHS/SVHC as provided in the SVHC Affiliation Agreement. SVHS and SVHC agreed that they will not pursue any comparable transaction or affiliation while the parties proceed with a proposed transaction.

86. The SVHC Affiliation Agreement has not closed.

K. Distributions.

87. UPE represented that it had no plans to declare any extraordinary dividend, liquidate any of the Domestic Insurers, sell their assets to or merge them with any person or persons, or to make any other material change in their business operations or corporate structure or management except as provided in the Form A, including as follows:

a) The business of Highmark Senior Resources Inc. ("HSR") would be novated to HM Health Insurance Company ("HHIC"). HSR planned to distribute approximately $40 million to Highmark in the first quarter of 2013, leaving approximately $3 million in surplus in order to maintain certain licenses.

b) Highmark would terminate its reinsurance agreement with HHIC as of January 1, 2013. HHIC planned to distribute approximately $450 million to Highmark in the first quarter of 2013. No additional contributions or dividends were projected for 2012 through 2016.

c) Highmark's vision subsidiary HVHC Inc. had developed an accelerated growth strategy that involves opening new retail stores from 2013 through 2018. Highmark management proposed to fund a portion of HVHC's growth strategy with capital contributions to HVHC of $40 million in 2013 and $25 million in 2014, which would be funded out of Highmark's surplus.

L. The Public File.

88. A public file has been maintained by the Department that includes all documents filed with the Department by UPE and its representatives, Highmark and its representatives, and West Penn and its representatives, except those documents which were designated as confidential by UPE, Highmark or West Penn.

89. The public file also contains all comments and documents received by the Department from interested persons, responses to those comments received by the Department from UPE, Highmark, or West Penn, non-confidential versions of the Blackstone Report and the Guerin-Calvert Report, non-confidential correspondence between the Department and UPE, Highmark, or West Penn, and the transcript of the public informational hearing that was conducted.

90. The public file has been maintained by the Department at its Harrisburg office and has been available to any interested person for inspection and copying in accordance with rules of the Department.

91. The public file has also been made available online at http://www.portal.state.pa.us/portal/server.pt/community/industry_activity/9276/highmark___west_penn_cumulative_log/1036250.

92. All materials in the public file have been indexed in a composite document, in part to aid interested persons who wish to obtain copies of any of the public documents. The index was posted on the Department's website and was routinely updated as new documents became available for public inspection.

93. The Department at various times sent emails to interested persons who had previously requested documents from the public file, or who attended the public informational hearing discussed below, to advise them that additional documents had been received by the Department and were available.

94. As of April 19, 2013, the comprehensive record developed in the course of the Department's review of the Form A included more than 64,000 pages of reports and analytical data, more than 10,000 pages of public comments and more than six hours of public testimony.

M. The Department's Retention of Consultants and Advisors.

95. Section 1402 provides that the Commissioner of the Department (the "Commissioner") may retain, at the acquiring person's expense, any attorneys, actuaries, accountants and other experts not otherwise a part of the Department's staff as may be reasonably necessary to assist the Department in reviewing the proposed acquisition of control.

96. The Department retained Blank Rome LLP ("Blank Rome") to act as its legal advisor in connection with matters relating to the Department's examination of UPE's proposed acquisition of control of the Highmark Insurance Companies.

97. On December 9, 2011, Blank Rome engaged Blackstone Advisory Partners L.P. ("Blackstone") as a financial advisor to assist in its review of the Application (the "Blackstone Engagement Letter").

98. In the Blackstone Engagement Letter, Blank Rome requested that Blackstone serve as financial consultant and potential expert witness to the Department in connection with the matters relating to the Department's examination of the Change of Control transaction.

99. On March 27, 2012, Blank Rome engaged Compass Lexecon LLC and its affiliates ("CL") as an economic advisor to assist in its review of the Application (the "CL Engagement Letter").

100. In the CL Engagement Letter, Blank Rome requested that CL perform economic analysis, expert witness and other services as described in such letter in connection with the Change of Control transaction.

N. Public Informational Hearing.

101. Section 1402 provides that the Commissioner shall conduct a hearing if either the acquiring party or the party to be acquired requests a hearing within ten days of the filing of the Application. A hearing may also be held if the Commissioner, in his discretion, elects to conduct a hearing as part of his review and analysis of a Form A filing.

102. Neither UPE nor the Highmark Insurance Companies requested a hearing on the Application.

103. Because the parties to the Application did not request a hearing, the decision whether to conduct a hearing was within the Commissioner's discretion under Section 1402.

104. The Commissioner exercised his discretion to hold a public informational hearing on the Application.

105. The Commissioner's decision to hold a public informational hearing was an appropriate exercise of his discretion under Section 1402.

106. On March 3, 2012, the Department published notice in the *Pennsylvania Bulletin* announcing that a public informational hearing would be held in Pittsburgh on April 17, 2012, with regard to the Application.

107. The published notice advised that the public informational hearing would provide an opportunity for interested persons to present oral comments relevant to the Application. The notice also stated that, in the alternative, written comments could be mailed to the Department or sent via email.

108. The notice was also posted on the Department's website.

109. On March 14, 2012, the Department issued an eblast announcing the public informational hearing.

110. On April 10, 2012, the Department issued a press release announcing the public informational hearing, including an announcement that the hearing could be viewed live via the internet.

111. Included within the *Pennsylvania Bulletin* notice and press release were instructions for interested persons to pre-register to present oral comments.

112. Approximately 150 persons attended all or part of the public informational hearing, including representatives of the Department, UPE, Highmark, West Penn and other interested persons.

113. The Commissioner presided over the public informational hearing and received oral comments.

114. During the public informational hearing, among other things, the Department described its review process.

115. Highmark and West Penn representatives provided an overview of the Change of Control and the affiliation with West Penn, discussing how the Change of Control of Highmark and the Highmark Insurance Companies in conjunction with Highmark's proposed affiliation with the West Penn is good for the Western Pennsylvania Region.

116. Blackstone and CL representatives described the services that they were retained to perform as consultants to the Department.

117. During the public informational hearing, a number of interested persons presented their positions, and, in some cases, responded to questions posed by the Commissioner.

118. The public informational hearing was transcribed by a stenographer. The transcript of the public informational hearing is available on the Department's website.

119. At the request of the Department, the webcast of the hearing was archived and made available for viewing by accessing the Department's website.

O. Notice and Comments.

120. On November 7, 2011, the Department issued a press release (the " Form A Press Release") announcing that the Initial Form A Application had been received.

121. The Form A Press Release invited interested persons to submit comments to the Department regarding the Application beginning November 9, 2011.

122. Notice of the filing of the Form A was also published in the Pennsylvania Bulletin on November 19, 2011. 41 Pa.B. 6310.

123. As described above, the Department held the public informational hearing with regard to the Application as provided for in Section 1402.

124. At the conclusion of the public informational hearing on April 10, 2012, the Department announced that the public comment period would remain open until June 1, 2012. The Department also announced that it would reopen the public comment period once again for a brief period once the Department's consultants had issued their reports. Notice of the June 1, 2012, closing of the public comment period was published in the Pennsylvania Bulletin on April 28, 2012. 42 Pa.B. 2352.

125. The public comment period was reopened for an indefinite period of time on July 28, 2012, after receipt of Amendment No. 1. 42 Pa.B. 4831.

126. The public comment period ended on April 19, 2013.

127. If any of the below conclusions of law are determined to be findings of fact, they shall be deemed incorporated in the Findings of Fact as if fully set forth therein. If any of the above Findings of Fact are determined to be conclusions of law, they shall be deemed incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

128. Under Section 1402, the Department has jurisdiction to review and approve the Change of Control.

129. Section 1402 requires the Department to approve an application for a change in control unless the Department has found one or more of the following:

a) After the Change of Control, the Highmark Insurance Companies would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which they are presently licensed; or

b) The effect of the Change of Control would be to substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein; or

c) The financial condition of the Applicant is such as might jeopardize the financial stability of one or more of the Highmark Insurance Companies or prejudices the interests of any policyholders; or

d) The Change of Control, including but not limited to any material change in the business or corporate structure or management of the Applicant or the Highmark Insurance Companies as described in the Form A is unfair and unreasonable and fails to confer a benefit on policyholders of the Highmark Insurance Companies and not in the public interest; or

e) The competence, experience, and integrity of those persons who would control the operation of any of the Highmark Insurance Companies are such that it would not be in the interest of the policyholders of the Highmark Insurance Companies and of the public to permit the Change of Control; or

f) The Change of Control is likely to be hazardous or prejudicial to the insurance buying public; or

g) The Change of Control is not in compliance with the laws of this Commonwealth.

130. The burden is on the Department to show a violation of these standards. The standards are phrased in the negative, and the Department is required to approve a transaction unless it finds that any of the standards are met.

131. Under Section 1402, the Department has not found that any of the above conditions are present with respect to the Change in Control.

132. The Department finds that, with the imposition of the Conditions set forth in the Approving Determination and Order to preserve and promote competition in insurance in the Commonwealth of Pennsylvania, to protect the public interest, and to protect the financial stability of the Highmark Insurance Companies, the Change of Control and all other transactions included in the Form A which are subject to the Department's jurisdiction and require approval of the Department do not violate Section 1402.

II. Standard 1: Condition Not Present – That The Highmark Insurance Companies Would Not Be Able To Satisfy The Requirements For The Issuance Of A License To Write Lines of Insurance.

133. When analyzing an application for a change in control under Section 1402, the Department reviews the requirements for continued licensure of the domestic insurer(s) subject to the change in control.

134. Specifically, the Department reviews whether the acquirer would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed after the acquisition. 40 P.S. § 991.1402(f)(1)(i).

135. The classes of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law, 40 P.S. § 386.

136. Based on their year-end 2012 capital, surplus, and net worth balances, Highmark and the other Highmark Insurance Companies would be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which they are presently licensed upon completion of the Change of Control .

137. In order to satisfy requirements of a license to write the relevant lines of insurance, the Highmark Insurance Companies must meet certain statutory minimum capital balance requirements.

138. These requirements are met for each of the Highmark Insurance Companies:

	Capital Balance			Surplus Balance			Net Worth Balance		
($ in thousands)	Q4 2012	Requirement	Satisfy	Q4 2012	Requirement	Satisfy	Q4 2012	Requirement	Satisfy
Highmark Inc.	–	–	Yes	–	–	Yes	$4,138,085	$25	Yes
HMO of Northeastern Pennsylvania, Inc.	432	–	Yes	49,500	–	Yes	64,035	1,500	Yes
First Priority Life Insurance Company, Inc.	1,837	1,100	Yes	118,757	550	Yes	145,141	1,650	Yes
Gateway Health Plan, Inc.	1	–	Yes	114,329	–	Yes	197,604	1,500	Yes
Highmark Casualty Insurance Company	2,500	850	Yes	21,250	425	Yes	148,453	1,275	Yes
Highmark Senior Resources Inc.	2,000	1,100	Yes	72,000	550	Yes	38,568	1,650	Yes
HM Casualty Insurance Company	1,000	850	Yes	1,000	425	Yes	5,464	1,275	Yes
HM Health Insurance Company	2,500	1,100	Yes	491,438	550	Yes	641,252	1,650	Yes
HM Life Insurance Company	3,000	1,100	Yes	174,338	550	Yes	246,981	1,650	Yes
Inter-County Health Plan, Inc.	–	–	Yes	2,295	–	Yes	2,400	25	Yes
Inter-County Hospitalization Plan	–	–	Yes	2,655	–	Yes	4,692	–	Yes
Keystone Health Plan West, Inc.	150	–	Yes	120,850	–	Yes	407,207	1,500	Yes
United Concordia Companies, Inc.	1,100	1,100	Yes	72,650	550	Yes	399,943	1,650	Yes
United Concordia Dental Plans of Pennsylvania, Inc.	1	–	Yes	3,972	–	Yes	1,546	100	Yes
United Concordia Life and Health Insurance Company	1,500	1,100	Yes	10,444	550	Yes	213,357	1,650	Yes

139. Highmark does not anticipate any changes to the December 31, 2012, relevant capital balances of Highmark or the other Highmark Insurance Companies resulting from the Change of Control that would cause Highmark or any of the Highmark Insurance Companies to fail to meet the relevant statutory capital balance requirements, and the Department does not find that any such changes are likely.

III. Standard 2: Condition Not Present – That The Effect Of The Change Of Control Would Be To Substantially Lessen Competition In Insurance In This Commonwealth Or Tend To Create A Monopoly Therein.

140. The Change of Control of the Highmark Insurance Companies is subject to review and analysis under Section 1402(f)(1)(ii) and the applicable parts of Section 1403 of the

Insurance Holding Companies Act to determine whether the effect of the Change of Control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth. 40 P.S. § 991.1402(f)(1)(ii) (the "Competitive Standard").

141. In applying the Competitive Standard, the informational requirements of Section 1403(c)(2) and the standards of Section 1403(d)(2) of the Insurance Holding Companies Act, 40 P.S. § 991.1403 ("Section 1403"), are applicable.

142. Pursuant to Section 1403(d), the Department may enter an order under Section 1403(e)(1) with respect to a change of control if there is substantial evidence that the effect of the change of control may be substantially to lessen competition in any line of insurance in the Commonwealth or tend to create a monopoly therein or if the insurer fails to file adequate information in compliance with Section 1403(c).

143. Any acquisition covered under Section 1403 involving two or more insurers competing in the same market is prima facie evidence of violation of the competitive standards of Section 1403 if the involved insurers possess certain market shares and any acquisition, merger or consolidation covered under Section 1403 involving two or more insurers competing in the same market is prima facie evidence of violation of the competitive standard in Section 1403 if: (A) there is a significant trend toward increased concentration in the market; (B) one of the insurers involved is one of the insurers in a grouping of such large insurers showing the requisite increase in the market share; and (C) another involved insurer's market is two per centum (2%) or more.

144. Section 1403(d)(2)(iv) further provides that even though an acquisition is not prima facie violative of the competitive standard under Section 1403(d)(2)(i) and (ii) as

described above, the Department may establish the requisite anticompetitive effect based upon other substantial evidence and may consider relevant factors, such as, but not limited to, the following: market shares, volatility of ranking of market leaders, number of competitors, concentration, trend of concentration in the industry and ease of entry and exit into the market.

145. While the Transaction is not a prima facie violation of the competitive standard of Section 1403(b), the Department requested from the Applicant additional material and information to determine whether the Change of Control, if consummated, would violate the competitive standard of Section 1403(d) and Department through its consultant undertook a review of relevant factors relating to competition.

146. Based upon such review, the Guerin-Calvert Report concluded, and the Department so finds, that:

a) The Transaction contemplated by the Form A does not raise any direct horizontal competitive concerns in the relevant markets for healthcare insurance, hospital services, or physician services in the 29-county Western Pennsylvania Region.

b) Highmark's share in the market for commercial insurance products in the WPA is approximately 60%. This share has been stable for at least the past five years. Based on these shares of other market participants, the market is "highly concentrated" as measured by the Herfindahl-Hirschman Index. There is not a significant prior history of other insurers being able to compete away enrollees from Highmark, although some rivals to Highmark have recently made unquantifiable and preliminary inroads based on the inclusion of UPMC-network hospitals as in-network hospitals.

c) Based on market conditions and other limitations on competitors to Highmark in ease of entry and/or expansion into the market, it cannot be rejected that Highmark has market power in the insurance sector such that competing insurers could not provide competitive discipline were there to be a concern about Highmark's ability to exercise market power post-Transaction.

d) The affiliation between Highmark and West Penn creates competitive risks that Highmark and West Penn will be able to change the terms of contracting with rival insurers, and the opportunity to make use of competitively-sensitive information from rivals to the detriment of competition. This is particularly important here, where market conditions limit the options available to rivals, and because the ability of rival insurers to provide effective competition to Highmark is an important constraint to keep Highmark's incentives aligned with the public interest.

e) The IDN as proposed by Highmark, with West Penn at its core, has the characteristics of a successful IDN, making it more likely to achieve improved clinical and fiscal outcomes for some portion of the WPA. The capital costs of implementing the IDN are at least $1 billion, and almost $1.6 billion when the potential costs of addressing West Penn's debts are considered. Highmark has set forth a reasonable economic case to support the conclusion that the affiliation between Highmark and West Penn will benefit policyholders, and is in the public interest. But there is some uncertainty about whether Highmark will be able to shift large volumes of inpatients to West Penn, some of the economic assumptions underlying Highmark's projected IDN cost savings, and the assumed termination of Highmark's provider contract with UPMC as of December 31, 2014 – all critical assumptions on which Highmark's projections rely. These three factors are significant economic risks that must be considered.

f) The West Penn "downside case" (*see infra* at paragraphs 186-187) that the Department requested Highmark prepare, in which Highmark is able to attain only 50% of the incremental discharges it projects in its West Penn base case scenario (submitted by UPE to the Department as Exhibit K to Amendment No. 2), is a plausible economic scenario. There is not sufficient detail at this point to conclude whether Highmark will be able to restore West Penn to a competitively-viable hospital system absent the projected inpatient volume shifts outlined in the base case scenario.

g) Highmark makes a well-reasoned case as to why affiliation with West Penn may better and more immediately ensure West Penn's ability to achieve the inpatient volumes, financial changes, and cost reductions necessary for a more efficient health care delivery system instead of affiliating with another third party. Any third-party acquirer of West Penn would need to deal anew with West Penn's debt issues, would need to invest substantial capital resources in West Penn, and negotiate new provider contracts with Highmark and others.

147. But with the imposition of the Conditions to preserve and promote competition in insurance in the Commonwealth, the Change of Control and the transactions described in the Form A do not violate Section 1402. The Conditions permit the substantive benefits

contemplated by the Change of Control and the associated transactions while limiting the risks of adverse competitive effects.

Specific Factual Conclusions

148. Highmark has a substantial market share in the market for health care insurance coverage in the 29-county WPA and any other relevant geographic area.

149. For a relevant product market that includes HMO, PPO, POS, and traditional indemnity insurance, Highmark's commercial enrollment as of December 2011 accounts for approximately 59.6% of the population in the WPA that has commercial health care insurance, or 1.39 million persons out of a total insured pool of 2.33 million.

150. If the product market were to focus just on certain types of commercial insurance coverage, e.g., small group coverage, Highmark's market share would likely be even higher.

151. For a relevant product market for Medicare that includes Highmark's Medicare and Medicare Advantage enrollment as of December 2011, Highmark's share accounted for a small to significant percentage of Medicare eligible persons residing in the WPA, depending on the specific area in question.

152. Focusing only on a market that included Medicare Advantage plans in the WPA, Highmark's share totaled 56%, twice the share of the next largest healthcare insurer, UPMC.

153. Highmark competes with several other healthcare insurance providers in the WPA, including HealthAmerica, Aetna, UnitedHealthCare, Cigna, and the UPMC health plans.

154. As measured by admissions to West Penn hospitals under commercial plans in the first half of 2012, and as measured by revenue received by West Penn by insurer over the same period, Highmark's market share was consistent with its overall market share as stated in paragraph 149, and the market shares for the other insurers were significantly less.

155. As measured by other methods, such as estimates of the entire WPA market, and/or as measured by plan type (direct versus group), Highmark has consistently been found to have at least a 60% market share over the past several years.

156. In sum, available data submitted to the Commonwealth by the Applicant and other insurers indicate that few insurers have experienced substantial market share growth over the past several years, although UPMC has experienced the most substantial growth. Volume and market share estimates are the most skewed at the local level – i.e., the Western Pennsylvania Region, suggesting that rivals to Highmark and UPMC are even weaker in the local Pittsburgh area.

157. Although Highmark suggests that the existence of significant competitors and large, national health insurers such as UnitedHealthCare, Aetna, and Cigna, in the market indicate the existence of vigorous competition, the Department has not found reliable information to suggest that any competitor other than UPMC is capable of attracting a large number of enrollees away from Highmark. Win/loss data and other information show Highmark's largest loss of enrollees was in 2011-2012, with most of those consumers switching to UPMC.

158. In summary, the data suggests that, based upon historical experience, it is unlikely competing insurers would be able to expand readily and effectively to attract substantial numbers of members away from Highmark.

159. By contrast, West Penn has a significant, but nowhere near dominant, market share in the market for inpatient acute care services.

160. The relevant geographic market includes a large number of hospital competitors (suppliers), and is determined by a so-called "90 percent service area" test, which determines the fewest number of zip codes from which the combined West Penn hospitals derive 90% of their inpatients.

161. In that area, UPMC has approximately a 47% market share, West Penn has an approximate 16% market share, and six other hospitals have market shares between 3% and 7%.[2]

162. Community hospitals in the Pittsburgh area generally have, on average, occupancy rates in the 60% range. The West Penn or UPE-affiliated hospitals have utilization rates that vary above or below that 60% figure.

163. These figures suggest that Highmark, or other insurer rivals, with appropriately configured and priced products, such as tiered or limited health care networks, could draw inpatients away from UPMC.

164. The affiliation between Highmark and West Penn will not lead to any significant concerns due to any horizontal overlaps in the relevant geographic market for hospital services,

[2] One of these is JRMC which, if included with West Penn, would give the hospitals controlled by UPE Provider Sub 19.5% share.

even when the affiliation with JRMC is included because JRMC's share of discharges is so small (3%-4%).

165. There is some overlap, however, between Highmark and West Penn in the market for physician services due to employment and affiliation agreements between Highmark, West Penn, and Pittsburgh-area physicians. But Highmark employs relatively few physicians, and even when there are overlaps in specialties between Highmark and West Penn, there are substantial competitive alternatives.

166. Even though the affiliation between Highmark and West Penn will increase overall UPE physician enrollment in the relevant geographic market, there is no material change anticipated in any share in any group that reflects competitive concerns.

167. The affiliation between Highmark and West Penn is a "vertical" transaction, because it involves a combination between entities at different levels of the production and distribution chain. Vertical combinations are often viewed as pro-competitive, rather than anticompetitive, although there is a risk that a vertical combination can have anticompetitive effects on horizontal competition at one or more levels at which the relevant entities compete.

168. In a combination such as the affiliation between Highmark and West Penn, there could be an incentive to increase input prices at the hospital level, or to change contract terms with rival insurers to achieve higher premium prices.

169. As noted above, Highmark has a high and stable market share in the healthcare insurance market in the WPA, with rivals other than UPMC having lower shares with few

changes in recent years. (Part of this is due to Highmark's 10-year low reimbursement rate contracts with both West Penn and UPMC.)

170. But mitigating against Highmark's relatively high and stable market share are new contracts between several rival insurers and UPMC, which are now offering a broader in-network portfolio of hospitals comparable to Highmark. Accordingly, rivals now appear to be more robust competitors.

171. Overall, however, the Guerin-Calvert Report could not reject the likelihood that Highmark has sufficient market power, or that Highmark/West Penn has changed incentives after the Transaction, to engage in competitively adverse conduct.

172. The Guerin-Calvert Report analyzed the profitability to an integrated Highmark-West Penn of a hypothetical price increase to rival national insurers, and concluded that it would have a direct effect on West Penn's admissions, revenues, and profits, and an indirect effect on Highmark's enrollment, revenues, and profits.

173. West Penn (including its Affiliates) and the Domestic Insurers including Highmark engage in confidential and competitively sensitive contract negotiations with each other's rivals that involve price and non-price terms and product design. Common ownership of the Domestic Insurers, West Penn and its Affiliates provide the opportunity for each to obtain and make use of Competitively Sensitive Information from rivals that could be used to the potential detriment of consumers and competition. The affiliation also causes a potential concern that Highmark would be able to exercise control over contracting with the potential to include contracting provisions that would tend to disadvantage competitors.

174. The risk that competitors' confidential information could be put to an improper use increases significantly because of the affiliation. This may include present and future reimbursement rates, payor-provider reimbursement contracts, reimbursement methodologies, including pay for performance, pay for value, and consumer choice initiatives (e.g., tiering of providers).

175. The ability of rival insurers in the Western Pennsylvania Region to develop and obtain the benefits of innovative products and pricing depend on their ability to contract with UPE-affiliated providers without risk of disclosure to the Domestic Insurers.

176. But these problems are remediable through "firewall" provisions of the type included in the Conditions incorporated into the Approving Determination and Order, including: (i) separate managed care contracting information and activity of the hospital and of the insurer, including personnel who are involved in the decision-making; (ii) mechanisms that prevent sharing of competitively-sensitive information among persons at the hospital and at the insurer; and (iii) clear confidentiality policies that describe what persons can access what information, and provide for monitoring of compliance and remedial actions if violations occur. In connection with the implementation of a proper firewall policy, the President and Chief Privacy Officer of UPE should provide annually a certification regarding compliance by the UPE Entities with such firewall policy.

177. As it pertains to contracting, there is a risk that the UPE entities would have the incentive and power to implement strategies that could constrain rival firms' ability to provide a competitive constraint on Highmark. This could include, for example, terminating payor

contracts, as the UPE entities could make up for patient losses on the insurance side of the business.

178. Further, a risk to competition exists if a Domestic Insurer can adversely affect any rival's price and non-price contract terms or deter innovation or access or limit gains to innovation by obtaining and acting upon any rival's Competitively Sensitive Information. A risk to competition also exists if Health Care Insurers or Health Care providers enter into contractual arrangements, including but not limited to arrangements known as "most-favored nation" arrangements that guarantee receipt of the best payment rate and/or terms offered to any other Health Care Insurer or Health Care Provider.

179. In addition to the use of most favored nations clauses, competition can be adversely affected by use of exclusivity provisions which if imposed could facilitate anticompetitive effects by preventing a competitor from contracting with such entities.

180. In addition, contracts that substantially exceed normal and customary lengths (usually 2-5 years) have the potential to limit the ability of rival hospitals/insurers to respond to changes in the market place and may inhibit competitive change; moreover, there does not appear to be any pro-competitive or business justification for substantially longer contracts that have been raised in the record here.

181. The U.S. Department of Justice, Antitrust Division (the "DOJ"), has recognized that the length of contract is a consideration in the evaluation of competition in WPA. The DOJ has stated "*Long-term contracts between dominant hospitals and insurers can dull their incentives to compete, leading to higher prices and fewer services. If a dominant hospital is guaranteed a predictable revenue stream for many years from a dominant insurer, then the*

hospital may be less likely to promote the growth of new insurers by offering them competitive rates. Similarly, if a dominant health insurer is guaranteed rates from a dominant hospital for an extended period, then the insurer may be less likely to promote competition in the hospital market by investing in more affordable hospitals." Statement of the Department of Justice's Antitrust Division on Its Decision to Close Its Investigation of Highmark's Affiliation Agreement With West Penn Allegheny Health System.

182. Moreover, Highmark's affiliation with West Penn presents the risk that a health care provider affiliated with UPE could exercise control to prohibit or limit the ability of Health Care Insurers to implement consumer choice and other member cost-sharing initiatives, including but not limited to tiered network products based upon transparent, objective criteria that include quality and cost.

183. Again, these contracting-related risks are minimized through the Conditions included in the Approving Determination and Order.

The Effect of and Risks Associated With Highmark's IDN Strategy

184. Highmark posits that it needs to be commonly-owned with West Penn, rather than simply contracting with it, to implement its IDN Strategy so as to align West Penn's incentives completely with Highmark's and to achieve high quality, lower cost healthcare in the Western Pennsylvania Region.

185. Reinvigorating West Penn as a viable and vigorous competitor to UPMC is an important component of Highmark's strategy to reduce healthcare costs for its members, and a source of public benefit flowing from the Transaction. By attracting more enrollee admissions to West Penn and other changes associated with the IDN Strategy, Highmark expects to lower the

premium rates paid by Highmark's enrollees below that which enrollees would have paid had the affiliation not occurred and make Highmark more competitive in the insurance marketplace.

186. This strategy will potentially create a more viable West Penn system that may incentivize providers and patients to choose West Penn for hospital services, presumably at a lower cost and for a full range of services, instead of opting for UPMC or other higher-cost hospitals. And this aligns with Highmark's incentives to attract more patients from other, higher-cost facilities.

187. Based on projections prepared by Highmark, including alternative scenarios requested by the Department, even in the scenario identified by Highmark as a West Penn "downside case"[3] scenario, in which West Penn generates only half as many incremental discharges as Highmark projects in the Form A that by 2017, West Penn still would enjoy significantly more discharges than presently projected, and it would reverse the consistent declining trend in discharges that has characterized West Penn since 2007.

188. In order for Highmark's IDN Strategy to work, it must: (i) incentivize patients to select West Penn and other aligned hospitals instead of UPMC; and (ii) incentivize physicians to use West Penn and other aligned hospitals instead of UPMC. Unless those two goals are met, it is unlikely that Highmark can attract sufficient numbers of patients to West Penn to make the affiliation successful in terms of: (i) stabilizing West Penn; (ii) lowering the cost of care for Highmark members; (iii) lowering Highmark's risk exposure to possible financial failure by West Penn; and (iv) providing improved competitive healthcare delivery to the Western Pennsylvania Region.

[3] The "downside case" is referred to sometimes as the "worse case" in the Guerin-Calvert Report.

189. Highmark's goal of creating an IDN to provide access to affordable healthcare could result in substantial benefits to consumers in the Western Pennsylvania Region, including reduced costs for both insurance and healthcare services, improved quality of care, and improved patient outcomes. Because the IDN is intrinsically related to the affiliation with West Penn, it is appropriate to consider the IDN's costs and benefits as part of the evaluation of affiliation and whether Highmark's members, and the public, will benefit therefrom.

190. Highmark estimates that its IDN Strategy will result in substantial aggregate cost savings beginning in 2014 -- $91 million in 2014, $298 million in 2015, and $447 million in 2016, with similar amounts to follow in successive years. As stated in the Blackstone Report, the cost of implementing the IDN strategy is approximately $1.8 billion in the aggregate.

191. If Highmark's projections concerning the increase in patient discharges at West Penn are correct, then West Penn should benefit substantially from its affiliation with Highmark. Among other items, West Penn is expected to: (i) receive critical financial support; (ii) participate in innovative patient care delivery models; (iii) enjoy enhanced clinical protocols and advanced technology; (iv) be able to advance the level of care at West Penn, including sustaining the emergency department; (v) establish a trauma program at FRH; and (vi) be able to increase capabilities at CGH.

192. Highmark estimates that premiums for its enrollees would be 8% greater than they would otherwise have been if the IDN were not implemented.

193. The Department and its expert, however, conclude that Highmark's "base case" projections of discharge volume increases through 2017 and other underlying assumptions are

not supported by the economic evidence presented, and rely on assumptions of patient, physician, and competitor behavior that are uncertain.

194. Accordingly, the Department through its advisors requested the Applicant to provide projections that assumed West Penn would be able to attain only 50% of the incremental discharges Highmark projected in its "base case." The Guerin-Calvert Report concluded that this scenario is as plausible as the "base case" scenario. Under this scenario, however, West Penn would be unable to achieve breakeven income.

195. Highmark has proposed a number of "Contingency Actions" if it could not attain at least 50% of the incremental discharges. These would involve significant changes in the operation of West Penn that could include selling off non-core assets and reducing capital expenditures. Even under this "downside case" scenario, those contingency actions would tend to hold healthcare costs down rather than increase upward price pressure.

196. There are also risks associated with the affiliation with West Penn. A sufficient volume of patients may not be attracted to West Penn. A sufficient number of physicians may not be able to be convinced or incentivized to refer patients to West Penn. Providers (other than UPMC, whose exit from the system is assumed by the Applicant after 2014) may pull out of the network, leaving members without their preferred physicians.

197. Highmark projects that if the affiliation were not to occur, it could result in higher costs, greater consolidation in the provider market, and a shutdown of further services at the West Penn facilities. This would lead to a strengthening of UPMC's market share and an increase in costs and premiums throughout the market.

198. Highmark also contends that if it did not affiliate with West Penn, it would be forced to renew its provider contract with UPMC at a higher cost, and would be forced to pass those costs on to subscribers, accepting a reduced margin, or some combination of the two.

199. For its part, West Penn has not provided significant information on what it would do if the Affiliation were not approved. It would likely have to seek out another financial partner, one that may not allow West Penn to continue its charitable mission, an important part of West Penn's decision to affiliate with Highmark.

200. Furthermore, if West Penn were to continue to shrink the services it provides, or were forced to close certain facilities altogether, it would leave UPMC in a stronger competitive position and better able to exercise dominant market power. In the greater Pittsburgh market, only UPMC and West Penn provide the full range of acute care services. For example, there are six major service groupings in which UPMC and West Penn has a combined share of at least 75% of patient discharges – spine, neurosurgery, neonatology, other OB, surgical tracheostomy, and HIV. And for some services, UPMC and West Penn are the only two providers in the area.

201. Although there is substantial uncertainty concerning whether large numbers of patients will be shifted successfully to West Penn, as the Applicant projects, or whether certain of the economic assumptions made in the Form A are sound, the Applicant's strategy appears to be reasonable, and could provide significant benefits to Highmark's members and to the Western Pennsylvania Region as a whole.

202. As the Applicant's strategy is reasonable and could provide significant benefits to its members and to the Western Pennsylvania Region as a whole, provided the Conditions set forth in the Approving Determination are adhered to, the Department has not found that the

effect of the Change of Control would be to substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein.

IV. Standard 3: Condition Not Present – That The Financial Condition Of The Applicant Is Such That It Might Jeopardize The Financial Stability Of Highmark Or Prejudice The Interests of Policyholders.

203. When analyzing an application for a change of control under Section 1402, the Department reviews the financial condition of the acquiring person(s) as of the consummation of the Change of Control.

204. The Applicant is the acquiring person under Section 1402 and is a nonprofit corporation separate from the Highmark Insurance Companies.

205. The Form A does not disclose any agreement by any of the Highmark Insurance Companies or any Affiliate to assume any debts or obligations of the Applicant.

206. The Department has reviewed the financial statement submitted by the Applicant – essentially a newly-formed entity – as of February 28, 2013.

207. The Department notes that the Applicant reports that it has or projects to have $327.3 million of total assets, and reserves of approximately $80.1 million at closing. Such amounts primarily relate to the assets and reserves of JRMC, which consummated an affiliation with UPE on March 1, 2013.

208. Based upon the information provided by the Applicant that it has or projects to have reserves of approximately $80.1 million at closing, the Department does not find that the financial condition of the Applicant is such that it might jeopardize the financial stability of the

Highmark Insurance Companies or prejudice the interests of policyholders as of the consummation of the Change of Control.

209. The financial condition of the Applicant does not pose any impediment to the Change in Control, nor jeopardize the financial condition of Highmark as of the consummation of the Transaction.

V. Standard 4: Condition Not Present – That The Change of Control, Including Any Material Change In The Business Or Corporate Structure Or Management Of The Applicant Or The Highmark Insurance Companies Is Unfair Or Unreasonable and Fails To Confer Benefit On Policyholders And Are Not In The Public Interest.

210. With the assistance of Blackstone and the Blackstone Report, the Department has carefully considered the impact the Transaction could have on the Highmark Insurance Companies.

211. Blackstone's financial analysis focused on the following aspects of the Transaction: (i) the financial impact on Highmark; (ii) the potential cost and benefits to Highmark's policyholders; and (iii) implications for competition and the insurance-buying public.

212. Blackstone performed a number of analyses in connection with its review of the impact of the Change of Control and the associated transactions, including: (i) an overview of Highmark's current financial position; (ii) an assessment of Highmark's total financial commitments related to its IDN Strategy; (iii) an assessment of the capital commitments implied by Highmark's IDN Strategy that are contingent on approval of the Form A, as compared to those that have already been funded or will be funded regardless of the approval of the Form A;

(iv) an assessment of the potential impact of the Transaction on Highmark's net liquid assets, investment portfolio, credit profile, and Risk Based Capital Ratio ("RBC");[4] (v) an assessment of Highmark's RBC stress test; (vi) a review of Highmark's "base case" financial projections for West Penn and assessed potential vulnerabilities in Highmark's assumptions; (vii) a review of "downside case" financial projections prepared by Highmark for West Penn and the related impact on Highmark, based on an assumed lower level of inpatient volume than in the base case; and (viii) a review of Highmark's analysis of the financial impact to it of completing no affiliation with West Penn whatsoever (the "no transaction" case) and its underlying assumptions.

213. As of December 31, 2011, Highmark's combined enterprise GAAP balance sheet showed cash and investments of approximately $6.2 billion and total reserves of $5 billion, which averaged 5.7% annual growth since 2007.

214. The circumstances in which Highmark found itself in 2012, namely: (i) its deteriorating contract dispute with UPMC; (ii) the rapid decline of West Penn's financial condition; (iii) the potential for accelerated physician departures from West Penn; and (iv) the possibility that Highmark could find itself without *either* a UPMC contract or relationship with West Penn to serve as the foundation of its IDN Strategy were circumstances that led Highmark to conclude that it was essential to proceed quickly, and these circumstances may have contributed to Highmark securing a transaction that was more expensive, or bore more risk, than was originally anticipated.

[4] The RBC is a measure of an insurer's liquidity and capital adequacy. It is monitored by the Department and measured against Department-established benchmarks.

215. In exchange for financial terms that were deemed by West Penn's financial advisors to be favorable to West Penn, Highmark received limited contractual flexibility in the Affiliation Agreement to respond to certain changes in West Penn's financial profile, including covenant defaults, between signing and closing of the Transaction.

216. In order to expedite execution of the Original Affiliation Agreement and maximize control of West Penn, Highmark chose not to restructure West Penn's debts prior to signing, and thus appears to have ceded leverage to West Penn bondholders in subsequent West Penn restructuring negotiations, and, as a consequence, the $233 million injected into West Penn by Highmark prior to the closing of the Affiliation Agreement supported the value of the Bonds that Highmark was seeking to purchase, amounting to a transfer of value from Highmark to the bondholders for which Highmark may receive an uncertain return.

217. Although Highmark stated that it expects to spend $1 billion in total capital in its IDN strategy, including commitments to West Penn, its total capital commitment is actually in excess of $1.8 billion, when accounting for: (i) Highmark's acquisition of and/or potential need to repay the Bonds; (ii) advances Highmark made to West Penn outside of the Affiliation Agreement; (iii) the maximum potential grants Highmark may be obligated to make to JRMC; and (iv) credit enhancement that may potentially be provided by Highmark in support of borrowing by IDN-related entities.

218. In the absence of the Change of Control, various elements of the IDN Strategy would have been, or already have been, implemented directly by Highmark, and absent the Department's approval of the Form A, Highmark stated that a UPE change-of-control would be sought without West Penn.

219. Approximately $382 million of the total planned IDN budget was expended or invested as of December 31, 2012 (including the aforementioned $233 million expended or invested at West Penn), and Highmark informed the Department of its plans to make $806 million of additional expenditures and investments related to the IDN Strategy irrespective of the Department's decision with respect to the Form A, resulting in $1.188 billion of expenditures and investments that were not contingent on approval of the Form A.

220. Of the $1.188 billion of expenditures that was not contingent on the Department's decision with respect to the Form A, $639 million relates to unrestricted payments that Highmark characterizes as business expenses subject to limited review by the Department, even though a significant portion of the payments were (or will be) made in exchange for obtaining governance rights in, and/or enhanced business alignment with, recipient organizations.

221. In total, the Transaction could reduce Highmark's net liquid assets, calculated as total liquid assets minus total debts and liabilities, by approximately $1.5 billion, a decrease of nearly 49% based on its December 31, 2012 balance sheet.

222. Highmark projects approximately $1.2 billion of cumulative net income from 2013 to 2017 on a combined enterprise basis, but net income of only $106 million in 2013 due to IDN expenditures and the costs of health care reform.

223. Following the acquisition of the Bonds, 20% of Highmark's fixed income investment portfolio will be comprised of speculative grade securities, compared to 11% prior to the Transaction.

224. Highmark's RBC has been deemed to fall within a range of "sufficient" as determined in accordance with the applicable standards of the Department for each of the last five years.

225. Highmark subjected its "base case" RBC calculation to a "stress test." Highmark also ran a revised "stress test" using inputs provided by Blackstone. Although the specific details of these models are confidential, they demonstrate substantial risk associated with a potential downturn in the financial markets, and a risk associated with the value of West Penn being insufficient to support the carrying value of the Bonds, forcing a potential Highmark write-off of approximately $400 million in 2016, as but one example.

226. But when Highmark's projected "base case" (which assumes approval of the Form A and the closing of the Affiliation Agreement) is measured against the hypothetical "no transaction" case, in which the Affiliation Agreement did not close and Highmark instead executed a new contract with UPMC beginning in 2015, it is apparent that, by many measures, Highmark would fare better having the Transaction contemplated by the Form A close than not. For example, its net income, measured as a percentage of revenue, is estimated to be higher in each of 2013 through 2016 with the "base case" as opposed to the "no transaction" case.

227. Again, the details of this analysis are confidential, but the Department has reviewed the unredacted details in reaching this conclusion.

228. There is also some uncertainty concerning whether Highmark has reasonably assessed the likelihood that West Penn will be able to lure large numbers of inpatients away from UPMC, including whether consumers will be attracted to West Penn's offerings and whether

competing providers would be able to dynamically compete with attempts by West Penn to gain market share.

229. As a result, the Department requested that Highmark run a "downside case" scenario that reflected a 50% decrease in projected incremental patient volume at West Penn.

230. The "downside case" projects considerably less patient volume and weaker financial performance by West Penn. This is also a reasonable potential alternative outcome for the affiliation with West Penn, and indicates that there is substantial doubt as to the likelihood that Highmark will fully recover its investment.

231. Again, the details of this analysis are confidential, but the Department has reviewed the unredacted details in reaching this conclusion.

232. On the whole, Blackstone concluded, and the Department agrees, that Highmark's IDN strategy: (i) may underestimate the amount of capital required – $1.8 billion instead of $1 billion; and (ii) the $1.8 billion commitment will result in a material change to Highmark's financial profile, because a significant portion of Highmark's current balance of net liquid assets will be converted into illiquid, highly concentrated and, in the case of West Penn, high-risk investments.

233. Taken as a whole, the IDN strategy will materially decrease Highmark's liquidity and will reduce the quality of its investment portfolio. Its long-term IDN-related commitments, coupled with uncertainties in the future as identified in the Blackstone Report, are such that the Department cannot conclude that these IDN commitments will not, in the long term, potentially jeopardize the financial stability of Highmark, absent the imposition of certain safeguards.

234. As a result, the Approving Determination and Order included substantial financial Conditions that will affect the Highmark Insurance Companies going forward, and on which the Department's approval of the Form A was expressly conditioned.

235. The financial Conditions are intended to: (i) limit the amount of policyholder funds that may be transferred to any Domestic Insurer's new parent entity or other Affiliates of the parent; (ii) establish an enhanced standard of review and assessment that is required to be undertaken prior to any Domestic Insurer entering into additional material financial commitments; (iii) implement ongoing reporting and monitoring requirements related to a Domestic Insurer's investments into West Penn and its Affiliates; (iv) establish criteria for a plan of corrective action to be prepared by UPE if the turnaround of West Penn and its Affiliates fall short of certain targets; and (v) enhance the level of transparency and accountability with respect to Highmark's stated goal of deriving tangible policyholder benefits, in the form of relative premium and cost of care savings, related to financial commitments made in connection with the Transaction. When properly implemented, they should sufficiently ameliorate the risk the affiliation poses to the Highmark Insurance Companies and their policyholders.

236. Blackstone also considered the costs and benefits to Highmark policyholders as a result of the affiliation. To assess the affiliation's costs and benefits to policyholders, Blackstone: (i) reviewed Highmark's financial exposure to West Penn, on a contingent and non-contingent basis; (ii) assessed the total potential value available to repay Highmark's anticipated loan and bond investments in West Penn under different operating scenarios, at different points in time; (iii) compared Highmark's total financial exposure to West Penn to the amount Highmark could potentially recover on its investment in West Penn under different scenarios and at different

points in time, yielding a range of potential implied net losses to Highmark (the "West Penn Value Gap") on a basis contingent and not contingent on Form A approval; (iv) reviewed Highmark's exposure to non-West Penn elements of its IDN Strategy; (v) measured the potential financial value to Highmark in exchange for its investments into non-West Penn elements of the IDN Strategy; (vi) compared Highmark's total financial exposure to non-West Penn elements of the IDN Strategy with the potential value to Highmark for its investments in the non-West Penn elements of its Plan, resulting in a range of potential implied net losses to Highmark (the "IDN Value Gap"), on both a contingent and non-contingent basis; (vii) reviewed Highmark's plans to secure financial benefits for its policyholders through reduced cost of care and reduced premiums, and the likelihood that those savings would be secured given the varying levels of future discharge volume at West Penn; and (viii) compared the potential total Value Gap to the potential savings.

237. An analysis of the value received by Highmark in exchange for its capital commitment to West Penn indicates potential investment losses for Highmark ranging from $208 million to $679 million in total on a basis not contingent on Form A approval, and potential investment losses for Highmark ranging from ($9) million to $362 million based on amounts that are contingent on the approval of the Form A.

238. Based on this analysis, Blackstone concluded that the value of the tangible financial assets received in return for Highmark's investment may be substantially less than the potential $1.8 billion investment Highmark is making in its IDN Strategy. Blackstone also recognized that because there is little precedent for the IDN Strategy proposed by Highmark and

the savings that may result therefrom, the projected savings for policyholders ($1.147 billion from 2013 through 2017) could be materially overstated.

239. In sum, there is a potential maximum estimated gap between Highmark's capital commitments and the value of tangible financial assets Highmark will receive as a result of the affiliation with West Penn which could total $1.037 billion or more ($362 million of which may be contingent on approval of the Form A), depending on the financial performance of West Penn and the potential for West Penn's unsecured creditors to pursue UPE in the event West Penn is later forced to restructure.

240. Highmark's projected IDN savings to policyholders are feasible, but have little precedent. It is possible, however, that the value received by policyholders through the IDN savings will cover the gap between Highmark's total Transaction-contingent capital commitments related to the IDN Strategy and the value of actual tangible financial assets received by Highmark.

241. But the potential benefits to policyholders are less certain than either the IDN Strategy-related investments or expenditures that are to be funded through policyholder reserves, or the potential franchise benefits (e.g., increased enrollment, market share, and revenue) that may accrue to Highmark.

242. Because the potential benefits of the affiliation are uncertain, UPE and Highmark shall ensure and maintain in effect a policy that any senior executives of any UPE Entity who have been responsible for designing, recommending and/or implementing the IDN Strategy have a meaningful portion of their long-term compensation tied to the achievement of quantifiable and tangible benefits to policyholders, if any, or to the charitable nonprofit entity, if the UPE Entity

is exempt from Federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code (the "IDN Compensation Policy"). UPE shall be required to deliver to the Department a copy of the IDN Compensation Policy which satisfies the foregoing requirements in a form and substance acceptable to the Department.

243. In addition to the risks associated with the affiliation, the Department recognizes that Highmark's contract with UPMC is scheduled to terminate on December 31, 2014, and new or extended provider contracts may or may not be entered into between the parties.[5] The Department also recognizes that Highmark's base case is premised on a non-continuation of the UPMC contract and that continuation of such contract may, based on the Applicant's projections, delay West Penn's financial recovery. The potential termination of these provider contracts may be disruptive to the Highmark Insurance Companies enrollees and consumers of UPMC health care services as that termination date is reached. In the event of a contract termination and to minimize any adverse impact on healthcare consumers and protect the public interest, the Department determined that it was necessary to impose a transition plan condition on all Domestic Insurers that have contract(s) with UPMC.

244. Moreover, in order to assure benefits to the public from the Transaction ,the Department determined that it was necessary to impose a condition that requires Highmark to continue its commitment to non-profit activities directed to the betterment of overall community healthcare by fixing and expressly making permanent a percentage of Highmark's direct written premiums that will be dedicated to Community Health Reinvestment endeavors.

[5] No conclusion has been made in these Findings of Fact and Conclusions of Law with respect to whether a new or extended provider contract should or should not be entered into between Highmark and UPMC.

245. In connection with the analysis of costs and benefits to policyholders, however, the Conditions set forth in the Approving Determination and Order sufficiently ameliorate the risk the affiliation poses to policyholders.

246. The analysis stated in Paragraphs 146 to 201 above are incorporated herein, to the extent they address Highmark's assumptions and the likelihood of Highmark's projections being fulfilled or falling short.

VI. Standard 5: Condition Not Present – That The Competence, Experience, And Integrity Of Those Persons Who Would Control The Operation Of Highmark Are Such That It Would Not Be In The Interest Of The Policyholders And The Public To Permit The Change Of Control.

247. When analyzing an application for a change of control under Section 1402, the Department reviews the competence, experience, and integrity of the persons who will control the operations of the acquired insurer.

248. Biographical affidavits for all directors and executive officers of UPE and West Penn were reviewed by the Department.

249. The Department is satisfied that the persons who would control the operations of UPE and West Penn have such competence, experience, and integrity that the interests of policyholders and the public would not be jeopardized.

VII. Standard 6: Condition Not Present – That The Change Of Control Is Likely To Be Hazardous Or Prejudicial To The Insurance Buying Public.

250. When analyzing an application for a change of control involving a domestic insurer under Section 1402(f)(1)(vi) of the Insurance Holding Companies Act, the Department

evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.

251. As it relates to Highmark enrollees and other policyholders, the discussion at Paragraphs 210 through 246 above are incorporated herein. Provided the financial Conditions are complied with, the affiliation does not pose a material risk to Highmark policyholders.

252. As it relates to the public at large, the Department, Blackstone, and CL reviewed public comments received concerning the Form A, and conducted private meetings with various market participants. Based upon its review, the Department concludes that the imposition of the Conditions is sufficient to make it not likely that the affiliation would be hazardous or prejudicial to the insurance buying public.

VIII. Standard 7: Condition Not Present – That The Change Of Control Is Not In Compliance With The Laws Of The Commonwealth.

253. When analyzing an application for a change of control involving a domestic insurer under Section 1402, the Department reviews the Transaction to determine whether the merger, consolidation, or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.

254. The Department has evaluated the Transaction as set forth by the Form A as to whether it is in compliance with the laws of Pennsylvania.

255. The Department has not identified any provision of Pennsylvania law that the Change of Control would violate.

IX. Bylaw Amendments.

256. Pursuant to 40 Pa.C.S. Chapter 63 (relating to professional health services plan corporations), Highmark is required to submit to the Department for approval any changes to its bylaws.

257. In connection with the Form A, Highmark submitted to the Department a form of the Second Amended and Restated Bylaws of Highmark, Inc. (the "Highmark Bylaws").

258. Having reviewed the Highmark Bylaws, the Department finds the Highmark Bylaws as submitted to the Department in connection with the Form A meet the statutory standards of 40 Pa.C.S. § 6328(b).

X. Miscellaneous.

259. Section 1402(f)(2) does not require that the Department conduct a hearing in review of a change of control unless the persons or insurers involved in the filing so request, or the Department, in its discretion, elects to hold a hearing.

260. The Department's decision to conduct a public informational hearing under Section 1402 , even though the persons or insurers involved in the Form A did not request a hearing, was a proper exercise of the Department's discretionary authority.

261. The process by which public comments were solicited, the process afforded at the public informational hearing, and the process by which the Form A was approved, all satisfied due process.

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The foregoing Findings of Fact and Conclusions of Law are approved and issued this 31st day of May, 2013

Michael F. Consedine
Insurance Commissioner
Commonwealth of Pennsylvania

EXHIBIT A

BEFORE THE INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:

Application of UPE for Approval of the Request by UPE to Acquire Control of 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.; and United Concordia Life and Health Insurance Company	:	Pursuant to Sections 1401, 1402 and 1403 of the Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§ 991.1401 - 991.1403; 40 Pa.C.S. Chapter 61 (relating to hospital plan corporations); 40 Pa.C.S. Chapter 63 (relating to professional health services plan corporations); and Chapter 25 of Title 31 of The Pennsylvania Code, 31 Pa. Code §§ 25.1-25.23 Order No. ID-RC-13-06

APPROVING DETERMINATION AND ORDER

Upon consideration of the information, presentations, reports, documents and comments received, as well as other inquiries, investigations, materials, and studies permitted by law,[1] the application (the "Application") of UPE (the "Applicant") to acquire control (the "Change of Control") of 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

[1] These materials include, but are not limited to, information submitted to the Department by UPE and members of the public, and the reports prepared for the Department by The Blackstone Group, L.P. (the "Blackstone Report") and Margaret E. Guerin-Calvert, Senior Consultant, Compass Lexecon (the "Guerin-Calvert Report"). All of the publicly available materials submitted to the Department are available on the Department's website at: http://www.portal.state.pa.us/portal/server.pt/community/industry_activity/9276/highmark_west_penn_allegheny_health_system/982185

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.; and United Concordia Life and Health Insurance Company (the "Highmark Insurance Companies") and all other transactions included in the Form A which are subject to the Department's jurisdiction and require approval of the Department are hereby approved, subject to the conditions set forth below (collectively the "Conditions").

Section 1402 of the Insurance Holding Companies Act requires the Department to approve an application for a change in control unless the Department has found that:

(i) After the Change of Control, the Highmark Insurance Companies would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which they are presently licensed;

(ii) The effect of the Change of Control would be to substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;

(iii) The financial condition of the Applicant is such as might jeopardize the financial stability of a one or more of the Highmark Insurance Companies or prejudice the interests of any policyholders;

(iv) The Change of Control, including but not limited to any material change in the business or corporate structure or management of the Applicant or the Highmark Insurance Companies as described in the Application is unfair and unreasonable to policyholders of the Highmark Insurance Companies and not in the public interest;

(v) The competence, experience and integrity of those Persons who would control the operation of any of the Highmark Insurance Companies are such that it would not be in the interest of the policyholders of the Highmark Insurance Companies and the public to permit the Change of Control;

(vi) The Change of Control is likely to be hazardous or prejudicial to the insurance buying public; and

(vii) The Change of Control is not in compliance with laws of the Commonwealth.

The burden is on the Department to show a violation of the standards. The standards are phrased in the negative and the Department is required to approve a transaction unless it finds that any of the standards are met.

The Department finds that, with the imposition of the Conditions set forth below to preserve and promote competition in insurance in the Commonwealth of Pennsylvania, to protect the public interest, and to protect the financial stability of the Highmark Insurance Companies, the Change of Control (and all other transactions included in the Application which are subject to the Department's jurisdiction and require approval of the Department) do not violate Section 1402 of the Insurance Holding Companies Act.

The form of the Second Amended and Restated Bylaws of Highmark Inc., as submitted to the Department in connection with the Application, meet the statutory standards of 40 Pa.C.S. § 6328(b).

This Approving Determination and Order shall be subject to the following Conditions, all of which must be complied with in order for the approval of the Application to be valid. This Approving Determination and Order is effective immediately.[2] The Department will issue further full written findings and conclusions on or before May 31, 2013 that substantially reflect the factual conclusions reached in the Blackstone Report and the Guerin-Calvert Report.

Competitive Conditions

Preamble: Both the WPAHS Entities and the Domestic Insurers engage in confidential and competitively sensitive contract negotiations with each other's rivals that involve price and non-price terms and product design. Common ownership of the Domestic Insurers and the WPAHS Entities provides the opportunity for each to obtain and make use of Competitively Sensitive Information from rivals that could be used to the potential detriment of consumers and competition. The ability of rival insurers in the Western Pennsylvania area to develop and obtain the benefits of innovative products and pricing depend on their ability to contract with UPE-affiliated providers without risk of disclosure to the Domestic Insurers. A risk to competition exists if a Domestic Insurer can adversely affect any rival's price and non-price contract terms or deter innovation or access or limit gains to innovation by obtaining and acting upon any rival's Competitively Sensitive Information. A risk to competition also exists if Health Care Insurers or Health Care Providers enter into contractual arrangements, including but not limited to arrangements (known as "most-favored nation" arrangements) that guarantee receipt of the best payment rate and/or terms

[2] The captions, headings and preambles in this Approving Determination and Order are for convenience and general reference only and shall not be construed to describe, define or limit the scope, intent or meaning of any of the terms or conditions of this Approving Determination and Order.

offered to any other Health Care Insurer or Health Care Provider. The following Competitive Conditions are designed to mitigate potential adverse competitive effects on competition and on rivals contracting with the Domestic Insurers and/or the WPAHS Entities when under common ownership and to maximize market-based access opportunities of unrelated providers and community hospitals to the IDN and insurers to UPE Health Care Providers.

Prohibition On Exclusive Contracting

1. No Domestic Insurer shall enter into a contract or arrangement with any UPE Health Care Provider which contract or arrangement requires the UPE Health Care Provider to exclusively contract with one or more Health Care Insurers with respect to any Health Care Service.

2. No UPE Entity shall, directly or indirectly, prohibit or limit the authority of any other UPE Entity that is a Health Care Provider from entering into any contract or arrangement with any Health Care Insurer. Exclusive contracts with specialized providers, such as anesthesiologists or emergency room physicians, may be entered into by a UPE Entity that is a Health Care Insurer with at least thirty (30) days' prior written notice to the Department, so long as the Department does not advise the requesting Health Care Insurer that the Department either disapproves the request for approval or requests any further information or explanation regarding the request for approval within such thirty (30) day period.

Provider/Insurer Payment Contract Length Limitation

3. No Domestic Insurer shall enter into any contract or arrangement with any Health Care Provider where the length of the contract (including but not limited to the initial term and all renewal terms) is in excess of five (5) years, without the prior Approval of the Department. No UPE Entity that is a Health Care Insurer domiciled in Pennsylvania shall enter into any contract or arrangement with any Health Care Provider where the length of the contract (including but not limited to the initial term together with all renewal terms) is in excess of five (5) years, without the Approval of the Department.

Termination Of Current Health Care Insurer Contracts Other Than For Cause

4. Until December 31, 2015, no UPE Entity that is a Health Care Provider shall terminate a Health Care Service reimbursement contract with any Health Care Insurer for a reason other than for cause.

Prohibition On Most Favored Nation Contracts Or Arrangements

5. No Domestic Insurer shall enter into any contract or arrangement with any Health Care Provider on terms which include a "most favored nation" or similar clause that guarantees or provides that a Domestic Insurer will receive the best payment rate and/or terms that such Health Care Provider gives any other purchaser or payor of the same or substantially the same product or service.

6. No UPE Entity that is a Health Care Provider shall enter into any contract or arrangement with any Health Care Insurer which includes a "most favored nation" or similar clause that guarantees or provides that the Health Care Insurer will receive the best payment rate and/or terms that such UPE Entity gives any other purchaser or payor of the same or substantially the same product or service.

Firewall Policy

7. UPE shall develop, implement, monitor the operation of and enforce strict compliance with a Firewall Policy for UPE, UPE Provider Sub, and each UPE Entity that is a Health Care Provider or a Health Care Insurer (and for such other UPE Entities as the Department may require). The Firewall Policy shall be in a form and substance acceptable to the Department. Within thirty (30) days after the issuance of this Approving Determination and Order, UPE shall file with the Department, for the review and Approval of the Department, a comprehensive Firewall Policy that includes but is not limited to the elements set forth in Appendix 2 (Firewall Policy), which is attached hereto and is incorporated herein by reference. Different Firewall Policies may be submitted for separate UPE Entities or types of UPE Entities, provided that each such separate policy shall substantially include all of the elements set forth in Appendix 2 (Firewall Policy) and be accompanied by an explanation that describes the need for a separate policy. Once Approved by the Department, each Firewall Policy ("Approved Firewall Policy") shall be made publicly available in accordance with the requirements of the Department. After Approval of the Department of the Approved Firewall Policy, UPE shall cause each applicable UPE Entity to maintain in full force the applicable Approved Firewall Policy. No UPE Entity may make any material amendment, waive enforcement of or terminate any material provision of its Approved Firewall Policy without the Approval of the Department. Each UPE Entity required to have and to maintain an Approved Firewall Policy shall give prompt notice to the Department of any other amendment, waiver or termination of its Approved Firewall Policy.

8. On or before May 1 of each year, UPE shall file with the Department a report executed by UPE's President and its Chief Privacy Officer. The report shall be a public record, shall be in a form and substance satisfactory to the Department and shall include the following certification to the best of the President's and Chief Privacy Officer's information, knowledge and belief: (i) at all times during the immediately preceding calendar year, each UPE Entity subject to Condition 7 was governed by and operated in accordance with a Department Approved Firewall Policy; (ii) at all times in the prior calendar year each Approved Firewall Policy was fully implemented, monitored and enforced in accordance with its terms, except as fully described in subsection (vi) below; (iii) mandatory training of employees with access to any Competitively Sensitive Information (including both current employees and all new hires) has occurred in accordance with the terms of the applicable Approved Firewall Policy; (iv) each UPE Entity that is subject to Condition 7 has obtained recertification biannually of each of its employees with access to any Competitively Sensitive Information stating that the employee has received a copy of the Approved Firewall Policy, understands the Approved Firewall Policy and agrees to abide by the Firewall Policy; (v) no individual with management oversight over all or part of both UPE's provider and insurer business

segments has used Competitively Sensitive Information obtained as part of his or her oversight function to competitively disadvantage a rival Health Care Provider or Health Care Insurer; (vi) each UPE Entity that is subject to Condition 7 has undertaken an annual good faith review of the UPE Entity's Approved Firewall Policy compliance for the prior calendar year and that either (a) there were no violations or other breaches of the applicable Approved Firewall Policy other than those for which the UPE Entity had previously provided notice to the Department in accordance with the Approved Firewall Policy, or (b) the Department has been provided with the non-reported breaches report and corrective action plan required in Condition 9; and (vii) such other information as the Department shall require.

9. UPE, UPE Provider Sub, and each UPE Entity that is a Health Care Provider or a Health Care Insurer shall provide the Department with such information regarding its Approved Firewall Policy and its implementation and enforcement as the Department shall from time to time request. In addition to other information to be provided to the Department, a report of non-reported breaches of the applicable Approved Firewall Policy, which shall not be a public record, shall accompany the annual certification along with a corrective action plan (which shall be satisfactory in form and substance to the Department) to assure the Department of future, timely compliance with the Approved Firewall Policy and to provide an explanation as to why prior notice of such breach had not been provided to the Department. Approved Firewall Policy implementation and enforcement shall be subject to review and/or examination by the Department, or consultants retained by the Department at the expense of the UPE Entity, to the extent that the Department believes that such review and/or examination is in the public interest.

Financial Conditions

Preamble: The following financial conditions are intended to: (i) limit the amount of policyholder funds that may be transferred to any Domestic Insurer's new parent entity or other Affiliates of the parent; (ii) establish an enhanced standard of review and assessment that is required to be undertaken prior to any Domestic Insurer entering into additional material financial commitments; (iii) implement ongoing reporting and monitoring requirements related to a Domestic Insurer's investments into the WPAHS Entities; (iv) establish criteria for a plan of corrective action to be prepared by UPE if the turnaround of WPAHS falls short of certain targets; and (v) enhance the level of transparency and accountability with respect to Highmark's stated goal of deriving tangible policyholder benefits, in the form of relative premium and cost of care savings, related to financial commitments made in connection with the Transaction.

Limitations On Donations

10. Without the Approval of the Department, no Domestic Insurer shall make, or agree to make, directly or indirectly, any Donation, which together with all other Donations made or agreed to be made by that Domestic Insurer within the twelve (12) consecutive months immediately preceding such Donation equals or exceeds the lesser of: (i) 3% of the Domestic Insurer's surplus as regards policyholders, as shown on its latest annual statement on file with the Department; or (ii) 25% of the Domestic Insurer's net income as shown on its latest annual statement; provided, however, if UPE has filed pursuant to Condition 15 a WPAHS Corrective Action Plan, any Donation made or agreed to be made by any Domestic Insurer to any UPE Entity shall be restricted solely for use in connection with implementing the Financial Commitments under and to the extent provided in the WPAHS Corrective Action Plan, until such time as all Financial Commitments related to the WPAHS Corrective Action Plan are satisfied. A Domestic Insurer may not make or agree to make a Donation which is part of a plan or series of like Donations and/or other transactions with other UPE Entities, the purpose, design or intent of which is, or could reasonably be construed to be, to evade the threshold amount set forth in this Condition and thus avoid the review that would occur otherwise. Notwithstanding the foregoing, and in addition to the requirements of (i) and (ii) of this Condition 10, in no event shall Highmark have any right, directly or indirectly, to make any Donation under this Condition if the RBC Rating of Highmark is, or as a result of the Donation is likely to be, 525% or below. This Condition 10 shall not apply to a Donation made from a Domestic Insurer that is a direct or indirect subsidiary of Highmark to Highmark or any subsidiary of Highmark. No Approval of the Department shall be required under this Condition if Department approval for the Financial Commitment has been obtained under 40 P.S. § 991.1405.

Financial Commitment Limitations

11. Any Financial Commitment made or agreed to be made to or for any Person by any of the UPE Entities designated in this Condition, directly or indirectly, shall satisfy the following requirements:

A. **Due Diligence Standard.** For all Financial Commitments: (i) the UPE Entity making or agreeing to make any Financial Commitment shall conduct a Commercially Reasonable Process to evaluate and assess the benefits and risks to policyholders, subscribers or other stakeholders, as applicable, and whether the Financial Commitment furthers and is consistent with the UPE Entity's nonprofit mission, if the UPE Entity is exempt from Federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code); and (ii) the terms of any Financial Commitment shall satisfy the provisions of 40 P.S. § 991.1405, as if the Financial Commitment transaction were made or agreed to be made between or among members of the holding company system.

B. **Transactions Requiring Only Notice.** If the amount of any Financial Commitment made or agreed to be made by one or more of the Domestic Insurers equals or exceeds $100,000,000 in the aggregate (or if such Financial

Commitment, together with all other Financial Commitments made by one or more of the Domestic Insurers, directly or indirectly, within twelve (12) consecutive months immediately preceding the making of the Financial Commitment causes the total to exceed $100,000,000), the Domestic Insurer(s) making or agreeing to make such Financial Commitment shall deliver to the Department written notice 30 days in advance of making or agreeing to make such Financial Commitment (the "Financial Commitment Notice"). The Financial Commitment Notice shall describe such Financial Commitment, and provide such information as is required by 31 Pa. Code § 27.3 relating to material transactions, together with such other information as the Department shall request. No notice is required under this Condition if notice of the Financial Commitment is provided to the Department pursuant to 40 P.S. § 991.1405.

C. **Transactions Requiring Department Approval.** Without the Approval of the Department, no Domestic Insurer shall make or agree, directly or indirectly, to make any Financial Commitment if: (i) the amount thereof, together with all other Financial Commitments made or agreed to be made directly or indirectly by all of the Domestic Insurers within the immediately preceding consecutive twelve (12) months, equals or exceeds $250,000,000; (ii) the amount thereof is made in connection with a Financial Commitment made or agreed to be made to a Person (including but not limited to any Affiliates), together with all other Financial Commitments between or among one or more of the UPE Entities, on the one hand, and such Person (including but not limited to any Affiliates), on the other hand, aggregate $250,000,000 or more; or (iii) the RBC Rating of Highmark is, or as a result of the Financial Commitment is likely to be, 525% or below.

D. **No Circumvention Mechanism.** No Domestic Insurer may undertake any action to delay any Financial Commitment or perform or agree to perform any Financial Commitment in stages or steps, or take any other action with respect to any Financial Commitment, the purpose, design or intent of which is, or could reasonably be construed to be, to evade any of the foregoing requirements.

Disclosure Of Financial Commitments And Financial And Operational Information

12. On or before May 1 of each year, UPE shall file with the Department a report setting forth: (i) all Financial Commitments made or agreed to be made by any UPE Entity within the immediately preceding calendar year; and (ii) specifying the section of this Condition pursuant to which such Financial Commitments were permitted to be made or agreed to be made. UPE shall promptly and fully respond to questions or requests of the Department for information in connection with such report.

13. Each year, no later than the date on which the financial statements are required to be filed for the holding company system under Form B or otherwise filed pursuant to 40 P.S. § 991.1404 (a), UPE shall file with the Department, as a public record, audited financial statements (including but not limited to all footnotes) of UPE prepared in accordance with GAAP, for the immediately preceding calendar year. In addition, UPE shall file with

the Department any letters from auditor(s) to management and any other information requested by the Department.

14. UPE shall file with the Department a report setting forth the below listed financial and operational information for the WPAHS Entities (the "Required WPAHS Financial and Operational Information"). The Required WPAHS Financial and Operational Information shall be filed quarterly for each quarter through the period ended June 30, 2015 (within 30 days after the end of the quarter) and thereafter annually on July 1 of each year.

A. The Required WPAHS Financial and Operational Information shall be presented on the same basis as the information was presented for the immediately preceding three (3) month period through the quarter ended June 30, 2015, or for each annual report on the same basis the information was presented for the preceding four (4) quarters of each year for which the annual report is required to be delivered. For each quarterly report, the information shall be compared to the WPAHS budget or forecast for such quarter and for each annual report, the information shall be compared to the WPAHS budget or forecast for such year and the Base Case financial projections. UPE shall make members of its management team available to the Department on a timely basis for purposes of reviewing the Required WPAHS Financial and Operational Information with the Department and any consultants retained by the Department.

B. The Required WPAHS Financial and Operational Information shall include for the WPAHS Entities:

(1) An income statement displaying a level of detail consistent with the Base Case Financial Projections for the WPAHS Entities as submitted by UPE to the Department as part of UPE's Form A filings (the "Base Case Financial Projections"). To the extent that the income statement submitted to the Department pursuant to this Condition differs from GAAP, a reconciliation shall be submitted as well.

(2) A cash flow statement displaying a level of detail consistent with the Base Case Financial Projections for the WPAHS Entities submitted by UPE to the Department as part of UPE's Form A. To the extent that the income statement and cash flow statements submitted to the Department pursuant to this Condition differ from GAAP, a reconciliation shall be submitted as well.

(3) A calculation of the WPAHS Entities' Days Cash on Hand as defined in the Master Trust Indenture (the "DCOH"), which shall present a level of detail sufficient to reconcile the components of the calculation to the income statement and balance sheets submitted as part of this Condition.

(4) A calculation of WPAHS Entities' Debt Service Coverage Ratio, as defined in the Master Trust Indenture, which shall present a level of detail

sufficient to reconcile the components of the calculation to the income statement and balance sheets submitted as part of this Condition.

(5) A schedule of capital expenditures for all WPAHS Entities, and for each WPAHS Entity for which information is requested by the Department, during the applicable calendar quarter in question and grouped by significant project categories.

(6) A schedule of inpatient and outpatient discharge volume for the WPAHS Entities in total and for each primary WPAHS Entity facility.

(7) A schedule of occupancy rates for the WPAHS Entities in total and for each primary WPAHS facility.

(8) A schedule of salaried and non-salaried employees, including but not limited to physicians, on an FTE basis for the WPAHS Entities in total and for each primary WPAHS Entity operating segment (hospitals, physician organization, etc.).

(9) A schedule of occupied beds by each primary WPAHS Entity facility.

(10) A schedule of FTEs per occupied bed by each primary WPAHS Entity facility.

(11) Audited financial statements (including but not limited to all footnotes) of WPAHS and WPAHS Affiliates specified by the Department prepared in accordance with GAAP, for the immediately preceding calendar year along with any letters from auditors to management.

(12) If WPAHS files consolidated financial statements with any UPE Entity other than WPAHS Affiliates specified by the Department, then UPE shall deliver WPAHS' consolidating financial statements showing its financial position, results of operations, changes in cash flow and related footnotes thereto of WPAHS and such specified WPAHS Affiliates on a standalone basis.

(13) Such other financial and operational information related to WPAHS and the IDN Strategy as may be requested, from time to time, by the Department.

WPAHS Corrective Action Plan

15. UPE shall prepare and produce to the Department a plan of financial and operational corrective action for WPAHS (the "WPAHS Corrective Action Plan") if either:

A. (i) From the date hereof through June 30, 2015, the aggregate amount of Financial Commitments made or agreed to be made directly or indirectly by all UPE Entities to the WPAHS Entities equals or exceeds $100,000,000 and (ii) the

WPAHS Entities have issuer ratings from two (2) of the Credit Rating Agencies of less than investment grade; or

B. As of the quarter ended June 30, 2015, either (i) the WPAHS Entities' net income, as determined in accordance with GAAP ("Net Income"), has not been greater than $0.00 after adjusting for any material non-recurring or unusual income, including but not limited to all payments received from any UPE Entity outside of the normal course of business and any Financial Commitments to the extent included in such Net Income, for two (2) out of the previous four (4) consecutive quarters; or (ii) DCOH, after adjusting for any material non-recurring or unusual cash receipts and Financial Commitments, including but not limited to all payments received from any UPE Entity outside of the normal course of business, has not been equal to or greater than a value of sixty-five (65) days for two (2) of the previous four (4) consecutive quarters.

16. If a WPAHS Corrective Action Plan is required to be prepared and produced to the Department pursuant to Condition 15A or 15B, it shall be produced promptly upon request or order of the Department to UPE and all such information when produced shall be treated as confidential pursuant to an examination process or proceeding under 40 PS § 991.1406.

17. The WPAHS Corrective Action Plan shall specify, in reasonable detail, UPE's intended actions to be taken over the subsequent twelve to twenty-four (12–24) months that are designed and anticipated to: (i) facilitate repayment or refinancing of the bond obligations of the WPAHS Entities payable to Highmark (or any UPE Entity) and on terms that would not require any Credit Enhancement Device from Highmark or other UPE Entities; (ii) generate DCOH of at least sixty-five (65) days within eighteen (18) months and for the foreseeable future thereafter; and (iii) generate net income of no less than $0 within eighteen (18) months and for the foreseeable future thereafter.

A. In addition, the WPAHS Corrective Action Plan shall specify the intended corrective actions that are proposed to be implemented, including but not limited to the following potential actions that were referenced in UPE's Form A filing: (i) efficiency improvements and revenue opportunities; (ii) changes in employment, including but not limited to in the number of employed physicians; (iii) modifications to capital expenditure plans; (iv) reductions in unfunded research; (v) non-core asset sales; (vi) restructuring of compensation and benefits; and (vii) outsourcing.

B. The WPAHS Corrective Action Plan shall include but not be limited to: (i) an estimate of total cost to adopt, implement and consummate the WPAHS Corrective Action Plan—including but not limited to write-downs, one-time or ongoing restructuring costs, anticipated litigation, consulting, legal and other advisory fees and any future capital commitments—specifying UPE's estimated value for any WPAHS Entity-related investments held by Highmark or any other UPE Entity, including but not limited to loans or bonds receivable, at the time of the WPAHS Corrective Action Plan's implementation and without consideration

of potential contingency actions; and (ii) the amount of any funding needed by the WPAHS Entities to fully pay for and carry out the WPAHS Corrective Action Plan (the "WPAHS Required Funding") and an acknowledgement that any Donations made pursuant to Condition 10 will be restricted for use in paying the WPAHS Required Funding to the extent of the amount of the WPAHS Required Funding.

C. Prior to submission, UPE shall have the WPAHS Corrective Action Plan reviewed at its sole expense by an external financial expert, who shall conclude as to the reasonableness of the plan and the sufficiency of the WPAHS Required Funding and UPE's stated actions for the purposes of limiting future WPAHS, Highmark and/or UPE losses and/or the need for additional Financial Commitments. The financial expert also shall assess the specific level of benefits and costs to be borne by Highmark's policyholders, as distinct from any franchise benefits accruing to Highmark in the form of higher enrollment, revenue and market share, and shall conclude as to the reasonableness of the value assigned by UPE to Highmark's investments in WPAHS.

Executive Compensation

18. UPE and Highmark shall ensure and maintain in effect a policy that any senior executives of any UPE Entity who have been responsible for designing, recommending and/or implementing the IDN Strategy have a meaningful portion of their long-term compensation tied to the achievement of quantifiable and tangible benefits to policyholders, if any, or to the charitable nonprofit entity, if the UPE Entity is exempt from Federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code (the "IDN Compensation Policy"). Within ninety (90) days after the date hereof, UPE shall deliver to the Department a copy of the IDN Compensation Policy which satisfies the foregoing requirements in a form and substance acceptable to the Department. Any amendments to the IDN Compensation Policy shall be submitted to the Department accompanied by a certification by the President of UPE that, to the best of his or her information, knowledge and belief, the amendment to the IDN Compensation Policy satisfies the requirements of this Condition. UPE shall report annually by May 1 of each year the amount of the compensation paid to such senior executives and describe the manner in which such compensation is consistent with the IDN Compensation Policy.

Meeting IDN Savings Benchmarks

19. On or before May 1 of each year, UPE shall file with the Department a report describing in detail whether each Benchmark contained in Appendix 3 (Benchmarks), which Appendix 3 is attached hereto and incorporated herein by reference, has been met or what progress has been made toward meeting each Benchmark. The report shall include but not be limited to a statement of savings achieved through implementation of the IDN Strategy (the "IDN Savings") during (i) the preceding calendar year; and (ii) in total since consummation of the Affiliation Agreement. Each annual report shall quantify: (i) the total savings realized by policyholders across all products and consumers compared to the estimate of the cost of care that would have been incurred by policyholders if the

Affiliation Agreement had not been consummated (the "Total IDN Savings"); (ii) the relative savings realized by consumers on a per-member-per-month claims basis (the "PMPM IDN Savings"); (iii) a comparison of the Total IDN Savings and PMPM IDN Savings to the relevant projections provided in the Form A filing and shall provide a detailed description of variances between the projections and actual savings achieved; (iv) the annual and cumulative savings actually achieved by policyholders in the eight categories for which projected savings were provided to the Department in the Form A, which categories are set forth in Attachment 4 (Total IDN Savings Categories) or such other categories as the Department may approve. UPE shall have the quantification of savings and related explanations of variances reviewed by an external actuarial consulting firm, which shall conclude as to the reasonableness of the methodologies used for quantifying the savings. Within ninety (90) days of closing of the Affiliation Agreement, UPE shall submit to the Department a detailed plan for the measurement and reporting methodologies to be followed for compliance with this Condition. If the Benchmark has not been met or if satisfactory progress has not been made toward achievement of the Benchmark, the report shall specify what corrective actions will be taken in order to assure that the Benchmark is met in a timely fashion. Specifically, if, as of December 31, 2016, either the Total IDN Savings or the PMPM IDN Savings are less than the amounts projected as part of the Form A filing, then, by April 1, 2017, UPE shall file with the Department a detailed corrective action plan to maximize IDN Savings in the future or otherwise generate tangible policyholder benefits in amounts sufficient to justify the continued investment of policyholder funds in the IDN Strategy.

Public Interest/Policyholder Protection Conditions

Consumer Choice Initiatives

Preamble: Consumer choice and other member cost-sharing initiatives, including but not limited to tiered network products based upon transparent, objective criteria that include quality and cost, are procompetitive. These initiatives are consistent with efforts to provide consumers with informed healthcare choices and to incentivize consumers to consider the costs of healthcare and quality of outcomes in choosing providers. The following consumer choice initiative Condition is designed to prohibit provider and insurer contracts that would prohibit or limit the ability of Health Care Insurers to implement such consumer choice initiatives.

20. After the issuance of this Approving Determination and Order, no Domestic Insurer shall enter into a contract or arrangement with a Health Care Provider that prohibits and/or limits the ability of any Domestic Insurer to implement Consumer Choice Initiatives, without the prior Approval of the Department. After the issuance of this Approving Determination and Order, no UPE Entity that is a Health Care Provider shall enter into a contract or arrangement with a Health Care Insurer that prohibits and/or limits the ability of the UPE Entity to implement Consumer Choice Initiatives, without the prior Approval of the Department. This Condition does not prohibit a Domestic Insurer or a UPE Entity that is a Health Care Provider from entering into a contract that provides volume

discounts, provided that such volume discounts are not conditioned upon or related to commitments not to implement Consumer Choice Initiatives.

Affiliation And IDN Impact On Community Hospitals

Preamble: UPE indicates in its filings that vibrant and financially healthy community hospitals are a key component of the IDN Strategy. Community hospitals are viewed as high quality, lower cost alternatives for healthcare delivery; and, thus, are projected to be key partners. UPE acknowledges that its efforts to reinvigorate the WPAHS Entities may result in some draw of inpatients away from community hospitals to the WPAHS Entities, but states that the IDN Strategy and UPE's "Accountable Care Alliance" strategy overall will increase inpatient admissions at community hospitals, thereby resulting in a net increase in community hospital inpatient admissions. To address concerns that the Affiliation Agreement will adversely impact inpatient admissions at community hospitals and risk the financial viability of these community assets, the Department imposes Conditions that require the monitoring and reporting of Affiliation Agreement and IDN Strategy implementation impacts on community hospital discharges, and Conditions requiring UPE to report any financial commitments and other efforts to deliver more cost-effective healthcare at community hospitals to further healthcare choices in the Western Pennsylvania area.

21. On or before May 1 of each year, UPE shall submit a document (the "IDN-Community Hospital Report"), which IDN-Community Hospital Report shall describe in detail for the immediately preceding calendar year: (a) the number of discharges for each Domestic Insurer at each hospital in the WPA service area, as such area is defined in connection with the Form A (the "WPA Service Area"); (b) the number of discharges for each Domestic Insurer at each hospital in its WPA Service Area for calendar year ended 2012 ("Base Year Discharge Data"); (c) a comparison of the discharge information in the current IDN Certification against: (i) the discharge information provided by UPE under the IDN Certification for the immediately preceding year, if any was required to be provided; and (ii) the Base Year Discharge Data; (d) an analysis of whether and to what extent Highmark's affiliation with WPAHS and the implementation of the IDN Strategy resulted in a net decrease in the Domestic Insurers' discharges at its WPA Service Area community hospitals; and (e) the amount and nature of any Financial Commitments by any and all UPE Entities in community-based facilities and service in community hospitals that any such UPE Entities have undertaken with each hospital (excluding any hospitals of WPAHS and UPMC or their respective subsidiaries), including but not limited to efforts to identify opportunities to deliver more cost-effective healthcare to ensure a robust and vibrant network with meaningful choice in key service lines.

A. Within sixty (60) days after the date of an IDN-Community Hospital Report, the Domestic Insurers shall submit to the Department a plan of operational corrective action ("IDN Corrective Action Plan") if the analysis set forth in the IDN-Community Hospital Report for the year in question reflects a net decrease of

10% or more in all of the Domestic Insurers' discharges at their WPA Service Area community hospitals with which they have a contract or arrangement. The IDN Corrective Action Plan shall specify, in reasonable detail, the Domestic Insurers' intended commercially reasonable actions to be taken over the subsequent twelve (12) months that are designed and anticipated to address the reasons for the decrease in discharges relating to the Affiliation Agreement and the IDN Strategy. The IDN Corrective Action Plan shall include but not be limited to an estimate of total cost to adopt, implement and consummate the IDN Corrective Action Plan.

B. The Domestic Insurers shall use commercially reasonable efforts to implement the IDN Strategy in a manner that utilizes and enhances the role of community hospitals in their respective WPA Service Areas to provide continued services to the communities they serve.

Transition Plan Regarding UPMC Contract

Preamble: The Department recognizes that Highmark's contract with UPMC is scheduled to terminate on December 31, 2014, and new or extended provider contracts may or may not be entered into between the parties. The Department also recognizes that the Application's Base Case is premised on a non-continuation of the UPMC Contract and that continuation of such contract may, based on the Applicant's projections, delay WPAHS' financial recovery. The potential termination of these provider contracts may be disruptive to the Domestic Insurers' enrollees and consumers of UPMC healthcare services as that termination date is reached. In the event of a contract termination and to minimize any adverse impact on healthcare consumers and protect the public interest, the Department imposes a transition plan condition on all Domestic Insurers that have contract(s) with UPMC. The Condition focuses on issues such as continuation of care and access options available to the Domestic Insurers' enrollees; adequacy of the Domestic Insurers' remaining provider networks; and appropriate communications, as necessary, to inform healthcare consumers of any issues with continued access to certain UPMC facilities and practice areas.

22. With respect to the possibility of a contract between or among one or more of the Domestic Insurers and UPMC after December 31, 2014, the following shall apply:

A. If a Domestic Insurer secures UPMC's assent to a new contract, combination, affiliation, or arrangement (or an extension of the current contract that expires on December 31, 2014) ("New UPMC Contract"), UPE shall notify the Department in advance of the execution of the New UPMC Contract and provide the Department with updated information, based on reasonable assumptions and credible projections, on the impact of the terms of any New UPMC Contract on the financial performance of WPAHS, as well as an independent analysis of an expert on the impact of the New UPMC Contract on both the insurance and

provider markets in the region including but not limited to any effects on competition.

B. If, however, one or more of the Domestic Insurers and UPMC do not enter into a New UPMC Contract by July 1, 2014, then UPE shall file with the Department and with the Pennsylvania Department of Health: (i) an update of the status of negotiations between UPMC and such Domestic Insurer(s), including but not limited to reasons that the parties have been unable to enter into a New UPMC Contract; and (ii) a formal transition plan (the "UPMC Contract Transition Plan") no later than July 31, 2014 that sets forth such information as shall be required by the Department and the Department of Health and which addresses such issues as continuation of care; options available to subscribers to access Health Care Providers; appropriate communication, as necessary, to subscribers, providers and others regarding adequacy and changes in cost or scope of coverage. The UPE Entities shall fully cooperate with the Department and the Department of Health in coordinating with UPMC for the further development and, if necessary, implementation of the UPMC Contract Transition Plan with the goal of minimizing any disruption to consumers and the marketplace and ensuring that such consumers continue to have access to quality healthcare in a competitive marketplace.

Community Health Reinvestment

Preamble: Preamble: This Condition requires Highmark to continue its commitment to non-profit activities directed to the betterment of overall community healthcare by fixing and expressly making permanent a percentage of Highmark's direct written premiums that will be dedicated to Community Health Reinvestment endeavors.

23. Commencing with calendar year 2014, Highmark shall annually dedicate to and pay for Community Health Reinvestment Activities ("CHR") an amount equal to 1.25% of all of Highmark's aggregate direct written premiums, as reported in the annual statement filed by Highmark pursuant to Condition 23B (the "Annual CHR Payment Obligation") for the immediately preceding year.

A. The Annual CHR Payment Obligation shall be calculated on a calendar year basis. Notwithstanding the foregoing, (i) Highmark's minimum Annual CHR Payment Obligation (the "Minimum Annual CHR Payment Obligation") shall be equal to 1.25% of all of Highmark's aggregate direct written premiums for the 2013 calendar year; and (ii) Highmark shall not be required to fund or commit to fund Community Health Reinvestment Activities for 2014 in an amount in excess of 105% of the Minimum Annual CHR Payment Obligation, and thereafter in an amount in excess of 105% of the actual CHR Payment made (but in no event less than the Minimum Annual CHR Payment Obligation) for the immediately preceding calendar year. Highmark shall not be required to fund or commit to fund any Community Health Reinvestment Activities to the extent that, at the time of such funding or commitment, or after giving effect thereto, its RBC

Rating level is, or is reasonably expected to be, less than 525%. If Highmark fails to meet its Annual CHR Payment Obligation in any calendar year, the deficiency in such payment obligation shall be paid by Highmark by May 1 of the following calendar year into the Insurance Restructuring Restricted Receipt Account.

B. On or before March 31 of each calendar year, Highmark shall provide to the Department a report, in form and substance acceptable to the Department, of Highmark's Community Health Reinvestment Activities for the prior calendar year.

C. The provisions of this Condition supersede and replace in their entirety any obligation by Highmark pursuant to Condition 4 of the Department's Decision and Order dated November 27, 1996 (Docket No. MS96-04-098) (the "1996 Department Order").

Miscellaneous Conditions

Modification Of Prior Orders

24. Except as expressly provided in this Approving Determination and Order, nothing in this Approving Determination and Order shall be construed to modify or repeal any term or condition of any prior order or approval of the Department, including, but not limited to, the 1996 Department Order.

25. The Department shall determine whether and to what extent any conflict or inconsistency exists between or among this Approving Determination and Order and any term or condition in any prior order(s) or approval(s) of the Department, and the Department shall have the authority to determine what term or condition controls.

Department Costs And Expenses

26. The Department may retain at the reasonable expense of the UPE Entities, as determined by the Department, any attorneys, actuaries, accountants and other experts not otherwise part of the Department's staff as, in the judgment of the Department, may be necessary to assist the Department, regardless whether retained before, on or after the date of this Approving Determination and Order, in or with respect to: (i) evaluation and assessment of any certifications, reports submissions, or notices given or required to be given in connection with this Approving Determination and Order; (ii) compliance by any of the UPE Entities with this Approving Determination and Order; (iii) the enforcement, or any challenge or contest to enforcement or validity, of the Conditions or otherwise of this Approving Determination and Order, including, but not limited to, reviewing and analyzing any certifications, reports, submissions or notices by or for any UPE Entity or auditing and reviewing any books and records of any UPE Entity to determine compliance with any of the Conditions; (iv) litigation, threatened litigation or inquiries or investigations regarding, arising from or related to the Form A filing, the process surrounding the approval of the Form A filing and/or this Approving Determination and Order; and/or (v) the defense of any request or action to require public disclosure of

information that UPE or the Department deems confidential. The obligations of the UPE Entities to the Department for all such costs and expenses shall be joint and several obligations.

Modification Of Approving Determination And Order

27. Upon written request by a UPE Entity setting forth: (a) the specific Condition(s) for which such UPE Entity seeks relief; (b) the reason for which such relief is necessary and (c) an undertaking by such UPE Entity to provide all such further information as the Department shall require to evaluate the request, the Department may evaluate and, after evaluation of the request, the Commissioner, in the Commissioner's sole discretion, may grant relief, in whole or in part, from one or more of the Conditions as the Commissioner may be deem appropriate.

28. The Commissioner reserves the right to impose additional conditions upon the approval of the Transaction or modify the Conditions in this Approving Determination and Order if, in his reasonable judgment (i) the consolidated financial position or results of operation of the WPAHS Entities suffer or incur, or are reasonably likely to suffer or incur, a material deterioration or material adverse change and the Commissioner finds that such material deterioration or material adverse change might jeopardize the financial stability of a Domestic Insurer or prejudice the interest of the policyholders of a Domestic Insurer; (ii) the Commissioner finds that actions taken or proposed to be taken by any UPE Entity might jeopardize the financial stability of a Domestic Insurer or prejudice the interest of policyholders of a Domestic Insurer; and/or (iii) the Commissioner finds that actions taken or proposed to be taken by any UPE Entity would substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein.

Settlement Of Litigation

29. Without the prior approval of the Commissioner, UPE and each UPE Entity agrees that it will not settle, enter into a settlement agreement or otherwise consent to terminate litigation where the result of such settlement or termination of litigation will be to affect or impair in any way the objective or purpose sought by the Department in imposing or establishing any Condition in this Approving Determination and Order.

Modification Of Affiliation Agreement

30. No UPE Entity which is a party to the Affiliation Agreement may amend, waive enforcement of, modify, or enter into any other agreement or arrangement having the effect of terminating, waiving or modifying, in any material respect, the terms or conditions of the Affiliation Agreement, without the prior approval by the Commissioner.

Sunset Of Conditions

31. The Conditions contained in this Approving Determination and Order shall expire as follows:

A. The following Conditions shall not expire: Conditions 1 and 2 (Prohibition on Exclusive Contracting); 3 (Provider/Insurer Contract Length); 5 and 6 (Prohibition on Most Favored Nation Contracts or Arrangements); 7, 8, and 9 (Firewall Policy); 10 (Donations); 11 (Financial Commitment Limitations); 13 (one of the Public Disclosure of Financial Commitments and Financial and Operational Information Conditions); 20 (Consumer Choice Initiatives); 23 (Community Health Reinvestment); 26 (Department Cost and Expenses); 27 and 28 (Modification of Approving Determination and Order); 29 (Settlement of Litigation); 32 (Required Record Retention); 33, 34, and 35 (Enforcement); and 36 (Post Closing Obligations).

B. Unless a Condition is listed in Condition 31A or contains a specific expiration date, the Condition shall expire on December 31, 2018, provided that the Department may extend any of these Conditions for up to an additional five (5) years if, in the judgment of the Department, such an extension is in the public interest, and further provided that any expiration of any Condition shall not affect or limit the obligations arising under such Condition prior to its expiration.

Required Record Retention

32. The books, accounts and records of each UPE Entity shall be so maintained and be accessible to the Department as to clearly and accurately disclose the precise nature and details of the transactions between and/or among any UPE Entity and/or other Person, and to permit the Department to establish compliance with the Conditions or otherwise of this Approving Determination and Order, including, but not limited to, such accounting information as is necessary to support the reasonableness of any charges or fees to a Person.

Enforcement

33. Each of the UPE Entities shall be subject to the jurisdiction of the Department for the purpose of enforcing the terms or the Conditions or otherwise of this Approving Determination and Order. Nothing in this Approving Determination and Order is intended to create or enlarge the right of any Person to enforce, seek enforcement of, and/or seek compliance by the UPE Entities with the terms and conditions of this Approving Determination and Order.

34. To the maximum extent provided by law, a violation of any Condition shall constitute a violation of 40 Pa.C.S. § 6105 (relating to penalties), which provides that any person who violates a Department order made pursuant to 40 Pa.C.S. Chapter 61 (relating to hospital plan corporations) or hinders or prevents the Department in the discharge of its duties under that statute shall be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine of not more than $ 3,000 or to be imprisoned for not more than six months, or both, in the discretion of the court. This statute also provides that any act or default by any corporation, association, or common law trust who violates a Department order made pursuant to 40 Pa.C.S. Chapter 61 (relating to hospital plan corporations)

shall be deemed to be the act or default of the officers or directors who participated in authorizing or effecting such act or default or who knowingly permitted it.

35. In addition to its powers otherwise available under applicable law, the Department may apply to the Commonwealth Court for an order enjoining any UPE Entity or any director, officer, employee or agent thereof from violating or continuing to violate any term or condition of this Approving Determination and Order and for such other equitable relief as the nature of the case and the interest of any Domestic Insurer's policyholders, creditors, shareholders, members or the public may require.

Post Closing Obligations Of UPE

36. If UPE proceeds with closing the Transaction and implements the Change of Control as contemplated by Form A, UPE shall have been deemed to have agreed expressly to fully and promptly comply with each Condition set forth in this Approving Determination and Order. UPE shall have the obligation and responsibility to cause all UPE Entities to comply with their respective obligations under this Approving Determination and Order, including but not limited to the Conditions.

37. Highmark shall provide to the Department a list of closing documents for the Affiliation Agreement and the JRMC Affiliation Agreement within five (5) days after consummation of the Transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of this Approval Determination and Order.

This Approving Determination and Order is effective immediately. The Department will issue further full written findings and conclusions on or before May 31, 2013 that substantially reflect the factual conclusions reached in the Blackstone Report and the Guerin-Calvert Report.

Michael F. Consedine
Insurance Commissioner
Commonwealth of Pennsylvania

Date: April 29, 2013

Appendix 1 (Definitions)

In addition to the words or terms otherwise defined in the Approving Determination and Order, as used in this Approving Determination and Order and the appendices thereto, the following terms have the following meanings:

"1996 Department Order" shall have the meaning set forth in Condition 23C.

"Addendum 1" means Addendum No. 1 to Amendment No. 1 to Form A dated August 24, 2012.

"Affiliate" means any present Person or any Future Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under Common Control with any other UPE Entity and their successors and assigns. "Affiliate" includes but is not limited to all Persons in which any UPE Entity, directly or indirectly, has a membership interest.

"Affiliation Agreement" means the contract entered into between UPE, UPE Provider Sub, Highmark, WPAHS and certain subsidiaries of WPAHS as specified therein dated October 31, 2011, as amended by that certain Amendment No. 1 to Affiliation Agreement entered into as of January 22, 2013, relating to the affiliation between or among the parties thereto.

"Annual CHR Payment Obligation" shall have the meaning set forth in Condition 23A.

"Approval of the Department" or "Approved by the Department" means, except as otherwise provided in this definition: either (1) the Department expressly grants its written approval to a written request by the applicable requesting party for Department approval; or (2) within thirty (30) days after the receipt by the Department of the written request for approval, the Department does not advise the requesting party that the Department either disapproves the request for approval or requests any further information or explanation regarding the request for approval. With respect to Condition 3 (Provider/Insurer Payment Contract Length Limitation), Condition 7 (Firewall Policy) and Condition 21 (Consumer Choice Initiatives), "Approval of the Department" means when the Department expressly grants its written approval to a written request by the applicable requesting party for Department approval.

"Approved Firewall Policy" shall have the meaning set forth in Condition 7.

"Base Case Financial Projections" means the WPAHS financial projections for fiscal years 2013–2017 as prepared by Highmark, dated January 16, 2013 and submitted by UPE to the Department as Exhibit K to Amendment No. 2 to Form A.

"Base Year Discharge Data" shall have the meaning set forth in Condition 21.

"Benchmark" shall have the meaning set forth in Appendix 3 (Benchmarks).

"Commercially Reasonable Process" means such due diligence and evaluative process that would be customarily performed by parties to an arm's length transaction in the geographic

area in which the Financial Commitment is to be made in order to assess the merits and risks of a Financial Commitment and the financial, operational and policy effects to the involved UPE Entity. This includes but is not limited to obtaining, where commercially appropriate and reasonable or to the extent required by law, of a third party fairness opinion or fair market value analysis of such Financial Commitment or other financial analysis and/or stakeholder cost-benefit assessment as may be customarily or reasonably expected to be performed in connection with such a transaction.

"Competitively Sensitive Information" means any information that is not available publicly that could potentially affect competitive innovation and/or pricing between or among one or more UPE Entities and the rivals of such UPE Entities at the provider and/or insurer levels. At a minimum, "Competitively Sensitive Information" includes but is not limited to: (i) present and future reimbursement rates by payor; (ii) payor-provider reimbursement contracts; (iii) terms and conditions included in agreements or arrangements between payors and providers, including but not limited to discounts in reimbursements in agreements; (iv) reimbursement methodologies including but not limited to provisions relating to performance, pay for performance, pay for value, tiering of providers; and (v) specific cost and member information, and revenue or discharge information specific to the payor.

"Community Health Reinvestment Activity" means community health services and projects that improve health care or make health care more accessible. The term includes funding, subsidization or provision of the following: (i) health care coverage for persons who are determined by recognized standards as determined by the Department to be unable to pay for coverage; (ii) health care services for persons who are determined by recognized standards to be uninsured and unable to pay for services; (iii) programs for the prevention and treatment of disease or injury, including but not limited to mental retardation, mental disorders, mental health counseling or the promotion of health or wellness; and (iv) such other services or programs as the Department may approve, including but not limited to health or mental health services for veterans, and the prevention of other conditions, behaviors or activities that are adverse to good health as well as donations to or for the benefit of health care providers in furtherance of any of the foregoing purposes. "Community Health Reinvestment Activity" does not include expenditures for advertising, public relations, sponsorships, bad debt, administrative costs associated with any Domestic Insurer, programs provided as an employee benefit, use of facilities for meetings held by community groups, or expenses for in-service training, continuing education, orientation or mentoring of employees.

"Consumer Choice Initiatives" mean tools and methods that assist consumers in making informed healthcare decisions that reflect differences in the price, cost and quality of care provided. These initiatives may include but are not limited to tools that enable consumers to compare quality and cost-efficiency of medical treatments, healthcare goods and services and providers, and incentives such as tiered network health plan benefit designs that reward patients who choose to use healthcare resources more efficiently. The term "Consumer Choice Initiatives" specifically includes but is not limited to products that include Tiering and Steering as part of their product design.

"Control," "Controlling," "Controlled by" or "under Common Control with" have the meaning given to those terms in 40 P.S. § 991.1401.

"Credit Enhancement Device" means any letter of credit, guaranty, line of credit, insurance or any other device, arrangement or method, financial or otherwise, given or provided as security or assurance for the payment of the principal of, premium, if any, or interest on, the applicable debt.

"Department" means the Insurance Department of the Commonwealth of Pennsylvania.

"Domestic Insurers" means the following Pennsylvania domestic insurers to which the Form A applies: Highmark Inc.; Highmark Casualty Insurance Company, a Pennsylvania stock insurance company; Highmark Senior Resources Inc., a Pennsylvania stock insurance company; HM Casualty Insurance Company, a Pennsylvania stock insurance company; HM Health Insurance Company, d/b/a Highmark Health Insurance Company, a Pennsylvania stock insurance company; HM Life Insurance Company, a Pennsylvania stock insurance company; Keystone Health Plan West, Inc., a Pennsylvania business corporation and licensed health maintenance organization; United Concordia Companies, Inc., a Pennsylvania stock insurance company; United Concordia Dental Plans of Pennsylvania, Inc., a Pennsylvania business corporation and licensed risk-assuming PPO; and United Concordia Life And Health Insurance Company, a Pennsylvania stock insurance company. "Domestic Insurers" also includes but is not limited to any Health Care Insurer hereafter formed, acquired or organized directly or indirectly by or for any of the foregoing or by any other UPE Entity. The term "Domestic Insurers" shall not include First Priority Life Insurance Company, Inc.; Gateway Health Plan, Inc.; HMO of Northeastern Pennsylvania, Inc., d/b/a First Priority Health; Inter-County Health Plan, Inc.; or Inter-County Hospitalization Plan, Inc. to the extent that those entities are not used, directly or indirectly, to circumvent, affect or impair the purpose or intent of any Condition.

"Domestic Insurer Competitively Sensitive Information" means Competitively Sensitive Information originated by, received and/or held, directly or indirectly, in any form by or for any Domestic Insurer.

"Donation" means any contribution, grant, donation, distributions under 40 P.S. § 991.1405 or other transfer or payment of funds, property or services (or a commitment to make a Donation), whether made directly or indirectly, in cash or in kind, by any UPE Entity to any other UPE Entity or to any other Person; provided, however, that "Donation" shall not include any transfer or payment made in exchange for the fair value of goods or services received by the transferring or paying Person. An expenditure made for a Community Health Reinvestment Activity is not a "Donation", so long as the expenditures are for the direct provision of community health services and direct funding of projects that improve health care or make health care more accessible. Donations that are in furtherance of the Affiliation Agreement, the JRMC Affiliation Agreement and any affiliation agreement with SVHS; and/or are capital expenditures related to the IDN or the IDN Strategy are not to be considered as Community Health Reinvestment Activity for the purposes of this definition of "Donation."

"Financial Commitment" means any direct or indirect payment or transfer of any cash or other property, any Donation, provision of services, encumbrance upon or granting of any security interest in or to any assets or properties, or the direct or indirect guaranty or incurrence of any contractual obligation or liability. The term "Financial Commitment" includes, but is not limited to, the acquisition of any assets or properties of or interests in, the merger, consolidation or affiliation with, or the entering into of any financial or contractual relationship with, any Person, except for: (i) any Financial Commitment made in the ordinary and usual course of the UPE Entity's business; or (ii) any amounts expressly required to be paid without any further consent of any Person and pursuant to the current provisions of the Affiliation Agreement, JRMC Affiliation Agreement and/or any affiliation agreement between Highmark and SVHS acceptable to the Department. Without limiting the generality of the foregoing, (i) until June 30, 2017, a Financial Commitment shall include but is not limited to (A) any advance payment by a Domestic Insurer to a WPAHS Entity pursuant to or in connection with a contract or arrangement for the payment or reimbursement for Health Care Services; or (B) an increase in contractual rates pursuant to or in connection with a contract or arrangement for the payment or reimbursement for Health Care Services between or among any Domestic Insurer and any WPAHS Entity in excess of the level of increase set forth in the Base Case Financial Projections; and (ii) in no event shall any Financial Commitment relating to the acquisition of any assets or properties of or interests in, the merger, consolidation or affiliation with, or any Donation to or investment in, any Person in connection with the IDN Strategy, as it may be renamed, modified or replaced, be considered to be in the ordinary course of business.

"Financial Commitment Notice" shall have the meaning set forth in Condition 11B.

"Firewall Policy" means a written course of action that governs the use, disclosure, release, dissemination or sharing of Competitively Sensitive Information between and/or among each UPE Entity and the employees, contractors, officers, directors, managers or other personnel of other UPE Entities. Without limiting the scope of any Firewall Policy, a Firewall Policy shall restrict each Domestic Insurer's and its directors', officers', employees' and agents' knowledge and ability to influence, directly or indirectly, the negotiations of other UPE Entities with rival insurers, and, conversely, shall restrict other UPE Entities' and their directors', officers', employees' and agents' knowledge and ability to influence, directly or indirectly, any Domestic Insurer's negotiations with rival Health Care Providers.

"Form A" means the Form A filed by UPE, as applicant, with the Department on November 7, 2011, as amended and supplemented by filings made by UPE with the Department.

"GAAP" means generally accepted accounting principles, consistently applied.

"Health Care Insurer" means the Highmark Insurance Companies or any other related or unrelated insurance company, health plan corporation, professional health services plan corporation, health maintenance organization, preferred provider organization or other Person in the business of insurance that finances or pays for health care goods and/or services.

"Health Care Provider" means a Person licensed, certified or otherwise authorized or permitted by the laws of the Commonwealth of Pennsylvania or any other state to provide or

perform a Health Care Service in the ordinary course of business or practice of a profession and any other Person who furnishes, bills, or is paid for health care in the normal course of business, including but not limited to a physician, dentist, hospital, nursing home, assisted living provider, home health agency or any other Person that would constitute a "health care provider" pursuant to Federal HIPAA privacy laws (45 C.F.R. § 160.103).

"Health Care Service" means any medical or health care service including but not limited to the treatment or care of an individual or administration of any medical service or medical goods or supplies or dispensing of any medical goods or supplies.

"Highmark" means Highmark Inc., a Pennsylvania nonprofit corporation licensed to operate a hospital plan and a professional health services plan and its successors and assigns.

"Highmark Affiliates" means all Affiliates of Highmark. The term includes but is not limited to all of the Domestic Insurers (other than Highmark).

"Highmark Entities" or "Highmark Entity" means, individually and/or collectively, Highmark and Highmark Affiliates.

"Highmark Insurance Companies" shall have the meaning as set forth in the first paragraph of this Approving Determination and Order.

"IDN" means all aspects of and all Persons involved or to be involved with the integrated delivery network proposed by UPE referred to in Addendum 1 and which is referenced on page 1 of Addendum 1 (wherein UPE states that ". . . UPE proposed the change in control as part of a strategy to implement an integrated delivery network (IDN)"). The IDN is further described throughout the Form A and elsewhere in documents filed by UPE. The IDN includes but it's not limited to the Affiliation Agreement, the JRMC Affiliation Agreement, and proposed affiliation agreement with SVHS, the expansion of the provider network (physicians, community hospitals and medical malls), infrastructure development (including but not limited to the acquisition, expansion, development, improvement or construction of Health Care Services, Health Care Providers, facilities, physician practice management companies and group purchasing organizations), other relationships with individuals or Persons included in the Provider Group and any other activity that has been, is being or is expected to be included in the IDN when the IDN is fully implemented.

"IDN Compensation Policy" shall have the meaning set forth in Condition 18.

"IDN Savings" shall have the meaning set forth in Condition 19.

"IDN Strategy" refers to UPE's strategy to implement the IDN.

"Insurance Restructuring Restricted Receipt Account" means the restricted receipt account in the Pennsylvania State Treasury established by Section 7 of Act 62, 40 P.S. § 991.1403b.

"JRMC" means Jefferson Regional Medical Center, its successors and assigns.

"JRMC Affiliates" means all Affiliates of JRMC.

"JRMC Affiliation Agreement" means that certain affiliation agreement by, between and among UPE, UPE Provider Sub, Highmark, JRMC, the subsidiaries of JRMC and Jefferson Regional Medical Center Foundation dated as of August 13, 2012.

"Master Trust Indenture" shall have the meaning set forth in the Affiliation Agreement.

"Minimum Annual CHR Payments Obligation" shall have the meaning set forth in Condition 23A.

"Net Income" shall have the meaning set forth in Condition 15B.

"New UPMC Contract" shall have the meaning set forth in Condition 22A.

"Person" means any individual, corporation, partnership, limited liability company, trust, association, employee pension plan or stock trust or other entity or organization, including but not limited to any governmental or political subdivision or any agency or instrumentality thereof.

"PMPM IDN Savings" shall have the meaning set forth in Condition 19.

"Provider Group" refers to the Persons included or to be included in the "Provider Group" shown on the Proposed Corporate Structure after Tab N to Addendum 1.

"RBC Rating" means the risk-based capital level of a Health Care Insurer determined in accordance with the insurance laws and requirements of the Commonwealth of Pennsylvania as amended from time to time and in a manner acceptable to the Department.

"Required WPAHS Financial and Operational Information" shall have the meaning set forth in Condition 14.

"Steering" means any practice, process or arrangement the effect of which is directly or indirectly to encourage, direct or maneuver a Person into a course of action, e.g., choice of healthcare, by offering structured economic incentives that vary by their value to the consumer or other Person.

"SVHS" means Saint Vincent Health System, a Pennsylvania nonprofit corporation, its successors and assigns.

"SVHS Affiliates" means all Affiliates of SVHS.

"SVHS Entities" or "SVHS Entity" means SVHS and all SVHS Affiliates, collectively and individually.

"Tiering" means a method or design of a health care plan in which a Health Care Providers are assigned to different benefit tiers based on the Health Care Insurer's application of criteria to Health Care Providers' relative costs and/or quality, and in which enrollees pay the cost-sharing (co-payment, co-insurance or deductible) associated with a Health Care Provider's assigned benefit tier(s).

"Total IDN Savings" shall have the meaning set forth in Condition 19.

"Transaction" means the proposed Change of Control relating to the Highmark Insurance Companies as reflected in the Form A, together with all other related transactions and all aspects of the IDN Strategy, including but not limited to the Affiliation Agreement, the JRMC Affiliation Agreement, the expansion of the provider network (physicians, community hospitals and medical malls), the development of infrastructure (physician practice management companies and group purchasing organizations), formation of other relationships with individuals or entities included in the Provider Group, and any other activity that has been, is being or is expected to be included in the IDN when the IDN Strategy is fully implemented.

"UPE" means the Pennsylvania nonprofit corporation of that name formed on October 20, 2011, being the ultimate parent entity, and its successors and assigns.

"UPE Entity" or "UPE Entities" means individually and/or collectively UPE and Affiliates of UPE, including, but not limited to, UPE Provider Sub, Highmark, all Highmark Affiliates, WPAHS, and all WPAHS Affiliates, JRMC, and all of JRMC Affiliates, SVHS and all SVHS Affiliates, any entity Controlled by any of the foregoing, and their respective successors and assigns.

"UPE Health Care Provider Competitively Sensitive Information" means Competitively Sensitive Information originated by and/or held in any form by each business unit, e.g., each hospital (including, but not limited to, WPAHS and JRMC), each physician group, and other UPE Entities on the IDN side of UPE's business.

"UPE Provider Sub" means the Pennsylvania nonprofit corporation of that name formed on October 20, 2011 as referenced on page 7 of the Form A, its successors and assigns.

"UPMC" means University of Pittsburgh Medical Center and/or any and/or all of its Affiliates, its successors and assigns.

"UPMC Contract Transition Plan" shall have the meaning set forth in Condition 22B.

"WPA Service Area" shall have the meaning set forth in Condition 21.

"WPAHS" means West Penn Allegheny Health System, Inc., a Pennsylvania nonprofit corporation, its successors and assigns.

"WPAHS Affiliates" means all Affiliates of WPAHS.

"WPAHS Corrective Action Plan" shall have the meaning set forth in Condition 15.

"WPAHS Due Diligence Information" shall have the meaning set forth in the Affiliation Agreement.

"WPAHS Entities" or "WPAHS Entity" means, individually and/or collectively, WPAHS and all WPAHS Affiliates.

"WPAHS Tax-Exempt Bonds" shall have the meaning set forth in the Affiliation Agreement.

Appendix 2 (Firewall Policy)

Firewalls are a class of provisions that govern both the dissemination and/or sharing of Competitively Sensitive Information between and/or among the formerly independent operations of each UPE Entity and the personnel from each such entity that can be involved in decision-making and engaged with its rivals (who are suppliers or customers) at other UPE Entities. The purpose of developing and implementing a firewall policy is to avoid the inadvertent or intentional disclosure of Competitively Sensitive Information that could potentially reduce substantially competitive innovation or pricing between and/or among the vertically integrated entities and their rivals at the provider and insurer levels.

With respect to each UPE Entity, it is also imperative from a competitive perspective to establish firewalls that prevent persons with influence over managed care contracts and related reimbursements on the health plan side from obtaining information on rival managed contracts and related reimbursements on the provider side.

With this Condition, each UPE Entity shall develop and submit a firewall policy to the Department for approval. Different Firewall Policies may be submitted for separate UPE Entities or types of UPE Entities.

At a minimum, the Firewall Policy shall incorporate each of the following factors:

- UPE, UPE Provider Sub, Highmark, WPAHS, JRMC, and SVHS senior management involvement and support;
- Corporate firewall compliance policies and procedures;
- Mandatory training and education of current and new employees;
- Monitoring, auditing and reporting mechanisms;
- Consistent disciplinary procedures for violation of the Firewall Policy and incentives to ensure compliance; and
- A recusal policy to reduce the risk of senior management's involvement in the review and approval of contracts or arrangements containing Competitively Sensitive Information to which they should otherwise not have access.

From a competitive perspective, the following principles shall guide the development and implementation of an effective Firewall Policy among the UPE Entities' vertically integrated hospitals/providers and its insurers relating to personnel and decision-making:

- Separate managed care contracting information and activity of the hospital and of the insurer segments, including but not limited to the personnel who engage in decision-making and contracting with suppliers (customers);

- Firewall mechanisms that prevent sharing of Competitively Sensitive Information among persons at the hospital and insurer entities, with clear definition of what constitutes Competitively Sensitive Information; and

- Clear confidentiality policies, procedures and protocols that describe the specific persons and positions that can have access to Competitively Sensitive Information with clear policies and procedures for monitoring or auditing compliance with established firewalls, reporting of violations, and remedial actions taken in the event of a violation of the firewall.

Firewalls to prevent the dissemination of competitively sensitive information are common among vertically integrated firms, particularly integrated hospitals and insurance entities. At a minimum, each UPE Entity's Firewall Policy shall prohibit the exchange of Competitively Sensitive Information, including but not limited to:

- Present and future reimbursement rates by payor;

- Payor-provider reimbursement contracts;

- Terms and conditions included in agreements or contracts between payors and providers including but not limited to discounts in reimbursements in agreements;

- Reimbursement methodologies including but not limited to provisions relating to performance, pay for performance, pay for value, tiering of providers; and

- Specific cost and member information and revenue or discharge information specific to the payor.

Each UPE Entity's Firewall Policy shall incorporate monitoring, auditing and reporting mechanisms and provide consistent disciplinary procedures for violation of the Firewall Policy and incentives to ensure compliance, including but not limited to acknowledgement and certification by each employee or independent contractor with access to Competitively Sensitive Information of the employee's or independent contractor's responsibility to report actual or potential violations with the understanding that such reporting will not result in retribution. Employees also shall be required to affirmatively acknowledge that failure to report such information may subject the employee to disciplinary action and independent contractors shall be required to acknowledge that failure to report such information shall constitute cause for termination of such independent contractor's contract.

UPE's Firewall Policy shall include but not be limited to a whistleblower protection/anti-retaliation policy acceptable to the Department that specifically includes but is not limited to reports of Firewall Policy violations. The Firewall Policy may reference a whistleblower protection/anti-retaliation policy of UPE or another UPE Entity so long as that whistleblower/anti-retaliation policy is acceptable to the Department.

Appendix 3 (Benchmarks)

The following are the benchmarks (the "Benchmarks") referred to in Condition 19:

- $3,000 lower yearly premiums for a family of four by Fiscal Year 2016 relative to a "no transaction scenario" as described in the Form A.
- 10% cost savings on inpatient spend on enrollees that remain with the Domestic Insurers that are Health Care Insurers.
- 10% cost savings on outpatient spend on enrollees that remain with the Domestic Insurers that are Health Care Insurers.
- Achieve estimated IDN cost savings relative to a "no transaction scenario" as described in the Form A in the following amounts:

Period	With UPMC at Non-Par after 12/31/2014			With UPMC at Par after 12/31/2014		
	TOTAL	Utilization Shift	IDN Implementation	TOTAL	Utilization Shift	IDN Implementation
*CY14	$12M	$80M	($68M)	($91M)	$33M	($215M)
*CY15	($233M)	$4M	($238M)	($298M)	($15M)	($283M)
*CY16	($261M)	$14M	($275M)	($447M)	($15M)	($432M)

* "CY" means calendar year

Attachment 4 (Total IDN Savings Categories)

1) Oncology Shift
2) Utilization Shift
3) Reimbursement
4) Healthier Population
5) Right Setting
6) Right Treatment
7) Cost/Quality
8) Other