

Gary D. St. Hilaire Executive Vice President, Treasurer and CFO

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December 3, 2009

Sandra L. Ykema, Esquire Department Counsel Pennsylvania Insurance Department 1341 Strawberry Square Harrisburg, PA 17130

Re: Capital Blue Cross 2010 CHR Application

Dear Sandy:

Pursuant to Paragraph 3 of the Agreement on Community Health Reinvestment ("CHR"), enclosed please find Capital BlueCross' ("Capital") CHR Application for 2010.

In its February 1, 2007 Application filing (re-submitted) for the 2007 year, Capital explained that primarily due to certain state income taxes paid by Keystone HealthPlan Central, its total CHR obligation had been significantly reduced in 2006. This generated a significant over-payment in 2006, and also had the effect of reducing Capital's CHR obligation in the following years due to the provisions of Paragraph 4 (c) of the CHR Agreement. This section limits the increase in any year to 107.5 percent (107.5%) of the total CHR in the immediately proceeding calendar year.

The result of the over-payment in 2006 generated a credit to Capital of roughly \$2.8 million. That credit grew in 2007 and 2008 to nearly \$3 million as a result of the Adult Basic Credit exceeding the Commonwealth Directed amount in each of those years. The credit due to Capital is expected to approximate \$3 million for 2009.

As always we would welcome an opportunity to review our enclosed 2010 CHR Application with you at your convenience.

Sincerely,

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Gary D. St. Hilaire Executive Vice President, Treasurer and Chief Financial Officer

Health care benefit programs issued or administered by Capital BlueCross and/or its subsidiaries, Capital Advantage Insurance Company® and Keystone Health Plan® Central. Independent licensees of the Blue Cross and Blue Shield Association. Communications issued by Capital BlueCross in its capacity as administrator of programs and provider relations for all companies.

	SUBMITTED FOR REVIEW TO THE PEN	INSYLVANIA DEPARTMENT OF IN	SURANCE
terminatio	on of Community Health Reinvestment (CHR)		
Factors		1.6%	1.0%
		2010 (p)	2010 (p)
		<u>Sch T col 2 &amp; 5</u>	Sch T col 3 &
Capital B	lue Cross	262,015,000	
Capital Advantage Ins Co		1,211,168,000	92,482,0
Keystone Health Plan Central		183,604,000	205,315,0
	surance Company-PA	35,171,000	
Dominion	n Dental- PA	1,300,000	
Totals		1,693,258,000	297,797,0
(A) Sub-Total before Credits		27,092,128	2,977,
Credits:			
	Tax Credits:		
	lue Cross	-	
	dvantage Ins Co	24,543,000	
Keystone Health Plan Central		-	
Income T	ax Credits:		
Capital B	lue Cross	-	
Capital B Capital A	lue Cross dvantage Ins Co		
Capital B Capital A Keystone	ilue Cross dvantage Ins Co e Health Plan Central	- - (1,000,000)	
Capital B Capital A	ilue Cross dvantage Ins Co e Health Plan Central	- (1,000,000) 23,543,000	
Capital B Capital A Keystone (B) Total	ilue Cross dvantage Ins Co e Health Plan Central		
Capital B Capital A Keystone (B) Total	ilue Cross dvantage Ins Co e Health Plan Central Credits s before credits	23,543,000	
Capital B Capital A Keystone (B) Total (A) Gross	ilue Cross dvantage Ins Co e Health Plan Central Credits s before credits ts	23,543,000 30,070,098 (23,543,000)	
Capital B Capital A Keystone (B) Total (A) Gross	ilue Cross dvantage Ins Co e Health Plan Central Credits s before credits	23,543,000 30,070,098	
Capital B Capital A Keystone (B) Total (A) Gross (B) Credit	ilue Cross dvantage Ins Co e Health Plan Central Credits s before credits ts CHR	23,543,000 30,070,098 (23,543,000) \$ 6,527,098	
Capital B Capital A Keystone (B) Total (A) Gross (B) Credit	Ilue Cross dvantage Ins Co a Health Plan Central Credits s before credits ts CHR Capped Amount per paragraph 4 ( c) Commonwealth Directed (60%)	23,543,000 30,070,098 (23,543,000) \$ 6,527,098 1,702,155	
Capital B Capital A Keystone (B) Total (A) Gross (B) Credit (1)	lue Cross dvantage Ins Co e Health Plan Central Credits s before credits ts CHR Capped Amount per paragraph 4 ( c) Commonwealth Directed (60%) Credits: Negotiated credit for	23,543,000 30,070,098 (23,543,000) \$ 6,527,098 1,702,155 1,021,293	
Capital B Capital A Keystone (B) Total (A) Gross (B) Credit	Ilue Cross dvantage Ins Co a Health Plan Central Credits s before credits ts CHR Capped Amount per paragraph 4 ( c) Commonwealth Directed (60%)	23,543,000 30,070,098 (23,543,000) \$ 6,527,098 1,702,155	
Capital B Capital A Keystone (B) Total (A) Gross (B) Credit (1)	lue Cross dvantage Ins Co e Health Plan Central Credits s before credits ts CHR Capped Amount per paragraph 4 ( c) Commonwealth Directed (60%) Credits: Negotiated credit for	23,543,000 30,070,098 (23,543,000) \$ 6,527,098 1,702,155 1,021,293	
Capital B Capital A Keystone (B) Total (A) Gross (B) Credit (1)	Hue Cross dvantage Ins Co Health Plan Central Credits s before credits ts CHR Capped Amount per paragraph 4 ( c) Commonwealth Directed (60%) Credits: Negotiated credit for loss of Adult Basic program Net Commonwealth Directed Portion	23,543,000 30,070,098 (23,543,000) \$ 6,527,098 1,702,155 1,021,293 \$ (977,278) \$ 44,015	
Capital B Capital A Keystone (B) Total (A) Gross (B) Credit (1)	Ilue Cross dvantage Ins Co a Health Plan Central Credits s before credits ts CHR Capped Amount per paragraph 4 ( c) Commonwealth Directed (60%) Credits: Negotiated credit for loss of Adult Basic program	23,543,000 30,070,098 (23,543,000) \$ 6,527,098 1,702,155 1,021,293 \$ (977,278) \$ 44,015 (2,956,427)	
Capital B Capital A Keystone (B) Total (A) Gross (B) Credit (1)	Hue Cross dvantage Ins Co Health Plan Central Credits s before credits ts CHR Capped Amount per paragraph 4 ( c) Commonwealth Directed (60%) Credits: Negotiated credit for loss of Adult Basic program Net Commonwealth Directed Portion 2008 Credit Carryforward per 2008 True-Up	23,543,000 30,070,098 (23,543,000) \$ 6,527,098 1,702,155 1,021,293 \$ (977,278) \$ 44,015	

(2) Adult Basic negotiated credit equals 3.25% of (A) Gross before Credits