



# Capital BlueCross

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Commonwealth of Pennsylvania

APR 15 2010

INSURANCE DEPARTMENT

April 14, 2010

The Honorable Joel Ario  
Commissioner  
Pennsylvania Department of Insurance  
13<sup>th</sup> Floor  
Strawberry Square  
Harrisburg, PA 17120

Dear Commissioner,

Enclosed please find a copy of Capital BlueCross' filing required under Act 62 of 2008. It includes our anticipated expenditures for the State Fiscal year July 2010 through June 2011, as requested by the Pennsylvania Insurance Department. Capital BlueCross budgets on a calendar year basis, which does not correspond to the Commonwealth's fiscal year. Accordingly, the numbers included in the filing are estimates generated from our calendar year 2010 forecast. Further, because we are a not-for-profit community health plan—and as part of our basic mission—we are called upon periodically to respond to pressing community and business needs. As a result of all of the foregoing, these expenditures are not easily quantified in advance.

Please note that the total amounts shown on the attached form far exceed the value of state tax exemptions attributable to our not-for-profit status due to our payment of substantial premium taxes; our subsidization of low income programs; and other voluntary contributions made in response to pressing community needs. Additionally, we have not claimed any credits or offsets to expenditures included on the form for advertising expenses or sponsorships.

Thank you, in advance, for your time and attention to this matter.

Sincerely,

Aji M. Abraham, Esq.  
Government Counsel

Enclosure

AMA/hmh

cc: Cindy Fillman, Pennsylvania Insurance Department  
Director, Office of Insurance Consumer Liaison & Market Analysis

**PLAN PROPOSAL FOR  
COMMUNITY HEALTH REINVESTMENT ACTIVITIES**

Proposal for Fiscal Year 2010 – 2011.

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**I. HOSPITAL PLAN CORPORATION OR PROFESSIONAL HEALTH SERVICE PLAN CORPORATION NAME AND ADDRESS:**

CAPITAL BLUECROSS  
2500 ELMERTON AVENUE  
HARRISBURG, PA 17177

ATTN: Michael Merenda

**II. PLANNED EXPENDITURES:**

	Projected Expenditures
<b>1. Proposed annual community health reinvestment activities for health care coverage for persons unable to pay for coverage</b> (list and describe proposed endeavors below):	
a. Company projects explicit subsidies for certain individual products (i.e., Traditional, Security65, SpecialCare, CHIP, etc.). Does not include additional anticipated losses incurred under these programs in excess of the subsidy.	Included in 4(b) below.
<b>2. Proposed annual community health reinvestment activities for health care services for persons uninsured and unable to pay for services</b> (list and describe proposed endeavors below):	
a. Community Health Initiatives (in partnership with hospitals, physicians and other providers) that provide health services including, but not limited to, community health clinics, dental vans, nurse training programs, and other programs focused primarily on the provision of health care services.	Included in 4 ( c ) below.
<b>3. Proposed annual community health reinvestment activities for programs for prevention and treatment of disease or injury or the promotion of health or wellness</b> (list and describe proposed endeavors below):	
a. Community Health Education Initiatives that include participation in health fairs, senior outreach events, childhood obesity education and other educational programs directed for public health.	Included in 4(d) below.
<b>4. Community health reinvestment activities proposed in your application under paragraph 3 of the Agreement dated February 5, 2005 and published at 35.Pa.B. 4155 or any successor or other agreements</b> (list and describe proposed endeavors below):	
<u>CHR Agreement Commonwealth Directed Portion (60%)</u>	
a. Under the CHR Agreement the payments assessed for the Commonwealth Directed Portion (60%) are completely reduced by credits and offsets available under the Agreement including premium taxes paid to the Commonwealth (\$25,000,000), prior year overpayments and loss of the adultBasic contract. These credits and offsets do <u>not</u> include any advertising expenses.	Commonwealth Directed Portion of CHRA met in its entirety by available credits and offsets.

<b>CHR Agreement Company Directed Portion (40%) (1)</b>	
Payments due under the CHR Agreement Company directed portion (40%) are substantially exceeded by Capital BlueCross' Community Health Endeavors as set forth below.	
b. Company projects explicit subsidies for certain individual products (i.e., Traditional, Security65, SpecialCare, CHIP, etc.). Does not include additional anticipated losses incurred under these programs in excess of the subsidy.	\$ 13,000,000
c. Community Health Initiatives (in partnership with hospitals, physicians and other providers) that provide health services including, but not limited to, community health clinics, dental vans, nurse training programs, and other programs focused primarily on the provision of health care services.	\$ 2,467,000
d. Community Health Education Initiatives that include participation in health fairs, senior outreach events, childhood obesity education and other educational programs directed for public health.	\$ 600,000
e. Donations to nonprofit community organizations such as the PA Breast Cancer Coalition, Weller Health Education Center, United Disability Services, March of Dimes, American Heart Association, Kidney Foundation of Central PA, United Cerebral Palsy of Central PA. Pursuant to Act 62 of 2008, this amount does <u>not</u> include sponsorships.	\$ 500,000
<b>5. Other proposed annual community health reinvestment activities (list and describe proposed endeavors below):</b>	
a. Donations to nonprofit community organizations such as the PA Breast Cancer Coalition, Weller Health Education Center, United Disability Services, March of Dimes, American Heart Association, Kidney Foundation of Central PA, United Cerebral Palsy of Central PA. Pursuant to Act 62 of 2008, this amount does <u>not</u> include sponsorships.	Included in 4(a) above.
<b>TOTALS</b>	<b>\$16,567,000</b>

**\*NOTE: IF A PROPOSED ACTIVITY APPLIES TO MORE THAN ONE CATEGORY, IT MAY BE REPORTED IN EACH APPLICABLE CATEGORY; HOWEVER, THE PROJECTED EXPENDITURE MAY ONLY BE COUNTED ONCE.**

- (1) For budgeting and accounting purposes this figure represents Capital's combined CHR reporting requirement under Act 62 of 2008 and our financial obligation under the CHR agreement for fiscal year 2010-2011. We note, however, that the February 5, 2005 CHR Agreement expires as of December 31, 2010 and likewise all of Capital's obligations under that agreement terminate as of that date. In the future Capital will continue to meet its statutory CHR reporting obligation under Act 62 of 2008.