

NEPA BlueCross - Highmark Merger Testimony

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Thank you for the opportunity to offer my input on the proposed merger between NEPA Blue Cross and Highmark. Chambers of Commerce Service Corporation (CCSC) is a Pennsylvania for-profit corporation founded in 1992 by 22 Chamber shareholders. Its primary purpose then, and now, has been to provide value added products and services in concert with our Chamber partners that encourage and maintain Chamber membership. CCSC currently distributes these products through 90 Chamber partners in the Western, Central and North Eastern regions of Pennsylvania. CCSC's current portfolio of products includes employee benefit products, electric and gas aggregation and a property and casualty dividend program. Approximately, 10,000 Chamber partner business members take advantage of CCSC's product offerings.

CCSC has had an exclusive relationship providing health insurance products from Highmark in Western Pennsylvania since its founding in 1992. It has enjoyed the same relationship with NEPA BlueCross beginning in 2001 and Highmark BlueCross/BlueShield in Central Pennsylvania in 2002.

We believe that our long-term relationships with both Highmark and NEPA BlueCross provide a unique perspective on the issues driving the proposed merger and the need for the merger to move forward expeditiously. Most importantly, we understand the sensitivity in North Eastern and North Central Pennsylvania communities on the local impact the merger will create. CCSC has, due in large part to the diversity of the communities its Chamber partners represent, a bottom up versus top down mentality in the way it conducts its business. The primary focus of my testimony will be on the benefit the merger will create for the employers that provide health insurance, their employees and family members that use health care services and addressing local concerns about merger related impacts.

First, the merger will positively affect the administrative expense associated with the delivery of health care services. Highmark brings the scale and financial capital necessary to address the current and future impact of the regulatory environment on the administrative cost component in North Eastern and North Central Pennsylvania. Highmark has had a long-standing partnership with NEPA BlueCross insurance products and with data processing and claims management. Administrative dollar savings created by the merger can be directly invested in improving the quality of current product offerings and be used to develop new customer focused products and services.

Second, NEPA BlueCross and Highmark have demonstrated through their existing collaborative work that they share the core value of a community focus on product choice, wellness and comprehensive health management. The increased resources that the merger will bring to North Eastern and North Central Pennsylvania enhance the potential for the deployment of new health care products and services. The merger assures the continuity of services, with minimal disruption, to all consumers including employers and their employees, physicians and hospitals. CCSC believes that Highmark record of accomplishment with NEPA BlueCross and other BlueCross and BlueShield plans provides comfort that Highmark's commitment to inclusion in regional decision-making and community support will occur.

Third, CCSC has always advocated for new products and services that increase employer choice and flexibility in meeting their employees and families health care needs. The merger will provide significant financial and technological assets. It enhances the probability that new products focused on assuring appropriate care, measureable qualitative outcomes and increased consumer transparency come to communities in North Eastern and North Central Pennsylvania.

Fourth, Highmark has made commendable commitments to preserve employment and provide a voice in decisions related to the NEPA BlueCross service area. CCSC believes that two actions by Highmark would significantly increase the effectiveness of the job related commitments

and strengthen belief that the merged organizations will operate in a manner that protects the interests of NEPA BlueCross consumers. One, Highmark should immediately begin work with stakeholders in the NEPA BlueCross service area to identify viable opportunities for the creation of new health care jobs, which have a qualitative and quantitative impact on the local economy. Two, regardless of the long-term make up of the local advisory board the commitment for local input should be an ongoing function and not subject to a sunset provision. CCSC recognizes the macroeconomic issues, which make the merger between NEPA BlueCross and Highmark necessary. We also believe an unquestioned commitment to local economic vitality and ongoing regional input to the new enterprise will be beneficial to its short and long-term success.

Fifth, it is a positive that the merged organization will maintain the NEPA BlueCross historic commitment to community involvement. The commitment of \$90 million dollars, with an additional potential of \$10 million is laudable. We would request that the financial requirements necessary for the infusion of its own capital be widely communicated.

To conclude, in the current health care landscape the merger is necessary and will benefit health care consumers in the NEPA BlueCross territory. Highmark and NEPA BlueCross have demonstrated an ability to work collaboratively and greatly lessen the mergers potential for disruption to health care consumers and providers. The merger creates the resource base for the development of

innovative health care offerings. A plan to reduce local economic impacts and loss of local input, while inevitable in any merger, have been announced and has the potential to further mitigate negative impacts. Finally, significant financial resources will remain in the foundation to continue the NEPA BlueCross community commitment.

Thank you for the opportunity to offer input on the merger proposal. I would be happy to address any questions my remarks may have raised.