

**BEFORE THE INSURANCE DEPARTMENT  
OF THE  
COMMONWEALTH OF PENNSYLVANIA**

**Statement Regarding the Acquisition of Control of or Merger with  
Domestic Insurers:**

**Hospital Service Association of Northeastern Pennsylvania  
d/b/a Blue Cross of Northeastern Pennsylvania;  
First Priority Life Insurance Company, Inc.;;  
HMO of Northeastern Pennsylvania, Inc.,  
d/b/a First Priority Health**

**By Highmark Inc.**

**BCNEPA RESPONSE TO INFORMATION REQUEST 5.6.2 FROM THE  
PENNSYLVANIA INSURANCE DEPARTMENT**

**REQUEST 5.6.2:**

**Explain the advantages and disadvantages of the Transaction for members, subscribers, enrollees, policy holders, hospital providers, other health care providers, pharmacies and other affected persons.**

**RESPONSE:**

BCNEPA certifies to the best of its information, knowledge and belief the following:

After careful review and consideration, the BCNEPA Board of Directors concluded that a merger with Highmark is in the best interests of its customers, employees and the community. A merger with Highmark is the best option for achieving BCNEPA's goals and is the logical next step in a long and successful relationship between the two companies.

- A merger will position the merged company to continue providing the affordable, high-quality health care options and excellent customer service that BCNEPA customers have come to expect, all under an enhanced Blue brand. BCNEPA and Highmark have worked cooperatively for more than 70 years to serve the needs of customers across northeastern and north central Pennsylvania by jointly providing Blue Cross/Blue Shield coverage.
- A merger will continue BCNEPA's longstanding mission as part of a nonprofit, community-based and community-minded company, while at the same time adding

the scale that draws on the merged company's long-term financial strength and ability.

- A merger will expand access to capital for new investments to benefit BCNEPA subscribers through: innovative tools and technology that improve care quality and patient wellness; more cost-effective and quality-driven partnerships with providers; and expanded access to health insurance as the ACA is implemented, with efficiencies that can be passed on to customers.
- A merger will provide the larger geographic footprint that will be necessary to effectively compete for commercial and government business.
- A merger can be implemented with minimal disruption to customers and the health care providers with whom BCNEPA works, given that BCNEPA is already utilizing certain Highmark systems and IT infrastructure to support its operations.
- Highmark has a proven track record of integrating organizations for mutual success including Blue Health plans in West Virginia and Delaware.
- Finally, Highmark's proposal includes significant commitments that were important to BCNEPA:
  - Presence: Maintenance of regional operations, minimum staffing levels for four years and efforts to grow new employment opportunities.
  - Input: Local advisory board that will have a voice in matters related to the transition and on-going operations and local representation on the Highmark Inc. Board of Directors.
  - Employee Protections: 18 month commitment to existing employees for continued employment or severance should they be displaced.
  - Financial Commitment: The agreement allows for the provision of up to \$100 million to one or more charitable organizations to be used to support programs which focus on health, education and disease prevention, human services activities, activities which improve the quality of life of children and families, activities for the promotion of social welfare, and lessening the burdens of government, including supporting health care and other purposes that complement or supplement the historic mission of BCNEPA, either directly or by assisting other exempt organizations which carry on such activities principally within the 13 counties of Northeastern Pennsylvania.

**Hospital Service Association of  
Northeastern Pennsylvania  
d/b/a Blue Cross of Northeastern  
Pennsylvania ("BCNEPA")  
19 North Main Street  
Wilkes-Barre, PA 18711**