



Capital BlueCross

June 2, 2005

VIA FACSIMILE

Ms. Sandra L. Ykema
Department Counsel
Pennsylvania Insurance Department
1341 Strawberry Square
13th Floor
Harrisburg, PA 17120

Dear Sandy:

This letter is a follow-up to our meeting of May 13, 2005 and your letter of March 30, 2005 requesting information concerning Capital's Community Health Reinvestment for calendar year 2005.

The Department has requested further information with respect to the 40% portion of the annual reinvestment amount. As reflected in CBC's prior filing, 40% of the CHR amount for 2005 is approximately \$2.3 million. CBC is pleased to confirm that non-group subsidies for 2005 are estimated to be in excess of \$ [REDACTED], or more than [REDACTED] times the respective CHR amount. The estimated amount of subsidy for each specific product has been submitted to the Department as confidential under separate cover in order to maintain the confidentiality of that information, as maintained in prior filings and as recognized by the Commonwealth Court as appropriate.

At our meeting, Capital BlueCross and the Department also agreed to continue discussions concerning Capital's proposed plans with respect to the 60% portion of the 2005 reinvestment amount. We look forward to continued discussions in that regard.

Sincerely,

Michael J. Merenda
Regulatory Liaison