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Sent: Thursday, March 12, 2015 3:05 PM
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Subject: Response to Public Comment from Senator White
Attachments: Don White.pdf

Ms. Bybee,

Attached please find Highmark Inc.'s response to the public comment received by the Pennsylvania Insurance Department from Senator Don White. I am providing Senator White and members of the Senate Banking and Insurance Committee with a copy of the response with this email.

Ron Chronister

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**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., a Pennsylvania nonprofit corporation

**Response of Highmark Inc. to
Comments of the Honorable Don White Dated February 25, 2015**

Highmark Inc. (“Highmark”) is responding to the letter dated February 25, 2015 from the Honorable Don White, Chairman, Senate Banking and Insurance Committee, regarding the proposed merger (“Merger”) of Highmark and Blue Cross of Northeastern Pennsylvania (“BCNEPA”). Senator White’s letter is numbered as Document 0878 on the Highmark/BCNEPA Cumulative Log page of the Pennsylvania Insurance Department’s (“Department”) website.

In his letter, Senator White states, among other things, that, “there appears to be broad consensus that [the proposed Merger] is in the best interest of BCNEPA customers”; and that, “[w]hile BCNEPA is a sustainable organization in the short run, it is clear that under the new marketplace dynamics, small insurers do not have a long term sustainable future”. Accordingly, Senator White states, he supports the proposed Merger.

Highmark agrees with these comments and thanks Senator White for his support.

Senator White goes on to say that he recommends that the Department consider conditioning approval of the Merger on Highmark providing “a much clearer disclosure of its overall financial status”; and that “ongoing filing of consolidated financial reports . . . would be in the public interest”. In support of this recommendation, the Senator states that, “Consumers and policymakers need to have the assurance that the [Department] is reviewing not just Highmark but all its entities, especially Allegheny Health Network”; and that he is concerned that “the overall financial picture” of Highmark and its affiliates may be unclear, not only to the general public, but to the regulators, as well.

To be clear, Highmark does not own or control Allegheny Health Network. Rather, the two organizations are affiliated companies with a common parent company, Highmark Health.

Highmark and each of its Pennsylvania-domiciled insurance company subsidiaries today file with the Department quarterly and annual statutory financial statements prepared in accordance with the requirements of Pennsylvania law applicable to domestic insurance companies. By definition, these statutory statements do not consolidate or combine subsidiaries; rather, each company reports its own financial results on a stand-alone basis. All these statements are public records.

At the request of the Department, Highmark also currently provides to the Department on a monthly basis unaudited combined financial statements prepared on the basis of generally accepted accounting principles ("GAAP"). Unlike the statutory statements, these statements include all Highmark's subsidiaries and the affiliates which Highmark controls, including its health plan affiliates in Delaware and West Virginia. Because, as noted above, Highmark does not control Allegheny Health Network, Allegheny Health Network is not included in these statements. These statements are for the Department's internal purposes.

Highmark Health, however, files with the Department, as a public record, annual audited consolidated financial statements in accordance with the requirements of applicable law and the Department's April 2013 Approving Determination and Order (the "2013 Order") relating to Highmark's affiliation with West Penn Allegheny Health System ("WPAHS"). These statements include the results of all Highmark Health subsidiaries and affiliates, including Highmark and its subsidiaries and Allegheny Health Network and its subsidiaries.

Highmark Health also currently files with the Department, as a public record, quarterly financial and operational reports for the West Penn Allegheny Health System and the entities West Penn Allegheny Health System controls in accordance with the requirements of the 2013 Order. Further, each of the tax-exempt organizations within the Highmark Health enterprise files, in accordance with the requirements of federal law, an Internal Revenue Service Form 990 information returns setting forth an array of financial information relating to each of those organizations, respectively. The Form 990 returns also are available for public review.

Representatives of Highmark Health, Highmark and Allegheny Health Network also meet regularly with the Department's financial advisors and consultants to discuss, among other things, the financial performance of Highmark and Allegheny Health Network and its constituent organizations, including, but not limited to, West Penn Allegheny Health System.

Based on the foregoing, Highmark believes that the Department already is receiving and/or has available to it, under one or more of applicable law, the 2013 Order and/or current practice, all the information that it needs in order to be able to review and assess and

obtain a clear understanding of the financial condition of Highmark and its affiliates, including Allegheny Health Network; and that the Department already has provided for public access to consolidated financial reports of Highmark Health and its subsidiaries and, therefore, that issue need not be further addressed in this proceeding.

Highmark Inc.
120 Fifth Avenue
Pittsburgh, PA 15222

DATE: March 12, 2015

cc: The Honorable Don White
Joe Scarnati, Senate President Pro Tempore
Members of the Senate Banking and Insurance Committee