



COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
HARRISBURG

THE COMMISSIONER

February 28, 2007

Gary St. Hilaire
Senior Vice President & Chief Financial Officer
Capital BlueCross
2500 Elmerton Avenue
Harrisburg, PA 17110

By Fax (717-651-8877) and Mail

Re: 2007 Community Health Reinvestment Application

Dear Mr. St. Hilaire:

This will acknowledge receipt of the Community Health Reinvestment ("CHR") Application of Capital BlueCross ("Capital") submitted December 1, 2006, revised February 1, 2007 for calendar year 2007. The Department has reviewed the submission and finds it acceptable, with adjustments noted herein, under the terms of the CHR Agreement. Thus, the Department finds the Annual Community Health Reinvestment amount ("Annual CHR") set forth to be a reasonable estimate. The Department does not find to be reasonable the Net 60% Commonwealth Directed Low Income Health Insurance Portion amount, as that amount is subject to the constraints of ¶4(d) of the CHR Agreement. Nevertheless, the Department does recognize that CBC's credits outweigh its 60% portion payments, such that it will not be making quarterly payments unless the audit and reconciliation process indicates otherwise. Finally, based on the representations in Capital's Application, the Department anticipates that Capital's 40% Permitted Community Health Reinvestment Endeavors amount of its CHR will be expended on approvable expenditures, distributions, or utilizations.

This approval is subject to the audits and reconciliations contemplated by the CHR Agreement as to the amounts of the Annual CHR and the 60% and 40% portions thereof, and as to the scope of expenditures for the 40% Permitted Community Health Reinvestment Endeavors portion.

Thank you for your participation in this community health reinvestment effort for the benefit of Pennsylvanians.

Sincerely,

Randolph L. Rohrbaugh
Acting Insurance Commissioner

cc: Sandra L. Ykema, Esq. ✓