



November 30, 2007

Mr. Joel S. Ario
 Acting Insurance Commissioner
 Commonwealth of Pennsylvania
 1326 Strawberry Square
 Harrisburg, PA 17120

Re: **Highmark Inc. 2008 Annual Community Health Reinvestment Application**

Dear Commissioner Ario:

Please accept this submission as Highmark Inc.'s ("Highmark") application for the expenditure distribution or other utilization of its projected Annual Community Health Reinvestment ("ACHR") obligation for 2008. The following chart represents Highmark's estimated ACHR calculation pursuant to section 4 of the Agreement on Community Health Reinvestment (the "Agreement") of February 2, 2005:

2008 ACHR CALCULATION

Total Projected 2008 Premiums at 1.6%:	Total Projected 2008 Premiums at 1%:	Projected 2008 Pennsylvania Health Premium & State Income Taxes Credit:	Excess of 107.5% of 2008 ACHR Annualization:	Total Projected 2008 Estimated ACHR Amount:
\$5,772,367,792	\$ 3,558,611,623			
x .016	x .010			
\$92,357,885	\$35,586,116	\$(8,173,059)	\$(10,177,680)	\$109,593,262

In accordance with sections 5 and 6 of Agreement, we propose that \$65,755,957 be distributed in 2008 to the following state approved programs:

	Projected Expenditures
60% ACHR to state-approved programs for the low-income and uninsured	\$65.8 million

We propose allocating \$43,837,305, or 40% of ACHR, to other Permitted Community Health Endeavors, which include:

40% of 2008 ACHR to proposed Permitted Community Health Endeavors:	Projected Expenditures
• adultBasic program: projected indirect costs	\$4.4 million
• SpecialCare low-income program: additional rate subsidy and projected underwriting losses	\$5.4 million
• CHIP and Direct Pay for uninsured children above the CHIP income guidelines: projected underwriting losses	\$9.2 million
• Guarantee Issue Direct Pay programs: projected underwriting losses	\$11.7 million
• Direct Pay, Senior, and HCTC/HIPAA programs: projected rate subsidies	\$28.2 million
• Community Initiatives: projected grants and donations that support improving health in Pennsylvania and addressing issues such as, but not limited to, health disparities, chronic diseases (such as asthma), health screenings, community health initiatives and influenza shots for seniors	\$6.4 million

As you can see, our projected expenditures related to the 40% for Permitted Community Health Endeavors exceed the agreed upon amount of \$43,837,305. The amounts listed for each activity represent our best estimate of the cost of Highmark's commitment for 2008. While actual amounts may vary from the projections, the amounts committed to these programs will meet or exceed \$43.8 million. This does not signify an expectation that we will always exceed the 40% portion.

Highmark proposes the following timeframe for transferring funds. Highmark will deposit one-fourth of the amount related to the 60% portion of ACHR (\$65,755,957) each quarter beginning March 1, 2008 (i.e. 3/1/08, 6/1/08, 9/1/08 and 12/1/08). Upon approval from the Insurance Department of the Commonwealth of Pennsylvania (the Department), Highmark will adjust a quarterly payment in 2009 for any refund/credit from the 2008 ACHR year.

Additionally, by April 1, 2008, Highmark will submit a reconciliation of the 2007 Application to actual premiums reported and taxes incurred (ACHR agreement section 4(b)) and a reconciliation of actual adultBasic underwriting gains/losses (ACHR agreement section 6) to the Commonwealth. Upon approval from the Department, Highmark will adjust a quarterly payment in 2008 for any refund/credit for these items from the 2007 ACHR year.

If you would like to discuss the estimated 2008 ACHR amounts in this application, or have any other questions, I can be reached at 412-544-8322, or through Candy Gallaher at 717-302-3982.

Sincerely,



Nanette P. DeTurk
Executive Vice President Finance, CFO & Treasurer

Cc: David M. O'Brien, Government Services, Highmark
Candy Gallaher, Regulatory Affairs, Highmark

cc: Melissa Anderson – 924
Mari Buchanan – 924
Bill Cashion – 3031
Janine Colinear – 924
Karen Hanlon – 943
Tom Lehman – CTRST CH 1B 401
Kenneth Melani – 3111
Joe Reichard – 911
Carl Shuman – CTRST CH 1A L4
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Michael Weinstein – 2628