



# BlueCross of Northeastern Pennsylvania

Independent Licensee of the Blue Cross and Blue Shield Association  
®Registered Mark of the Blue Cross and Blue Shield Association

19 North Main Street, Wilkes-Barre, Pennsylvania 18711-0302

November 26, 2008

The Honorable Joel Ario  
Insurance Commissioner  
Pennsylvania Insurance Department  
1341 Strawberry Square  
Harrisburg, PA 17120

Dear Commissioner Ario,

The following is submitted in compliance with the Agreement on Community Health Reinvestment (the "CHR agreement") executed February 2, 2005 by and among the Insurance Department of the Commonwealth of Pennsylvania (the "Department"), Capital Blue Cross, Highmark Inc., Independence Blue Cross, and Hospital Service Association of Northeastern Pennsylvania d/b/a Blue Cross of Northeastern Pennsylvania ("BCNEPA").

This application, submitted for the Department's review, describes the calculation of BCNEPA's Annual Community Health Reinvestment ("ACHR") for Calendar Year 2009.

### Calculation of BCNEPA 2009 ACHR

The following sets forth the calculation of the ACHR financial commitment for BCNEPA and its subsidiaries for calendar year 2009 as defined in paragraph 4(a) of the CHR agreement (in thousands of dollars):

BCNEPA Consolidated Health Premium	\$ 551,143
Assessment Percentage	1.6%
Subtotal	\$ 8,818
Less Health Premium/State Income Tax	\$ 5,749
Annual Community Health Reinvestment	\$ 3,069
BCNEPA Consolidated Medicare/Medicaid Premium	\$ 10,558
Assessment Percentage	1.0%
Subtotal	\$ 106
Less Health Premium/State Income Tax	\$ 211
Annual Community Health Reinvestment	\$ (105)
Total Annual Community Health Reinvestment	\$ 2,964

### Changes for 2009 ACHR versus 2008 ACHR

- The projected BCNEPA consolidated Health Premium decreased from \$586,044,000 in 2008 to \$561,701,000 in 2009 due to a decrease in actual and projected membership.



**BlueCare**

Traditional • PPO • Comprehensive • Senior  
Security • Cooperative • Major Medical • Student  
Plans from Blue Cross of Northeastern Pennsylvania  
Highmark Blue Shield  
Independent Licensee of the Blue Cross and Blue Shield Association  
®Registered Mark of the Blue Cross and Blue Shield Association



**BlueCare**

Traditional • PPO • Qualified High Deductible PPO  
Comprehensive • PPO Individual Conversion • Direct  
Plans from First Priority Life Insurance Company  
Independent Licensee of the Blue Cross and Blue Shield Association  
®Registered Mark of the Blue Cross and Blue Shield Association



**BlueCare**

HMO • POS • HMO Individual Conversion  
Plans from First Priority Health  
Independent Licensee of the Blue Cross and Blue Shield Association  
®Registered Mark of the Blue Cross and Blue Shield Association

- The projected health premium/state income tax increased from \$5,374,000 in 2008 to \$5,960,000 in 2009 due to the increase in the proportion of our business subject to taxation.
- As a result of these two items, the resulting ACHR decreased from \$4,003,077 to \$2,964,320.
- The total required ACHR for 2008 as submitted in our November 30, 2007 application was \$4,003,077, all of which was allocated towards the Low Income Health Portion. 95 percent of \$4,003,077 is \$3,802,923. The total required ACHR of \$2,964,320 is less than \$3,802,923, so per Section 4(d) of the CHR Agreement, the entire ACHR of \$2,964,320 will be allocated to the Low Income Health Portion.

Disposition of BCNEPA 2009 ACHR

BCNEPA intends to remit quarterly payments commencing on March 1, 2009. The initial quarterly payment will represent 25% of the CHR obligation allocated to the Commonwealth Directed Low Income Health Insurance Portion.

The table below sets forth the projected dollar amount and timing of quarterly payments during 2009:

	March 1	June 1	September 1	December 1	Total
Net Payment to Commonwealth	\$741,080	\$741,080	\$741,080	\$741,080	\$2,964,320

Other Charitable Activities

Even though the CHR formula results in no required 2009 assessment allocation for other “Permitted Community Health Reinvestment Endeavors”, please note that BCNEPA will continue to support community based health initiatives in 2009 as outlined below.

BCNEPA will continue the practice of requesting reasonable rate increases and applying surplus for those individuals not covered under group policies. The estimated amount of plan surplus to be applied is on a pre-tax basis, excluding investment income for the following Individual Products:

<u>Product</u>	
BlueCare Cooperative	}
BlueCare Direct Pay Major Medical	
BlueCare Student	
Special Care	
BlueCare Security	
	\$10.2M

BCNEPA continues to remain focused on the long-term health care and economic interests of our community. Through the Blue Ribbon Foundation, we help local health-oriented non-profits. We

also provide funding for the Pennsylvania Higher Education Foundation's Nurse Scholarship Program.

The information in this letter is intended to serve as a basis to assess BCNEPA's compliance with the CHR agreement, and is not intended to represent an exhaustive list of community-based health initiatives in which BCNEPA is involved.

We look forward to receiving your approval of the application in its entirety. In the event that the application is not approved in its entirety, we reserve the right to submit a revised application.

Please feel free to contact me at (570) 200-6360 or our Actuary, John Dante, at (570) 200-6315 if you have any questions or need additional information.

Sincerely,



J. Ken Suchoski

Senior Vice President, Finance and Chief Financial Officer

CC: Denise S. Cesare, President & CEO, BCNEPA  
Sandra Ykema, Department Counsel, Pennsylvania Insurance Department  
Rosemarie Greco, Director, Governor's Office of Health Care Reform  
Brian Rinker, Sr. Vice President, Health Plan Operations, BCNEPA  
Edwin R. Goodlander, Sr. Vice President Legal, Gov't Affairs, Gen. Counsel & Secretary, BCNEPA  
John Dante, Associate Actuary, BCNEPA