Report on the Proposed Merger of Blue Cross of Northeastern Pennsylvania with and into Highmark Inc.

May 19, 2015

This report has been prepared and is being filed to assist the PID in its ongoing consideration of the Form A regarding Hospital Service Association of Northeastern Pennsylvania, doing business as Blue Cross of Northeastern Pennsylvania, First Priority Life Insurance Company, Inc., and HMO of Northeastern Pennsylvania, Inc., doing business as First Priority Health, filed February 18, 2014, as amended. Blackstone reserves the right as may be required in its judgment to amend and/or supplement this report based upon additional or new information that may be provided during the public comment period or thereafter or in response to comments by the Applicants, the public or PID officials. Please note that Blackstone has made certain changes to the Report dated January 2, 2015 based on updated financial and corporate information, including the addition of Appendix B.

Blackstone

Table of Contents

I.	**Introduction & Situation Overview**	**3**
II.	**Overview of the Applicants**	**12**
	A. Overview of BCNEPA	13
	B. Overview of Highmark	18
III.	**Overview of the Proposed Transaction**	**24**
IV.	**Review of Approval Standards**	**30**
	A. Standard "i"	31
	B. Standard “ii"	33
	C. Standard “iii"	35
	D. Standard “iv"	53
	E. Standard “vi"	92
V.	**Appendix A**	**98**
VI.	**Appendix B: Addendum to Blackstone’s Review of Highmark’s Financial Condition**	**100**

I. Introduction & Situation Overview

Blackstone

Introduction

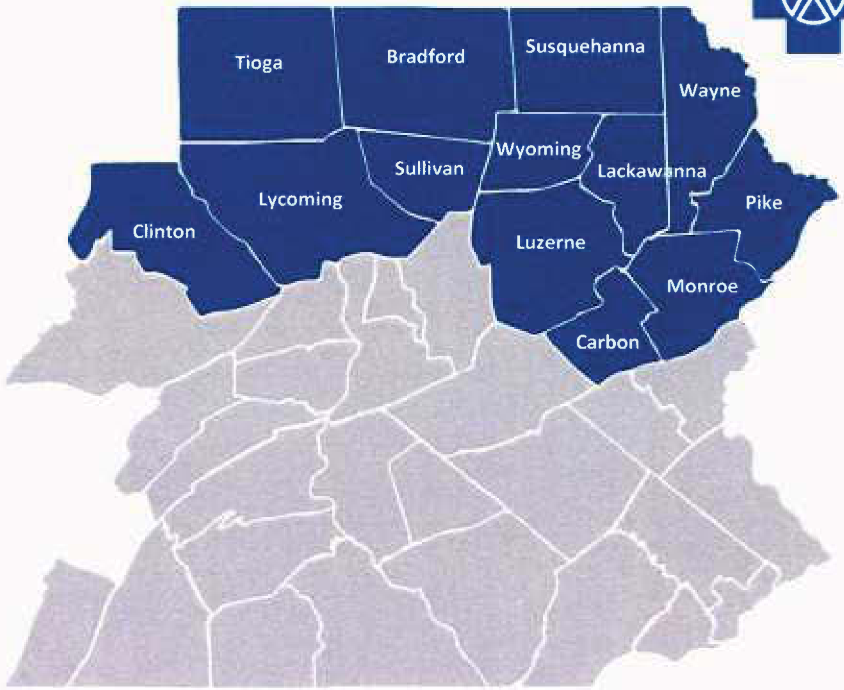
Blackstone Advisory Partners L.P. ("Blackstone") is serving as financial advisor to the Pennsylvania Insurance Department (the "PID") in connection with the PID's review of the proposed merger (the "Transaction") of Hospital Service Association of Northeastern Pennsylvania, doing business as Blue Cross of Northeastern Pennsylvania ("BCNEPA"), with and into Highmark Inc. ("Highmark").

- On February 18, 2014, BCNEPA and Highmark entered into an agreement pursuant to which BCNEPA will, upon closing, be merged with Highmark; BCNEPA and Highmark are currently independent licensees of the Blue Cross Blue Shield Association ("BCBSA")
- BCNEPA, headquartered in Wilkes-Barre, provides health insurance services in a 13-county region in Northeastern Pennsylvania and has approximately 550,000 health plan members
- Highmark, headquartered in Pittsburgh, is one of the 10 largest health insurers in the country with more than 34 million customers across product lines, of which 4.7 million are health plan members
- BCNEPA and Highmark are non-profit corporations in the Commonwealth of Pennsylvania
- The Proposed Transaction is subject to review by, and the approval of, the PID
- The PID has asked Blackstone to analyze several aspects of the Proposed Transaction as part of the PID's process of determining whether the Transaction meets certain of the standards contained in 40 P.S. § 991.1402(f)(1)

BCNEPA Overview

BCNEPA is incorporated as a non-profit corporation and operates as a health service plan in the Commonwealth of Pennsylvania. As a licensee of the BCBSA, BCNEPA underwrites managed care health insurance products.

- Hospital Service Association of Northeastern Pennsylvania ("HSA", doing business as BCNEPA) provides a variety of products including individual plans; holds the Blue Cross license
- Independent, non-profit that serves 13-counties of Northeastern Pennsylvania
- Founded in 1938 and headquartered in Wilkes-Barre, Pennsylvania
- Approximately 650 health plan employees
- Key subsidiaries include:
  - First Priority Life Insurance Company: Stock life insurance company licensed to issue life, annuity, accident, and health insurance products
  - HMO of Northeastern Pennsylvania: Pennsylvania non-profit health maintenance organization
- Highmark owns a minority interest in FPLIC and FPH (40.1% and 40%, respectively)



Source: BCNEPA.

Public

Highmark Overview

Highmark is a non-profit healthcare company based in Pittsburgh.

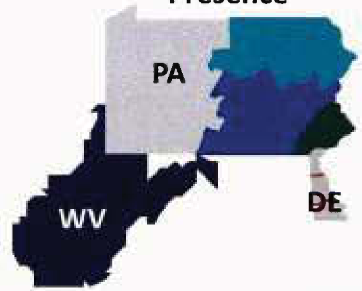
Health Insurance Business

- Largest health insurer in Pennsylvania, Delaware and West Virginia with 4.7 million health plan members across its markets
- Offers private-label processing and comprehensive IT services for seven other Blue Plans (2.9 million members currently contracted)

Commercial & Senior Products

HIGHMARK.
HIGHMARK.
HIGHMARK. West Virginia
HIGHMARK. Delaware

Presence



Integrated Delivery System

- Recently gained approval to affiliate with multiple hospitals and several hundred physician practices to create the second-largest integrated delivery system ("IDS") in the U.S.
- Extending physical & virtual integrated delivery system capabilities to strategic provider partners outside of western PA
- Investing in urgent care centers and introducing pre-acute Medical Malls

West Penn Allegheny Health System
Jefferson Regional Medical Center
Saint Vincent
Premier Medical Associates
Lake Erie Medical

Diversified Companies

- For-profit subsidiary companies offering Vision, Dental and Stop Loss products are among the largest in the U.S.
- Licensed and distributing one or more products in all 50 states

HM Insurance Group
- 3rd largest stop loss carrier by gross revenue

United Concordia Dental
- 6th largest dental insurer by membership

Visionworks
- Retail stores in 40 states
- 3rd largest in U.S.

DavisVision SEE LIFE
- 3rd largest managed vision care

Source: Highmark.

Summary Transaction Overview

Below is a summary overview of the Transaction structure, as proposed by BCNEPA and Highmark.

- BCNEPA will merge with Highmark
- Highmark will be the surviving corporation and will continue as a non-profit non-stock Pennsylvania corporation
- Highmark Health, Highmark's non-profit parent company, will continue as the sole corporate member of Highmark
- BCNEPA's current foundation, the Hospital Service Association of Northeastern Pennsylvania Foundation (the "Blue Ribbon Foundation" or the "Foundation"), a charitable organization, will not be included in the Transaction and will therefore become independent of BCNEPA and Highmark
- Prior to the closing of the Transaction, all of the outstanding capital stock of AllOne Health Management Solutions, Inc. and AllOne Health Services, Inc., both of which are currently owned subsidiaries of AllOne Health Group, Inc. ("AHG"), a wholly owned subsidiary of BCNEPA, will be distributed to BCNEPA so that such entities will be part of the business owned by BCNEPA at the time of the merger
- Prior to the closing of the Transaction, BCNEPA will merge AHG and Health Resources Corporation ("HRC"), AHG's wholly owned subsidiary, to form AllOne Health Resources Corporation ("AHRC"); BCNEPA will transfer all outstanding stock of AHRC to a newly created public charity based in Northeastern Pennsylvania
- Prior to the effective date of the merger, the Foundation and one or more charitable organizations will also receive out of BCNEPA's surplus capital a contribution of up to $90 million; after the Transaction has closed, an additional contribution of up to $10 million may be made if certain criteria are met(1)
- BCNEPA does not have equity holders that will receive consideration in the merger
- The Merger Agreement contains detailed governance provisions regarding BCNEPA's role in the oversight of Highmark with respect to BCNEPA's service area along with provisions regarding continued employment of BCNEPA employees and community presence in Northeastern Pennsylvania

Source: Form A Application.
(1) Additional $10 million contribution contingent upon: i) BCNEPA's Risk-Based Capital at closing being equal to or greater than 725% (before giving effect to the closing contribution above); and ii) the 2015 BCNEPA operating loss not greater than $15 million.

Blackstone's Mandate

The PID has asked Blackstone to assist in preparing analyses that are relevant to four (in bold text below) of seven statutory criteria under 40 P.S. § 991.1402(f)(1) that have been deemed applicable by the PID to the Proposed Transaction.(1)

40 P.S. § 991.1402(f)(1) states that "The department shall approve any merger, consolidation or other acquisition of control referred to in subsection (a) unless it finds any of the following:

i. After the merger, consolidation or other acquisition of control, the domestic insurer referred to in subsection (a) would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed

ii. The effect of the merger, consolidation or other acquisition of control would be to substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein. In applying the competitive standard in this subparagraph:

a) the informational requirements of section 1403(c)(2) and the standards of section 1403(d)(2) shall apply;

b) the merger, consolidation or other acquisition of control shall not be disapproved if the department finds that any of the situations meeting the criteria provided by section 1403(d)(3) exist; and

c) the department may condition the approval of the merger, consolidation or other acquisition of control on the removal of the basis of disapproval within a specified period of time

iii. The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer or prejudice the interest of its policyholders

iv. The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable and fail to confer benefit on policyholders of the insurer and are not in the public interest

v. The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger, consolidation or other acquisition of control

vi. The merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public

vii. The merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A"

(1) The PID , through its counsel, Blank Rome LLP, has engaged Margaret Guerin–Calvert of Compass Lexecon to review matters related to Standard "ii". Ms. Guerin–Calvert, in coordination with Blackstone, has also reviewed matters related to Standard "iv." The PID has not asked Blackstone to consider matters related to Standard "v" or Standard "vii."

Blackstone's Analytical Framework

The following illustrates Blackstone's framework for preparing analyses relevant to the statutory criteria.

Standard		Blackstone's Approach	Methodologies Utilized
i.	**Satisfy license requirements**	▸ Analyzed the relevant capital, surplus and net worth requirements for each of the domestic insurers involved in the issuance of a license	▸ Compared capital, surplus and net worth requirements, as appropriate, based on type of company, to the projected capital and surplus of each of the relevant domestic insurers
ii.	**Not substantially lessen competition or tend to create a monopoly**	▸ The PID, through its counsel, Blank Rome LLP, engaged Compass Lexecon, a consulting firm specializing in antitrust economics and applied microeconomics, to assess the competitive effects of the proposed Transaction	▸ Blackstone refers to the draft report of Margaret Guerin Calvert, of Compass Lexecon, dated January 2, 2015 for conclusions regarding potential anti-competitive effects of the Transaction
iii.	**Not jeopardize financial stability or prejudice the interest of BCNEPA policyholders**	▸ Analyzed the current financial condition of Highmark, which will assume control of BCNEPA ▸ Analyzed the projected financial condition of the pro forma combined entity	▸ Reviewed Highmark's income statement, balance sheet, risk-based capital and credit profile ▸ Assessed the financial projections of Highmark and of the combined entity, to include the proposed Transaction's impact on pro forma risk-based capital levels
iv.	**Any Highmark plans or proposals are unfair and unreasonable to BCNEPA policyholders and not in the public interest**	▸ Assessed BCNEPA's Transaction process and rationale ▸ Assessed the financial implications of the proposed Transaction for BCNEPA subscribers and the insurance buying public ▸ Assessed anticipated changes to BCNEPA's corporate and governance structures ▸ Reviewed management incentives tied to the closing of the proposed Transaction ▸ Public interest primarily addressed in Standard "vi"	▸ Reviewed BCNEPA's stated market challenges and rationale, as well as its process for selecting a long-term partner ▸ Reviewed financial implications of the proposed Transaction, to include the forecasted financial results of the combined entity ▸ Reviewed Highmark's plans for integrating BCNEPA's insurance operations and projected impact on BCNEPA employment; reviewed governance structure for "leave-behind" BCNEPA charitable assets ▸ Reviewed compensation data for BCNEPA and Highmark
vi.	**Not hazardous or prejudicial to the insurance buying public**	▸ Assessed the manner in which the insurance buying public may be affected by the proposed Transaction	▸ Reviewed input from written public comments sent to the PID, comments made at public hearings and comments made during private interviews with various industry and community stakeholders conducted by Blackstone and Compass Lexecon

Note: The PID will evaluate Standard "v" and Standard "vii."

Scope of Blackstone's Work

As part of its work on behalf of the PID, Blackstone has completed the following:

- Reviewed the Form A filings, as amended, submitted by Highmark in connection with the Proposed Transaction
- Reviewed materials related to the Proposed Transaction submitted by Highmark and BCNEPA
- Reviewed Highmark's and BCNEPA's audited GAAP financial statements for the years ended 2009 to 2013
- Reviewed Highmark's and BCNEPA's financial projections, to include base and "downside" cases, as appropriate
- Reviewed responses submitted by Highmark and BCNEPA to the PID's requests for additional materials and information
- Attended public information sessions in Scranton on November 12, 2014 and reviewed hearing transcripts
- Reviewed public comments submitted to the PID
- Held discussions with third-party industry participants and observers who provided their perspective on the Proposed Transaction and its potential impact on the health insurance market in Northeastern Pennsylvania
- Held discussions with the members of management of both Highmark and BCNEPA to discuss their respective businesses, operating environments, financial conditions, strategic objectives and other Transaction related subject matter
- Reviewed the report of Margaret Guerin–Calvert of Compass Lexecon, dated May 11, 2015, assessing the competitive impact of the Proposed Transaction
- Reviewed such other information, performed such other studies and analyses and took into account such other matters as was deemed appropriate

Scope of Blackstone's Work (Cont'd.)

As part of its work on behalf of the PID, Blackstone has not done the following:

- Independently verified the accuracy and completeness of financial and other information that is available from public sources or was provided to us by Highmark, BCNEPA or their representatives or otherwise reviewed by us
- Made an independent appraisal of Highmark's and BCNEPA's reserves or assets or expressed any opinion as to either the value of such reserves or such assets or the value of the projected income and cash flow expected to be derived therefrom
- Performed due diligence on Highmark's and BCNEPA's physical properties, sales, marketing, distribution or service organizations or product markets
- Expressed any formal opinion regarding the fair value of Highmark, BCNEPA or any Highmark or BCNEPA entity
- Considered either the relative merits of the Proposed Transaction as compared to any other transactions that may be available to BCNEPA or the effect of any other arrangement in which BCNEPA and Highmark might engage
- Made any legal conclusions with regard to the applicable statutory criteria under 40 P.S. § 991.1402(f)(1)

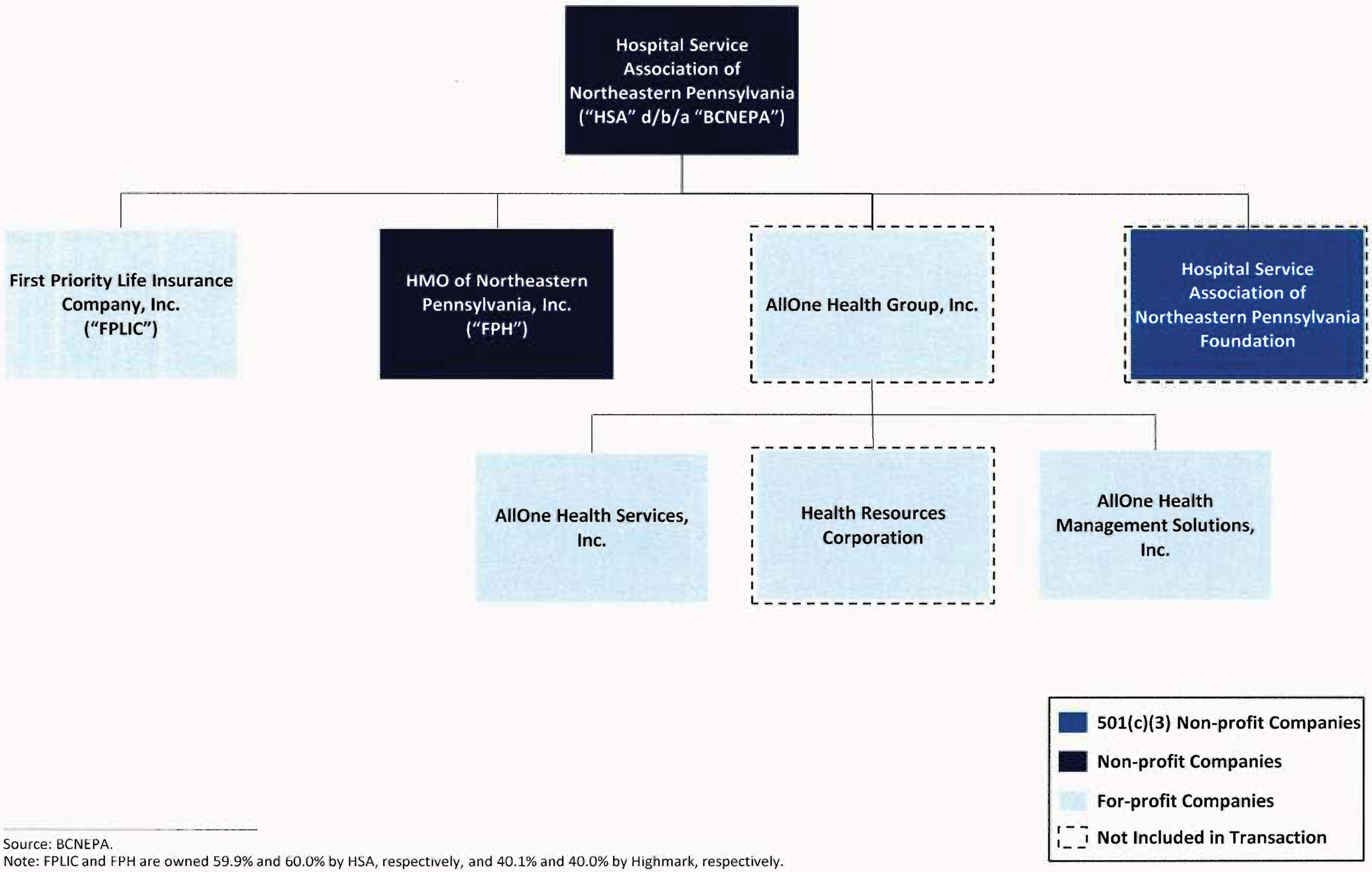
II. Overview of the Applicants

Blackstone

A. Overview of BCNEPA

Blackstone

BCNEPA Legal Entity Overview



Source: BCNEPA.
Note: FPLIC and FPH are owned 59.9% and 60.0% by HSA, respectively, and 40.1% and 40.0% by Highmark, respectively.

A. Overview of BCNEPA

BCNEPA Historical Financial Results

The following represents BCNEPA's Combined GAAP financial results for years 2009 – 2013.

BCNEPA's Combined Income Statement

($ in millions)	2009A	2010A	2011A	2012A	2013A
Subscription Revenue	[redacted]				
Self-funded Revenue, Net					
Other Revenue					
Total Revenues	**929.8**	**832.3**	**763.5**	**732.4**	**847.2**
Health Care Costs	784.6	666.0	596.6	539.3	658.0
Operating & Admin. Expenses, Net	274.1	204.7	220.6	161.6	178.3
Other Expenses, Net	-	-	-	-	5.3
Total Expenses	**1,058.7**	**870.6**	**817.1**	**700.9**	**841.6**
Operating Income	($128.9)	($38.3)	($53.7)	$31.5	$5.6
Memo: Underwriting Gain/(Loss) (1)	*(4.4)*	*(8.3)*	*12.7*	*24.9*	*3.6*
Net Investment Income	22.8	18.6	16.3	15.7	14.8
Net Realized Investment Gains	10.8	22.8	18.9	18.7	27.9
Interest Expense	(3.9)	(6.6)	(2.7)	(1.3)	(0.8)
Income before Income Taxes	**(99.1)**	**(3.4)**	**(21.1)**	**64.6**	**47.6**
Income Tax Provision/(Benefit)	(9.8)	7.1	1.9	9.6	(9.4)
Net Income	**(89.3)**	**(10.5)**	**(23.0)**	**55.0**	**56.9**
Net Income Attributable to Noncontrolling Interest	(3.0)	(3.4)	(1.7)	(7.0)	0.9
BCNEPA Net Income	($92.2)	($13.9)	($24.8)	$48.0	$57.8
Memo:					
Medical Loss Ratio (2)	91.7%	87.7%	86.6%	83.2%	86.4%
Operating Income Margin	(13.9%)	(4.6%)	(7.0%)	4.3%	0.7%
Net Income Margin	(9.6%)	(1.3%)	(3.0%)	7.5%	6.7%

BCNEPA's Combined Balance Sheet

($ in millions)	2009A	2010A	2011A	2012A	2013A
★ Cash and Cash Equivalents	$72.7	$29.2	$29.3	$39.4	$47.7
★ Available-for-sale Securities	585.0	579.7	562.9	570.5	561.5
Accounts Receivable And Deposits	115.3	110.8	120.4	107.3	105.2
Property And Equipment, Net	30.5	28.5	25.7	24.4	24.7
Other Assets	85.1	35.1	24.9	16.7	25.3
Total Assets	$888.8	$783.4	$763.3	$758.4	$764.5
Liabilities And Surplus Reserves					
Health Care Costs Payable	$114.7	$108.2	$103.5	$95.1	$97.8
Unearned Subscription Revenue	18.3	20.0	29.1	18.5	21.4
Debt	134.1	113.9	108.4	79.3	67.6
Other Liabilities	224.0	147.1	185.5	184.5	134.9
Total Liabilities	**$491.1**	**$389.2**	**$426.5**	**$377.4**	**$321.7**
Surplus Reserves:					
Unallocated	$285.9	$272.0	$247.2	$295.2	$353.0
Accumulated Other Comprehensive Income (Loss)	29.0	34.0	(0.2)	(1.1)	3.6
Total BCNEPA Surplus Reserves	**314.9**	**305.9**	**247.0**	**294.1**	**356.6**
Noncontrolling Interest	82.8	88.3	89.7	86.9	86.2
Total Surplus Reserves	**$397.7**	**$394.2**	**$336.8**	**$381.0**	**$442.8**
Total Liabilities And Surplus Reserves	$888.8	$783.4	$763.3	$758.4	$764.5
Memo:					
Excess of Total Assets Over Total Liabilities	$397.7	$394.2	$336.8	$381.0	$442.8
Excess of Highly Liquid Assets Over Total Liabilities	$166.7	$219.7	$165.7	$232.6	$287.5

★ **Denotes highly liquid assets**

Note: Sub totals may differ from the sum of amounts shown by +/- 1 due to rounding of decimal places not displayed

Source: BCNEPA.

(1) Entities include: BCNEPA, FPLIC and FPH. 2009 underwriting loss due to losses in HSA entity for community commitment programs ("insurer of last resort" products) of $6.2 million. 2010 underwriting losses also due to losses in HSA entity of $7.5 million related to community commitment programs, with additional losses of $811k in FPLIC and FPH as community commitment products were migrated to FLPIC and FPH. Drop in 2013 underwriting gain from 2012 due to implementation of concession programs (i.e., competitive rates) designed to increase health plan membership.

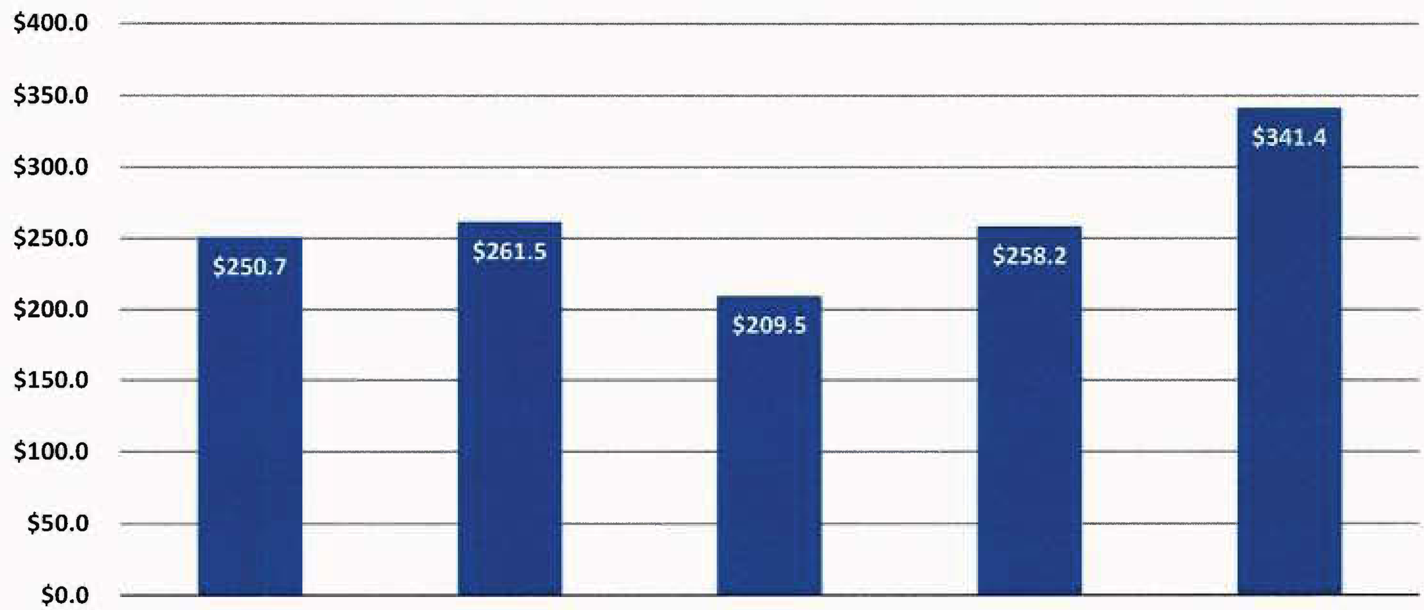
(2) Calculated as Health Care Costs / Subscription Revenue.

BCNEPA Total Adjusted Capital and RBC Ratio

BCNEPA's total adjusted capital as of December 31, 2013, for the purposes of a risk-based capital ("RBC") analysis, was $341 million, representing a $91 million increase from 2009 levels.

BCNEPA's Total Adjusted Capital – Statutory Basis

($ in millions)



	2009	2010	2011	2012	2013
Authorized Control Level (ACL) RBC	[redacted]				
Statutory Reserves	250.7	261.5	209.5	258.2	341.4
Surplus / RBC ACL ("RBC Ratio")	[redacted]				

Source: BCNEPA.

BCNEPA's Historic Agreements with Highmark

- Highmark, as successor to Pennsylvania Blue Shield and Blue Cross of Western Pennsylvania, was party to a joint operating agreement effective January 1, 1976, as amended, which appointed BCNEPA as Highmark's exclusive agent in the BCNEPA service area for certain functions; Highmark and BCNEPA also had jointly offered indemnity products to groups and individuals residing in BCNEPA's service area

- In April 2005, Highmark paid $15 million and $4 million for a 40% and 40.1% interest in FPH and FPLIC, respectively; Highmark and BCNEPA Entities entered into various contractual arrangements or amended certain previously existing contractual agreements in conjunction with Highmark's acquisition of interests in FPH and FPLIC

- In 2005 and 2006, BCNEPA entered into marketing and agency agreements with certain Highmark Affiliates, including United Concordia Companies, Inc., Davis Vision, Inc., and Highmark Life Insurance Company

- In November 2011, BCNEPA entered into a master data center Infrastructure services agreement for the purposes of having Highmark provide to BCNEPA, among other services, the use of its data center. As part of this transaction, approximately 43 BCNEPA employees were re-badged and hired as Highmark employees. This agreement was subsequently amended

- In February 2012, Highmark contracted with BCNEPA for the purpose of obtaining certain limited services such as claims processing from BCNEPA on an as-needed basis

- In June 2012, Highmark and BCNEPA entered into an indemnification agreement to address the transition of certain products from BCNEPA (HSA) to FPLIC

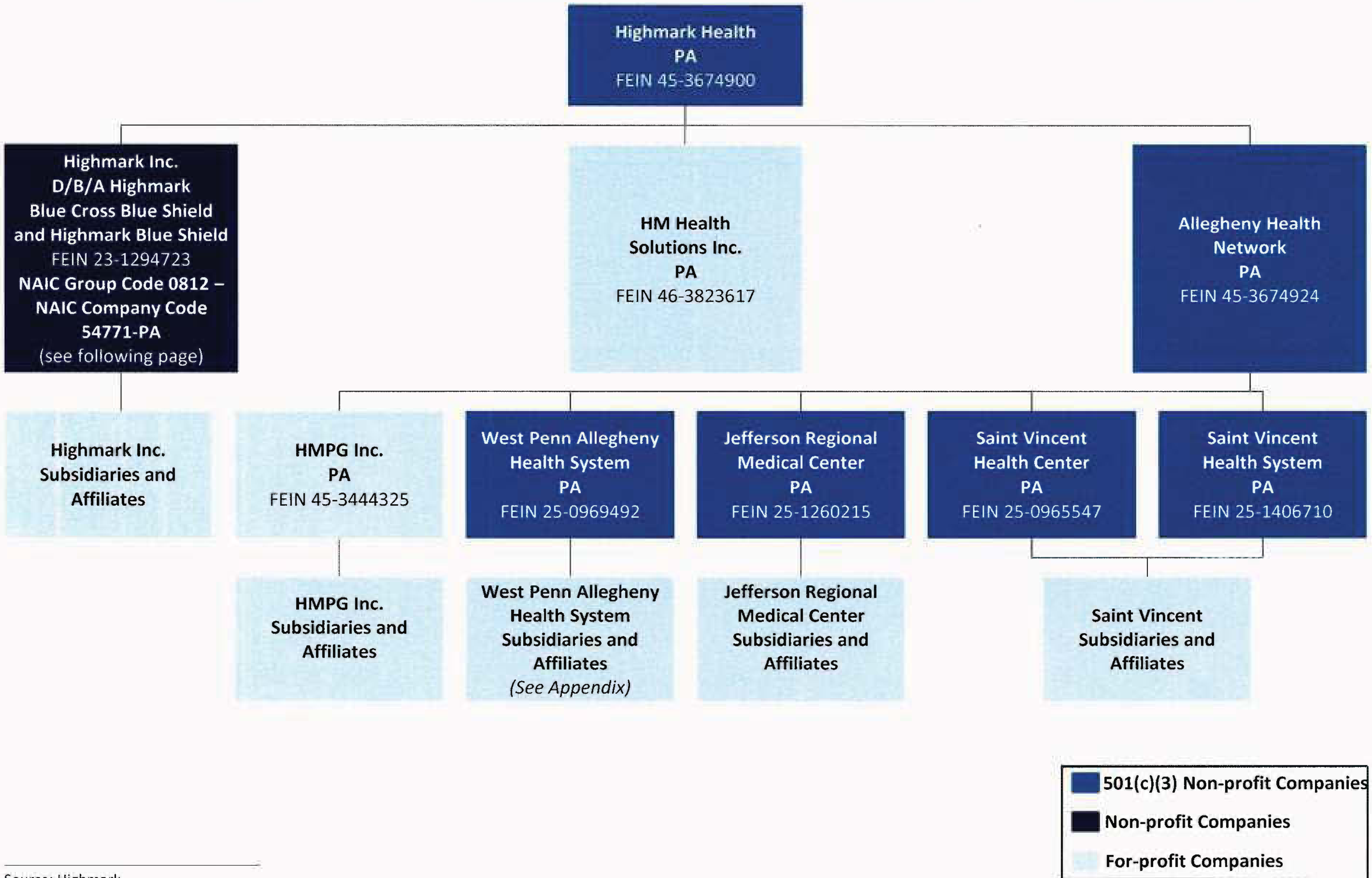
- Various Highmark and BCNEPA Entities entered into certain additional agreements in 2012 and 2013 as it related to a strategic transaction as a result of BCNEPA's request for proposal ("RFP") process

Source: BCNEPA.

B. Overview of Highmark

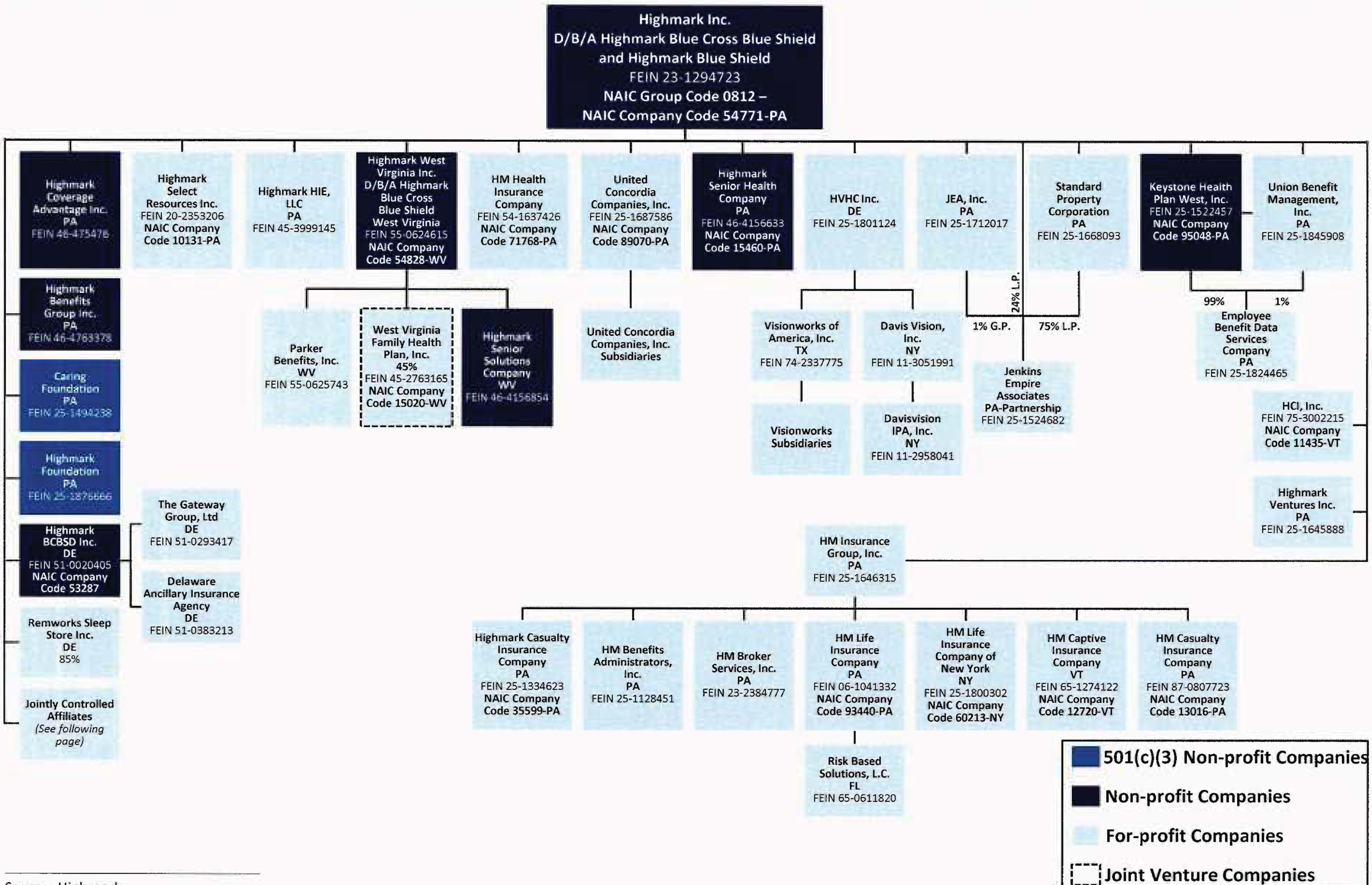
Blackstone

Highmark Health Summary Legal Entity Overview



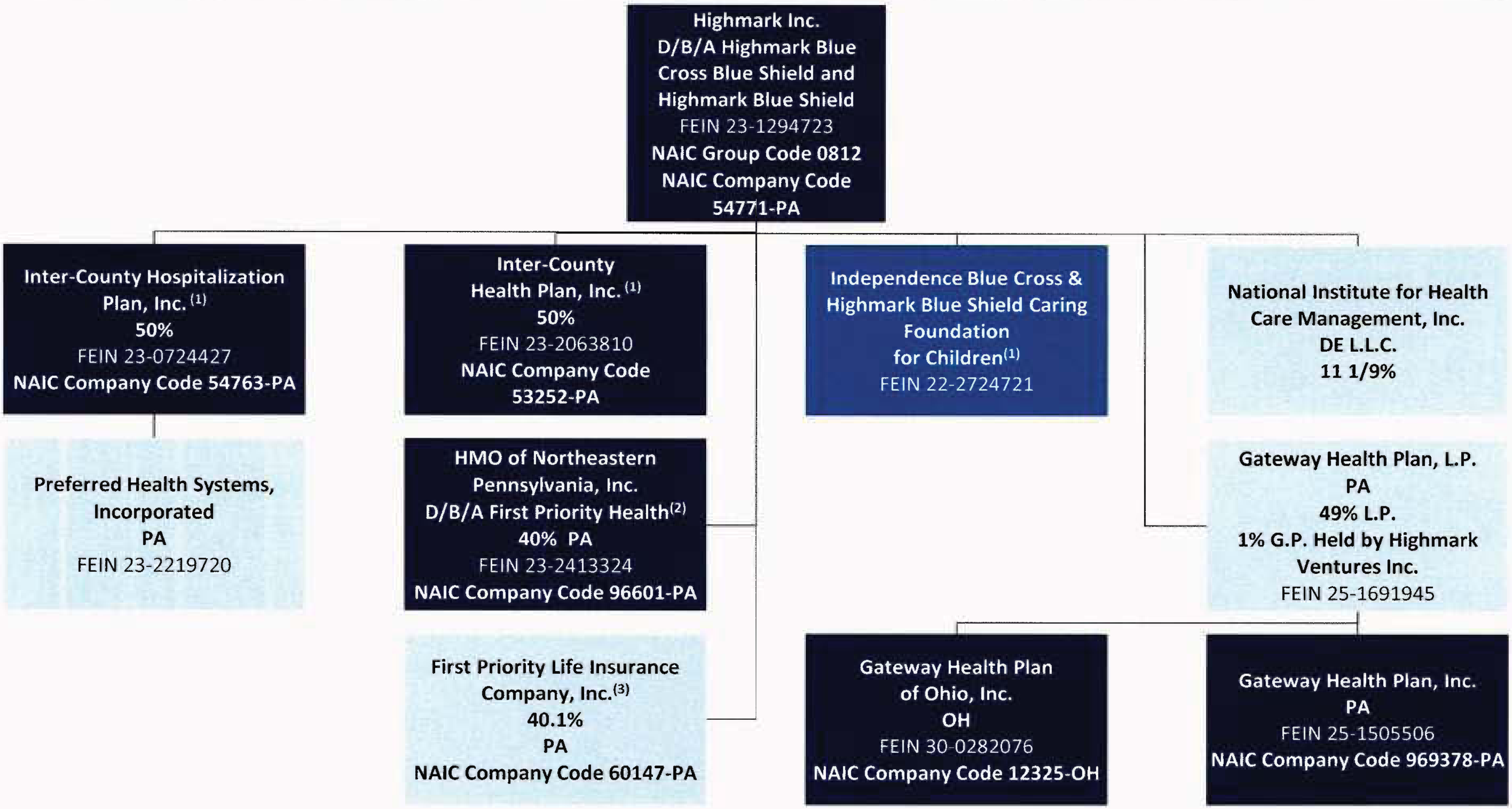
Source: Highmark.

Highmark Inc. Legal Entity Overview



Source: Highmark.

Highmark Inc. Jointly Controlled Affiliates



- 501(c)(3) Non-profit Companies
- Non-profit Companies
- For-profit Companies

Source: Highmark.
(1) Jointly Owned / Controlled with Independence Blue Cross (50% each).
(2) Blue Cross of Northeastern Pennsylvania (NEPA) (60%).
(3) Blue Cross of Northeastern Pennsylvania (NEPA) (59.9%).

Highmark Historical Financial Results

The following represents Highmark's Combined GAAP financial results for years 2009 – 2013.

Highmark's Combined Income Statement

($ in millions)	2009A	2010A	2011A	2012A	2013A
Premium Revenue	[redacted]				
Management Services Revenue[1]					
Vision Revenue					
Other Revenue					
Total Operating Revenue	$13,533.8	$14,353.7	$14,628.3	$14,692.2	$14,622.1
Claims Incurred	10,223.1	10,605.4	10,848.8	11,091.5	11,032.3
Operating Expenses	3,138.4	3,265.6	3,409.7	3,470.4	3,556.5
Total Operating Expenses	$13,361.6	$13,871.1	$14,258.5	$14,561.9	$14,588.8
Operating Income	$172.2	$482.6	$369.8	$130.2	$33.3
Net Investment Income	147.7	143.3	141.6	168.7	177.3
Non-Operating Income / (Expenses)	(40.3)	56.8	(46.5)	75.3	24.2
Other[2]	(7.9)	(46.0)	10.7	192.5	199.2
Income before Income Taxes	**$271.7**	**$636.8**	**$475.6**	**$566.7**	**$433.9**
Income Tax Provision/(Benefit)	83.9	174.3	30.9	142.6	147.5
Net Income	$187.7	$462.5	$444.7	$424.1	$286.4
Memo:					
Medical Loss Ratio[3]	88.6%	86.3%	87.0%	87.5%	87.3%
Operating Income Margin	1.3%	3.4%	2.5%	0.9%	0.2%
Net Income Margin	1.4%	3.2%	3.0%	2.9%	2.0%

Highmark's Combined Balance Sheet

($ in millions)	2009A	2010A	2011A	2012A	2013A
Cash and Cash Equivalents	$988.6	$1,143.0	$1,116.2	$1,046.8	$1,144.0
Investments	3,732.8	4,160.5	5,064.3	5,706.1	5,823.7
Accounts Receivable	1,579.6	1,708.5	1,922.2	2,216.2	2,166.5
Property and Equipment, Net	470.7	488.6	538.5	617.9	630.9
Goodwill and Other Intangibles, Net	810.0	852.3	904.0	794.7	734.0
Other Assets	1,106.3	1,046.0	1,073.6	1,059.2	965.0
Total Assets	$8,688.1	$9,398.9	$10,618.8	$11,441.0	$11,464.2
Claims Outstanding	1,897.3	1,945.0	2,078.1	2,401.9	2,404.8
Unearned Subscription Revenue	282.0	317.0	314.9	291.8	313.8
Debt	794.9	626.4	1,119.5	1,117.7	1,306.6
Other Liabilities	1,519.3	1,886.0	2,144.9	2,216.0	1,861.3
Total Liabilities	**$4,493.5**	**$4,774.4**	**$5,657.4**	**$6,027.4**	**$5,886.4**
Total Reserves	**$4,194.6**	**$4,624.5**	**$4,961.4**	**$5,413.6**	**$5,577.8**
Total Liabilities and Reserves	$8,688.1	$9,398.9	$10,618.8	$11,441.0	$11,464.2

Note: Sub totals may differ from the sum of amounts shown by +/- 1 due to rounding of decimal places not displayed

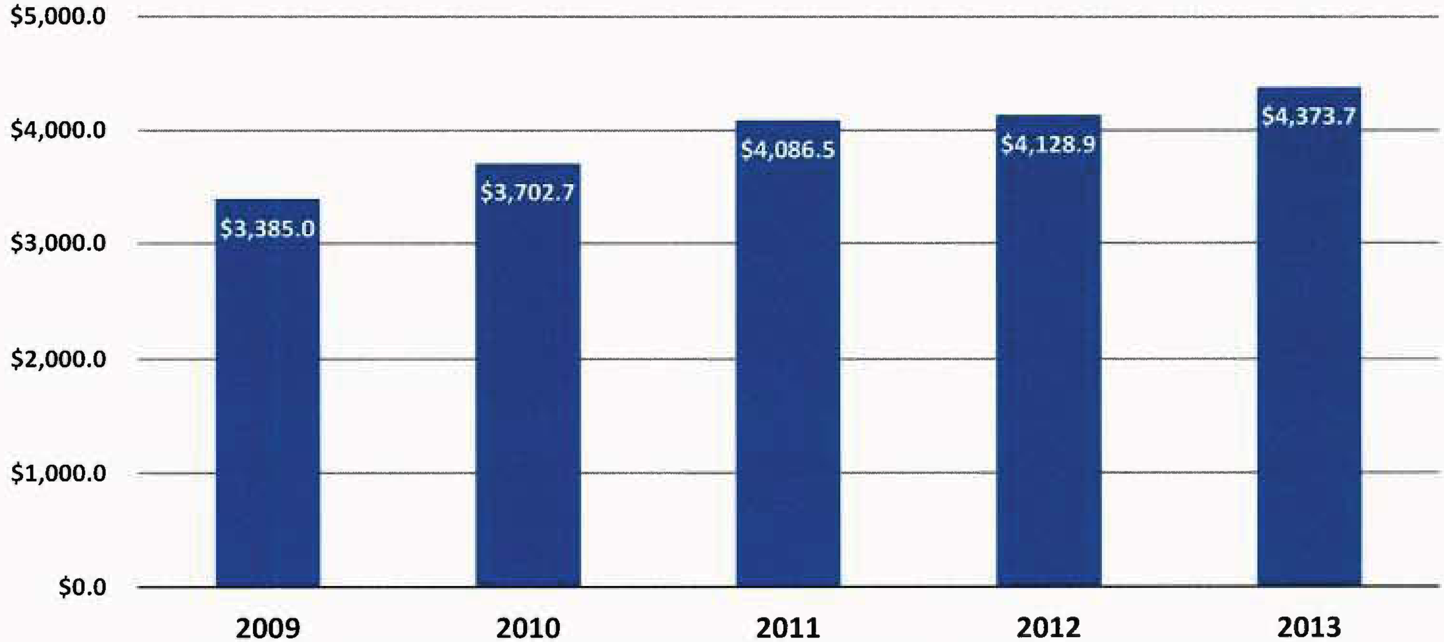
Source: Highmark.
Note: Income statement format differs slightly from the format of Highmark audited GAAP financial statements due to classification of operating vs. non-operating revenue and expense items; slight change in formatting utilized in order to display results in a similar format to BCNEPA historical financial results shown on page 15. Excludes net income from discontinued operations.
(1) Includes non-risk insurance revenue and IT services provision revenue.
(2) Other includes Equity Income from Affiliates and change in premium deficiency reserve.
(3) Calculated as Claims Incurred / Premium Revenue.

Highmark Total Adjusted Capital and RBC Ratio

Highmark's total adjusted capital, as of December 31, 2013, for the purposes of an RBC analysis, was $4.4 billion, representing a ~$1.0 billion increase from 2009 levels.

Highmark's Total Adjusted Capital – Statutory Basis

($ in millions)



	2009	2010	2011	2012	2013
Authorized Control Level (ACL) RBC	[redacted]				
Statutory Reserves	3,385.0	3,702.7	4,086.5	4,128.9	4,373.7
Surplus / RBC ACL	[redacted]				

Source: Highmark.

III. Overview of the Proposed Transaction

Blackstone

Public

Key Terms of the Proposed Transaction

Below and following are key terms of the Proposed Transaction, as outlined in the merger agreement between and among the parties.

Form of Transaction

- BCNEPA will merge with Highmark upon closing with Highmark being the surviving entity
- Transaction includes substantially all business, assets and liabilities of BCNEPA and its affiliates excluding the cash contribution described below, also excluding AHG and HRC (which will be contributed to a newly formed charitable organization as AHRC), and excluding the Foundation

Transaction Contribution

- Up to $90 million, payable in cash at closing from the surplus capital of BCNEPA, subject to meeting certain risk-based capital thresholds and being reduced by an amount up to $20 million that is contributed by BCNEPA to HRC
- Additional $10 million contribution contingent upon: i) BCNEPA's Risk-Based Capital at closing being equal to or greater than 725% (before giving effect to the closing contribution above); and ii) the 2015 BCNEPA operating loss not greater than $15 million
- In the event Highmark or BCNEPA defaults in the performance of any of its respective obligations, the defaulting party shall pay to the other a fee of $10 million or the non-defaulting party can seek specific performance

Governance Structure

- BCNEPA Advisory Board:
  - Shall consist of nineteen members to serve four year terms and include: i) fifteen current BCNEPA directors (excluding any ex-officio member) or their successors; ii) three Highmark Inc. appointees; iii) and the market president of the NEPA service area
  - The purpose of the Advisory Board is to make recommendations, including recommendations of: i) annual budget of the acquired business; ii) strategic plan of the acquired business; iii) corporate giving in the NEPA service area; iv) selection and termination of the market president of the NEPA service area; and v) other matters deemed appropriate in the sole discretion of Highmark
  - Committees: Regional Marketing, Health Policy and Government Relations, Charitable Giving, Nominating Committee
  - Compensation will be in accordance with the levels of compensation historically paid to BCNEPA directors(1)
  - Chairperson of the BCNEPA Advisory Board (the chairperson of the BCNEPA Board prior to closing) will be provided with dedicated office space and administrative support at BCNEPA's headquarters
- Highmark Inc. Board:
  - Four new Class A Directors each to serve a four year term
  - Class A Directors shall initially consist of members of the current BCNEPA Board, as designated by the current BCNEPA Board and approved and elected by Highmark Health
  - Each Class A Director will serve on two standing committees of the Highmark Inc. Board
  - One Class A Director will attend the annual retreat of the Highmark Health Board as an observer

Source: BCNEPA.
(1) Employees of Highmark Health and Highmark Inc. receive no additional compensation for serving on the Advisory Board or any committee of the Advisory Board.

Key Terms of the Proposed Transaction (Cont'd.)

Preservation of Name

- For at least twelve months, Highmark will operate the former subsidiaries of BCNEPA under current trade names in the BCNEPA service area

Community and Charity Obligations

- Commitment by Highmark to seek innovative ways to provide reasonable support to community-based programs in the BCNEPA service area
- Consideration of support may take the form of support for The Commonwealth Medical College ("TCMC") and The United Way as well as programs like The Gallery of Hope, The Caring Corps and The Health Workplace

Employees

- All BCNEPA employees in Good Standing ("Affected BCNEPA Employees") will remain at-will employees, in their current or comparable positions, of Highmark upon the closing at annual cash compensation not less than annual cash compensation in effect prior to closing, subject to the right of severance as provided below
- For eighteen months after closing, Highmark will establish appropriate retraining programs to eliminate redundancy and provide fair access to new or better position opportunities for BCNEPA employees
- Affected BCNEPA Employees with one year of tenure whose employment is terminated without cause or by such employee for Good Reason but within eighteen months after the closing shall receive severance benefits equal to the greater of: i) his or her annual cash compensation for the balance of the eighteen (18) month period, or (ii) an amount calculated in accordance with BCNEPA's severance policy currently in effect or Highmark's severance policy then in effect, whichever is greater and such employee will have the option to obtain medical insurance coverage for the balance of such eighteen month period in accordance with BCNEPA's severance policy. In addition, except as provided in the preceding sentence, BCNEPA employees whose employment is terminated without cause or by such employee for Good Reason after closing but within two years shall receive severance benefits equal to greater of BCNEPA's or Highmark's severance policy and medical insurance coverage in accordance with the severance policy then applicable to such employee
- Affected BCNEPA Employees will retain their seniority for purposes of calculating the amount and eligibility for vacation, sick time and other Highmark-provided employee benefits
- Highmark will provide the Affected BCNEPA Employees, otherwise eligible, with benefits consistent with similarly situated employees of Highmark

Source: BCNEPA.

Public

Key Terms of the Proposed Transaction (Cont'd.)

Presence

- Highmark acknowledges the importance of BCNEPA to the Northeastern Pennsylvania region
- Highmark will maintain regional operations in the BCNEPA service area
- For four years after closing: i) Highmark will use commercially reasonable efforts to cause the minimum number of full time employees ("FTEs") of Highmark and its affiliates (including BCNEPA affiliates) who are resident in the BCNEPA service area to be essentially equal to the lesser of BCNEPA's average full-time equivalent staffing during the one year period prior to closing or the staffing at closing; ii) Highmark will use commercially reasonable efforts to maintain employment levels in proportion to the employment levels Highmark maintains in its other Pennsylvania offices to directly service Pennsylvania-based policyholders and subscribers; iii) Highmark will maintain the mean and median compensation of BCNEPA employees; and iv) Highmark will confer in good faith with the Advisory Board prior to reducing the number of employees in the business by 10% or more
- Highmark will act in good faith to attempt to identify and create new employment opportunities in the BCNEPA service area

The Commonwealth Medical College

- All commitments and rights between BCNEPA and TCMC are to be transferred to the Foundation or other charitable organization prior to closing

Future Sale / Conversion

- In the event Highmark sells the business conducted by BCNEPA or effects a conversion of the BCNEPA business to a for-profit status within 5 years following the closing and the sale / conversion results in financial consideration paid to Highmark or its affiliates for BCNEPA, the charitable organization designated by the Advisory Board will be entitled to receive 25% of the amount received

IT

- The business will be migrated to Highmark's computing platform and business processes
- BCNEPA will have the option to request that Highmark enter into an amendment to the parties' current Administrative Services Agreement to make Highmark's IT platform available to BCNEPA prior to closing. BCNEPA will pay for the use of the platform an amount equal to BCNEPA's fair and reasonable share of Highmark's total cost to deliver Services

Other Terms

- All out of pocket costs incurred in developing a plan to migrate BCNEPA's operations after the Closing Date to Highmark's systems will be shared 75% / 25% Highmark / BCNEPA, respectively, with a maximum for BCNEPA of $750,000 for the migration plan
- Highmark has granted BCNEPA an extension of its right and option to purchase all of the shares of FPLIC and FPH until ten days after the termination of the Merger Agreement[1]

Source: BCNEPA.

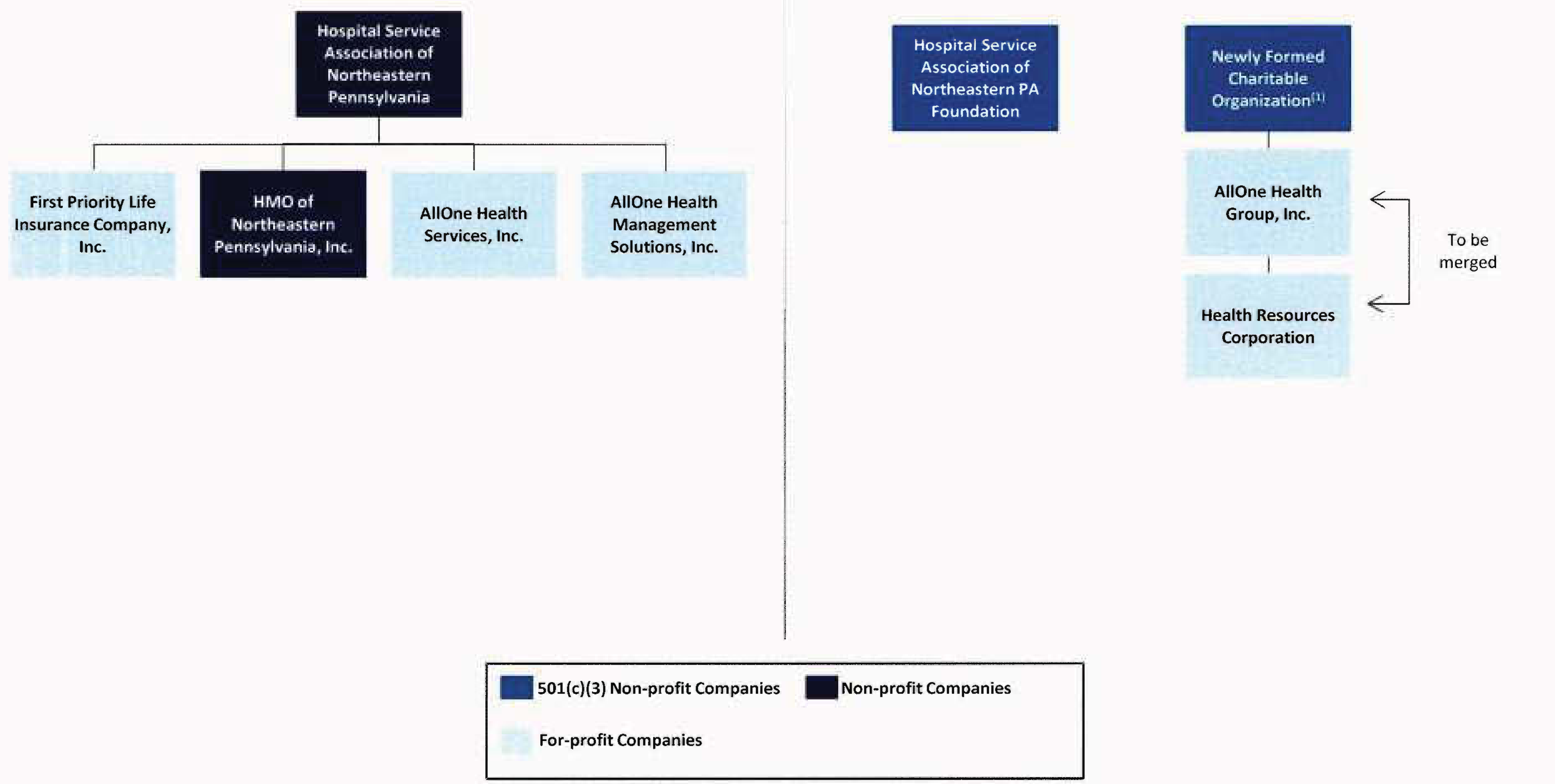
1) In accordance with the two Shareholders Agreements by and among Highmark, BCNEPA, and the relevant BCNEPA entities (FPLIC or FPH), a change of control of Highmark, which became effective April 29, 2013, triggered a period of time in which BCNEPA could, at its option, purchase Highmark's capital stock in the FPLIC and FPH entities.

Proposed Transaction Structure

BCNEPA's health insurance operations are proposed to be merged with or acquired by Highmark Inc., while BCNEPA's Foundation, AllOne Health Group ("AHG") and Health Resources Corporation ("HRC") will not be merged with or acquired by Highmark. A new public charity will be formed as a holding company for AHG and HRC, which are to be merged into a single entity. See the following page for summary descriptions of the entities shown below.

BCNEPA Entities to be Merged with or Acquired by Highmark

BCNEPA Entities Not to be Merged with or Acquired by Highmark



Source: BCNEPA.
(1) At the time of this report, the newly formed charitable organization has not yet been created.

Proposed Transaction Structure (Cont'd.)

Description of Entities to be Merged with or Acquired by Highmark

- Hospital Service Association of Northeastern Pennsylvania ("HSA")
  - HSA, d/b/a Blue Cross of Northeastern Pennsylvania ("BCNEPA"), provides a variety of health insurance products including individual plans and Medicare supplement insurance products and does so in conjunction with Highmark Blue Shield
  - Holds the primary Blue Cross license and when engaging in Blue branded business does so as BCNEPA
    - BCNEPA provides health care coverage for the previously uninsured and underinsured
    - BCNEPA also provides stop-loss insurance to its self-funded clients
- First Priority Life Insurance Company ("FPLIC") and HMO of Northeastern Pennsylvania ("FPH")
  - Both FPH and FPLIC provide health insurance products administered by BCNEPA
    - FPH is a Pennsylvania non-profit health maintenance organization ("HMO")
    - FPLIC is a stock life insurance company licensed to issue life, annuity, accident, and health products
      - FPLIC is authorized to issue non-gatekeeper preferred provider organization ("PPO"), exclusive provider organization ("EPO"), and traditional indemnity health insurance products
    - Highmark currently owns a 40.1% and a 40% interest in FPLIC and FPH, respectively
- AllOne Health Management Solutions ("HMS")
  - HMS is an unbranded subsidiary of AllOne Health Group that does not offer Blue products
  - HMS provides health, wellness, and disease management programs to BCNEPA employers and businesses inside and outside of the Company's Service Area
- AllOne Health Services, Inc.
  - Licensed as a Resident Producer Agency by the Pennsylvania Insurance Department to sell accident and health insurance

Description of Entities Not to be Merged with or Acquired by Highmark

- The Foundation is a tax-exempt non-profit organization which supports community education and prevention initiatives aimed at producing measurable health improvements and helping to manage long-term health costs for residents in the BCNEPA service area
  - Precluded by §4943 of the Internal Revenue Code from owning HRC as the Foundation would be subject to significant excess business holdings penalties if the stock of HRC was contributed to the Foundation
  - A public charity would be permitted to own the stock of HRC without triggering those penalties; therefore, a Pennsylvania non-profit corporation ("Public Charity") will be created that will request the Internal Revenue Service to classify it as a public charity(1)
- AllOne Health Group, Inc. ("AHG")
  - Parent company of AllOne Health entities; does not generate any revenue and has no meaningful operations; to be merged with Health Resources Corporation
- Health Resources Corporation ("HRC")
  - For-profit company that offers occupational health, employee assistance, drug screening, and counseling
  - Headquartered in Woburn, Massachusetts

Source: BCNEPA.
(1) At the time of this report, the newly formed charitable organization has not yet been created.

IV. Review of Approval Standards

Blackstone

A. Standard "i"

Blackstone

Standard "i": Satisfy License Requirements

Blackstone believes the Proposed Transaction would not violate Standard "i".

Standard "i": After the merger, consolidation or other acquisition of control, the domestic insurer referred to in subsection (a) would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed

Subsidiaries' Satisfaction of Licensing Requirements

- In order for domestic insurers to satisfy requirements for the issuance of a license to write insurance in Pennsylvania, the relevant entities must meet statutory capital, surplus and net worth requirements
- Based on information provided by Highmark for the relevant projected balances, the requirements are met
    - BCNEPA domestic insurer entities are to be merged with or acquired by Highmark, as shown below
- Blackstone notes that the below may not represent all criteria required to meet the PID's standards for the issuance of a license

HSA, d/b/a BCNEPA, entity to be merged into Highmark Inc., FPH and FPLIC amount reflect Highmark's pro forma ownership (100%) of these entities

	Capital Balance			Surplus Balance			Net Worth Balance		
($ in thousands)	Pro-Forma	Req.	Satisfy?	Pro-Forma	Req.	Satisfy?	Pro-Forma	Req.	Satisfy?
Highmark Inc.	-	-	Yes	-	-	Yes	$4,911,661	$25	Yes
HMO of Northeastern Pennsylvania, Inc. (FPH)	$432	-	Yes	$49,500	-	Yes	2,712	1,500	Yes
First Priority Life Insurance Company, Inc. (FPLIC)	1,837	$1,100	Yes	118,757	$550	Yes	24,227	1,650	Yes
Gateway Health Plan, Inc.	-	-	Yes	114,330	-	Yes	220,848	1,500	Yes
Highmark Casualty Insurance Company	2,500	850	Yes	21,250	425	Yes	166,587	1,275	Yes
Highmark Senior Resources Inc.	2,000	1,100	Yes	36,000	550	Yes	3,406	1,650	Yes
HM Casualty Insurance Company	1,000	850	Yes	1,000	425	Yes	9,763	1,275	Yes
HM Health Insurance Company	2,500	1,100	Yes	28,578	550	Yes	6,078	1,650	Yes
HM Life Insurance Company	3,000	1,100	Yes	174,338	550	Yes	297,457	1,650	Yes
Inter-County Health Plan, Inc.	-	-	Yes	2,295	-	Yes	2,623	25	Yes
Inter-County Hospitalization Plan	-	-	Yes	2,655	-	Yes	5,289	-	Yes
Keystone Health Plan West, Inc.	-	-	Yes	32,763	-	Yes	9,898	1,500	Yes
United Concordia Companies, Inc.	1,100	1,100	Yes	72,650	550	Yes	355,506	1,650	Yes
United Concordia Dental Plans of Pennsylvania, Inc.	1	-	Yes	4,371	-	Yes	2,403	100	Yes
United Concordia Life and Health Insurance Company	1,500	1,100	Yes	10,444	550	Yes	247,362	1,650	Yes

Source: Highmark.

B. Standard "ii"

Blackstone

Public

Standard "ii": Competition

The PID, through its counsel Blank Rome LLP, has engaged Margaret Guerin–Calvert, Senior Consultant of Compass Lexecon ("CL"), a consulting firm specializing in antitrust economics and applied microeconomics, to assess the competitive effects of the Proposed Transaction.

Standard "ii": The effect of the merger, consolidation or other acquisition of control would be to substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein.

(1) In applying the competitive standard in this subparagraph:

- *a) the informational requirements of section 1403(c)(2) and the standards of section 1403(d)(2) shall apply;*
- *b) the merger, consolidation or other acquisition of control shall not be disapproved if the department finds that any of the situations meeting the criteria provided by section 1403(d)(3) exist; and*
- *c) the department may condition the approval of the merger, consolidation or other acquisition of control on the removal of the basis of disapproval within a specified period of time*

Blackstone notes the following and other conclusions from Margaret Guerin-Calvert, per her report to the PID dated May 11, 2015:

- "My competitive effects analysis finds no substantial lessening of competition from the proposed merger of Highmark and BCNEPA in any relevant antitrust market. I base this evaluation and assessment on review of data and information provided by the parties, including the rationales for the transaction; review of their expert's reports; information in the PID record; interviews of market participants; and a detailed evaluation of the competitive alternatives for each of the several insurance products and services offered by Highmark and BCNEPA. These include commercial insurance products, as well as other products such as managed Medicaid, Children's Health Insurance Program (hereafter "CHIP"), Medicare Advantage, and supplemental coverage for Medicare (Medigap)."

Source: *Economic Analysis of Highmark Inc.'s Acquisition of Control of Blue Cross of Northeastern Pennsylvania and Subsidiaries*, Margaret E. Guerin-Calvert, May 11, 2015.

C. Standard “iii"

Standard "iii": Overview

BCNEPA's health insurance operations are proposed to be merged with or acquired by Highmark. As such, Blackstone has performed an analysis of Highmark's current and projected financial condition.

Standard "iii": The financial condition of any acquiring party (i.e., Highmark) is such as might jeopardize the financial stability of the insurer (i.e., BCNEPA) or prejudice the interest of its policyholders

Blackstone's review of Standard "iii" includes, but is not limited to, the following:

(i) Assessment of Highmark's financial condition, including:

- Review of Highmark's historical GAAP financial results
- Review of Highmark's standalone risk-based capital ratio relative to other large, publicly traded health insurers, the PID's RBC standards, and BCBSA's RBC standards
- Review of Highmark's credit profile, as viewed by nationally recognized credit rating agencies

(ii) Assessment of Highmark's forecasted financial condition, including:

- Review of Highmark's standalone financial projections
- Review of Highmark's Transaction pro forma financial projections
- Review the impact of the Proposed Transaction on Highmark's investment portfolio
- Review of the impact of the Proposed Transaction on Highmark's risk-based capital
- Review of the implications of a financial "downside" Transaction scenario on Highmark's risk-based capital

(i) Highmark's Financial Condition

Highmark recorded GAAP reserves and cash in the amounts of $5.6 billion and $1.1 billion, respectively, in 2013.

Highmark's Combined Income Statement

($ in millions)	2009A	2010A	2011A	2012A	2013A
Premium Revenue	[redacted]				
Management Services Revenue[1]					
Vision Revenue					
Other Revenue					
Total Operating Revenue	$13,533.8	$14,353.7	$14,628.3	$14,692.2	$14,622.1
Claims Incurred	10,223.1	10,605.4	10,848.8	11,091.5	11,032.3
Operating Expenses	3,138.4	3,265.6	3,409.7	3,470.4	3,556.5
Total Operating Expenses	$13,361.6	$13,871.1	$14,258.5	$14,561.9	$14,588.8
Operating Income	$172.2	$482.6	$369.8	$130.2	$33.3
Net Investment Income	147.7	143.3	141.6	168.7	177.3
Non-Operating Income / (Expenses)	(40.3)	56.8	(46.5)	75.3	24.2
Other[2]	(7.9)	(46.0)	10.7	192.5	199.2
Income before Income Taxes	**$271.7**	**$636.8**	**$475.6**	**$566.7**	**$433.9**
Income Tax Provision/(Benefit)	83.9	174.3	30.9	142.6	147.5
Net Income	$187.7	$462.5	$444.7	$424.1	$286.4
Memo:					
Medical Loss Ratio[3]	88.6%	86.3%	87.0%	87.5%	87.3%
Operating Income Margin	1.3%	3.4%	2.5%	0.9%	0.2%
Net Income Margin	1.4%	3.2%	3.0%	2.9%	2.0%

Highmark's Combined Balance Sheet

($ in millions)	2009A	2010A	2011A	2012A	2013A
Cash and Cash Equivalents	$988.6	$1,143.0	$1,116.2	$1,046.8	$1,144.0
Investments	3,732.8	4,160.5	5,064.3	5,706.1	5,823.7
Accounts Receivable	1,579.6	1,708.5	1,922.2	2,216.2	2,166.5
Property and Equipment, Net	470.7	488.6	538.5	617.9	630.9
Goodwill and Other Intangibles, Net	810.0	852.3	904.0	794.7	734.0
Other Assets	1,106.3	1,046.0	1,073.6	1,059.2	965.0
Total Assets	$8,688.1	$9,398.9	$10,618.8	$11,441.0	$11,464.2
Claims Outstanding	1,897.3	1,945.0	2,078.1	2,401.9	2,404.8
Unearned Subscription Revenue	282.0	317.0	314.9	291.8	313.8
Debt	794.9	626.4	1,119.5	1,117.7	1,306.6
Other Liabilities	1,519.3	1,886.0	2,144.9	2,216.0	1,861.3
Total Liabilities	**$4,493.5**	**$4,774.4**	**$5,657.4**	**$6,027.4**	**$5,886.4**
Total Reserves	**$4,194.6**	**$4,624.5**	**$4,961.4**	**$5,413.6**	**$5,577.8**
Total Liabilities and Reserves	$8,688.1	$9,398.9	$10,618.8	$11,441.0	$11,464.2

Note: Sub totals may differ from the sum of amounts shown by +/- 1 due to rounding of decimal places not displayed

Source: Highmark.

Note: Income statement format differs slightly from the format of Highmark audited GAAP financial statements due to classification of operating vs. non-operating revenue and expense items; slight change in formatting utilized in order to display results in a similar format to BCNEPA historical financial results shown on page 15. Excludes net income from discontinued operations.

(1) Includes non-risk insurance revenue and IT services provision revenue.
(2) Other includes Equity Income from Affiliates and change in premium deficiency reserve.
(3) Calculated as Claims Incurred / Premium Revenue.

C. Standard "iii"

(i) Highmark's Financial Condition (Cont'd.)

A sample of large, publicly-traded health insurers reflected a mean RBC ratio of [redacted] as of December 31, 2013. Highmark's RBC ratio as of December 31, 2013 was [redacted].

($ in millions)

Publicly Traded Companies	Headquarters	Market Capitalization	Total Enterprise Value	2013A Revenue	Op. Income Margin	Capex/ Revenue	Debt/ Total Capital[1]	RBC Ratio
Unitedhealth Group	Minnetonka, MN	$95,902.3	$107,634.3	$122,489.0	7.9%	1.1%	33.8%	[redacted]
Anthem, Inc.	Indianapolis, IN	34,104.3	49,347.9	71,023.5	6.4%	0.9%	38.4%	[redacted]
AETNA	Hartford, CT	31,695.2	38,833.0	47,294.6	7.6%	1.0%	39.1%	[redacted]
CIGNA	Bloomfield, CT	27,434.4	31,071.4	32,380.0	7.8%	1.6%	33.0%	[redacted]
Health Net	Woodland Hills, CA	3,934.2	3,319.0	11,053.7	2.7%	0.5%	23.5%	[redacted]
				Mean	6.5%	1.0%	33.6%	[redacted]
				Median	7.6%	1.0%	33.8%	[redacted]
Highmark[2]	**Pittsburgh, PA**	**NA**	**NA**	**$14,622**	**0.2%**	**1.3%**	**19.0%**	[redacted]
***Memo:* NEPA**	**Wilkes-Barre, PA**	**NA**	**NA**	**842**	**0.7%**	**0.6%**	**13.2%**	[redacted]

Source: Highmark, BCNEPA, Capital IQ and SNL. Market data for Market Capitalization and Total Enterprise Value as of 12/8/2014.
(1) Represents Total Debt / (Total Debt plus Book Value of Equity).
(2) Highmark's revenue represents Total Operating Revenue.

(i) Highmark's Financial Condition (Cont'd.)

Highmark's Risk-Based Capital ratio is monitored by the PID and the BCBSA and measured against established benchmarks. Highmark's RBC has been deemed "Sufficient" for the last five years, according to the PID's standards, and Highmark's RBC has been above the BCBSA early warning threshold over the same time period.

Highmark Historical RBC

[redacted]

2009 2010 2011 2012 2013

■ Highmark RBC Ratio

Commentary

- In 2005, the PID implemented a model of analysis to review reserve and surplus levels of state "Blue" plans, classifying the RBC level as either efficient, sufficient or inefficient
- Several risk factors are considered, including: health care regulation, inflation of health care costs, class action law suits, terrorism, public health outbreaks, and underwriting risk
- Benefits of insurer surplus include reducing policyholder risk, minimizing the threat of insolvency resulting from the measured level of risk, as well as investing in improving technology or other operational efficiencies

A **Inefficient**: Greater than 750% of the lower of the NAIC Health RBC ratio or the consolidated risk factor ratio

- Upper level of surplus, which means it is presumptively inefficient and potentially excessive

B **Sufficient:** Greater than 550% (but less than 750%) of the lower of the NAIC Health RBC ratio or the consolidated risk factor ratio is considered

C **Efficient:** An RBC level below 550% is considered efficient

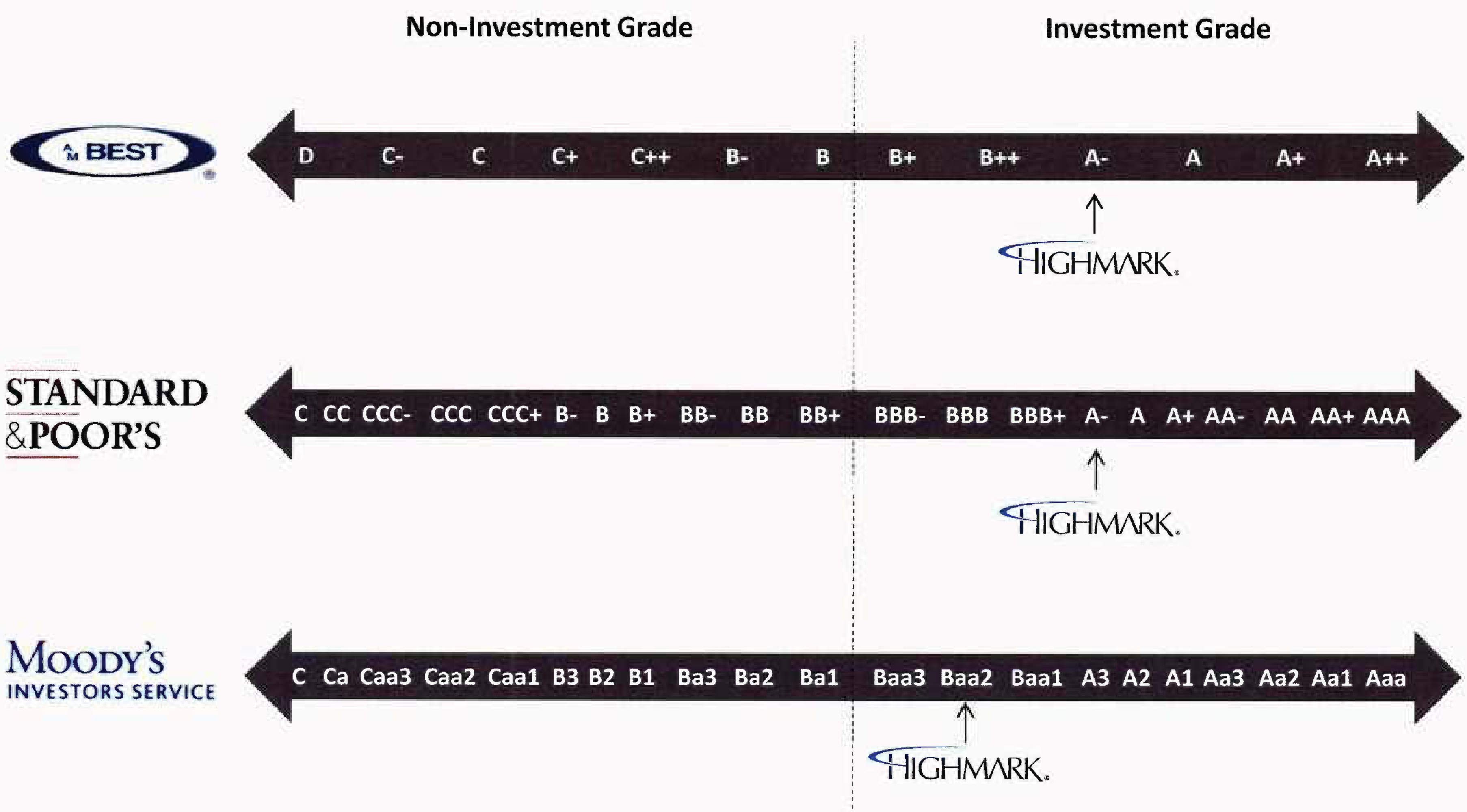
D **Early Warning Monitoring Threshold**: An RBC ratio below 375% triggers active monitoring by the BCBSA and the plan will be required to submit an action plan for improving its surplus position

E **Withdrawal of the Brand**: If a company falls below a 200% RBC level, the BCBSA may revoke the company's right to use the Blue Cross Blue Shield trademarks

Source: Highmark and PID.

(i) Highmark's Financial Condition (Cont'd.)

Highmark maintains investment grade rating status according to A.M. Best, Standard & Poor's and Moody's.



Source: Moody's, S&P, A.M. Best.

C. Standard "iii"

(i) Highmark's Financial Condition (Cont'd.)

Below is an abbreviated summary of credit rating agency perspectives on Highmark.

2013 → Present

A.M. BEST	▸ Date of Report: 2/7/2013 ▸ Financial Strength Rating: A ▸ Issuer Credit Rating: A ▸ Outlook: Ratings under review with negative implications ▸ Rating outlook reflects concerns with the integration and the financial viability of WPAHS, the large debt outstanding and WPAHS' troubled financial past	▸ Date of Report: 4/10/2013 ▸ Financial Strength Rating: From A to A- ▸ Issuer Credit Ratings: A- from an A ▸ Debt Rating: BBB+ from an A- ▸ Outlook: Stable ▸ Downgrade is based on an expected drop in the company's earnings and the financial impact of its proposed affiliation with WPAHS	▸ Date of Report: 4/30/2013 ▸ Financial Strength Rating: A- (no change) ▸ Issuer Credit Ratings: A- (no change) ▸ Debt Rating: BBB+ (no change)	▸ Date of Report: 4/16/2014 ▸ Financial Strength Rating: **A- (no change)** ▸ Issuer Credit Ratings: A- (no change) ▸ Debt Ratings: BBB+ (no change) ▸ Outlook: Stable ▸ Rating outlook reflects favorable operating results, strong market share and brand recognition, and good risk-adjusting capitalization despite offsetting factors
STANDARD &POOR'S	▸ Date of Report: 1/28/2013 ▸ Rating: A (no change) ▸ Outlook: Negative from Stable ▸ Rating outlook reflects expectation that Highmark's operating earnings will weaken further in 2013 because of concessionary pricing actions implemented during the company's contentious contract negotiations with UPMC and that significant financial commitments to WPAHS or the broader IDN strategy will put downward pressure on the ratings	▸ Date of Report: 2/11/2013 ▸ Rating: A (no change) ▸ Outlook: Negative (no change) ▸ Rating outlook reflects expectation that Highmark earnings will decline further in 2013, that the company will not be able to restore earnings to level supportive of ratings within next 2 years and that WPAHS will continue to be a potential draw on Highmark's financial resources until it is able to generate sustainable positive earnings	▸ Date of Report: 3/4/2014 ▸ Rating: From A to A- ▸ Outlook: Stable from Negative ▸ Rating outlook reflects the expectation that Highmark will maintain its adequate competitive position, enabling it to generate annual RORs of around 2% and to maintain a redundancy of statutory capital at least at the AA level	▸ Date of Report: 3/24/2014 ▸ Rating: **A- (no change)** ▸ Outlook: Stable (no change) ▸ Rating outlook reflects belief that Highmark has sufficient capital strength at the current rating to withstand any resulting adverse developments if its contract with UPMC is not renewed
MOODY'S INVESTORS SERVICE	▸ Date of Report: 1/14/2013 ▸ Insurance Financial Strength Rating: Baa1 ▸ Senior Unsecured Debt Rating: Baa2 ▸ Outlook: Negative ▸ Rating Outlook reflects the uncertainty regarding the development of an alternative provider network including the status of its affiliation with WPAHS ▸ Unlikely that ratings would be upgraded in the short-term	▸ Date of Report: 1/24/2013 ▸ Insurance Financial Strength Rating: Baa1 (no change) ▸ Senior Unsecured Debt Rating: Baa2 (no change) ▸ Ratings are on review for downgrade following Highmark's announced plan to purchase the WPAHS 2007A series bonds for cash at 87.5% of par amount	▸ Date of Report: 1/28/2013 ▸ Insurance Financial Strength Rating: Baa1 (no change) ▸ Senior Unsecured Debt Rating: Baa2 (no change) ▸ Outlook: Ratings under review ▸ Rating could be downgraded further if Highmark's commitment to WPAHS involves a significant additional investment	▸ Date of Report: 4/10/2013 ▸ Insurance Financial Strength Rating: Baa1 (no change) ▸ Senior Unsecured Debt Rating: Baa2 (no change) ▸ Moody's is continuing the review for downgrade of Highmark's Baa1 insurance financial strength rating and Baa2 senior unsecured debt rating
	▸ Date of Report: 5/2/2013 ▸ Insurance Financial Strength: From Baa1 to Baa2 ▸ Senior Unsecured Debt: Baa3 from Baa2 ▸ Outlook: Negative ▸ Rating outlook reflects the negative impact of the $600 million term loan to WPAHS and concerns about Highmark's ability to establish WPAHS as a credible alternative to UPMC	▸ Date of Report: 5/7/2013 ▸ Insurance Financial Strength: Baa2 (no change) ▸ Senior Unsecured Debt Rating: Baa3 (no change) ▸ Outlook: Negative (no change) ▸ Rating outlook reflects risks associated with Highmark's network strategy	▸ Date of Report: 5/13/2014 ▸ Insurance Financial Strength: Baa2 (no change) ▸ Senior Unsecured Debt Rating: Baa3 (no change) ▸ Outlook: Negative (no change) ▸ Rating outlook reflects risks associated with Highmark's network strategy ▸ Rating upgrade unlikely over next 12 months	▸ Date of Report: 9/18/2014 ▸ Insurance Financial Strength: **Baa2 (no change)** ▸ Senior Unsecured Debt Rating: Baa3 (no change) ▸ Outlook: Stable from Negative ▸ Rating outlook is stable and reflects a 5 year transition plan announced by the Pennsylvania Insurance Department between Highmark and UPMC

Source: Moody's, S&P, A.M. Best.

C. Standard "iii"

(ii) Highmark's Forecasted Financial Condition

On a standalone basis, Highmark projects it will generate $382.6 million in 2017 Pre-tax Income, grow its GAAP reserves to $6.3 billion, and have an RBC ratio in the [redacted] range. Select assumptions and drivers of these financial projections are discussed on the following pages.

Highmark Projected Standalone Income Statement

($ in millions)	2014E	2015E	2016E	2017E
Premium Revenue	[redacted]			
Management Services Revenue[1]				
Other Revenue[2]				
Total Operating Revenue	$15,087.5	$14,887.6	$15,351.6	$16,128.0
Claims Incurred	[redacted]			
Operating Expenses				
Total Operating Expenses	$14,741.9	$14,623.7	$14,995.2	$15,726.4
Operating Income	**$345.6**	**$263.9**	**$356.4**	**$401.6**
% margin	*2.3%*	*1.8%*	*2.3%*	*2.5%*
% y-o-y growth		*(23.6%)*	*35.1%*	*12.7%*
Net Investment Income	[redacted]			
Non-Operating Expenses				
Other[3]				
Income before Income Taxes	**$232.9**	**$202.4**	**$329.3**	**$382.6**
Net Income	**$116.2**	**$106.1**	**$213.3**	**$256.5**
% margin	*0.8%*	*0.7%*	*1.4%*	*1.6%*
% y-o-y growth		*(8.7%)*	*101.0%*	*20.3%*

Highmark Projected Standalone GAAP Balance Sheet

($ in millions)	2014E	2015E	2016E	2017E
Cash and Cash Equivalents	[redacted]			
Investments				
Accounts Receivable				
Property & Equipment, Net				
Goodwill & Other Intangibles, Net				
Other Assets				
Total Assets	**$11,115.4**	**$11,175.1**	**$11,386.9**	**$11,770.3**
Claims Outstanding	[redacted]			
Unearned Subscription Revenue				
Debt				
Other Liabilities				
Total Liabilities	**$5,421.4**	**$5,374.9**	**$5,373.4**	**$5,500.4**
Total Reserves	**$5,694.0**	**$5,800.2**	**$6,013.5**	**$6,269.9**
Liabilities & Reserves	**$11,115.4**	**$11,175.1**	**$11,386.9**	**$11,770.3**
Memo:	[redacted]			
RBC%				

Source: Highmark.
(1) Includes non-risk insurance revenue and IT services provision revenue.
(2) Other Revenue is comprised primarily of Vision revenue.
(3) Other includes Equity Income from Affiliates and change in premium deficiency reserve.

(ii) Highmark's Forecasted Financial Condition (Cont'd.)

Highmark Health Plan enrollment is projected to decline from an estimated [redacted] members in 2014 to [redacted] members in 2017 as a result of competition from the University of Pittsburgh Medical Center ("UPMC"), among numerous other factors.

Health Plan Results

Health Enrollment Commentary

- By the end of 2016, Highmark projects a loss of approximately [redacted] commercial members spread across Pennsylvania and national accounts primarily due to the disruption associated with the loss of the UPMC contract and competition from national carriers
  - Partially offset by the growth in partnership business in 2015 is primarily driven by [redacted]
- PA Direct Pay products are projected to grow from [redacted] members in 2014 to [redacted] members in 2016 (inclusive of Delaware and West Virginia) with the introduction of healthcare exchanges, with a portion of this growth being attributable to small groups dropping commercial coverage
- The loss of the "half-Star" quality rating on Freedom Blue products (down to 3.5 Stars from 4) contributes to member loss in 2015 in the Senior market, due to necessary price increases that are likely to negatively impact membership

Health Enrollment

(in thousands)	2014E	2015E	2016E	2017E
Western PA	[redacted]			
Central PA				
West Virginia				
Delaware				
National				
Senior				
PA Direct Pay				
Agency				
Total Health				
% y-o-y increase / (decrease)				

Health Operating Income Commentary

- A [redacted] decline in profitability is projected in the Pennsylvania Large Group market in 2015 as a result of the termination of the UPMC contract and the accompanying loss of enrollment; [redacted]
- IDN strategy savings are projected to impact care cost trend by [redacted] by 2016 [redacted]
- Small group results are projected to return to profitability as membership migrates to Patient Protection and Affordable Care Act ("PPACA") compliant offerings at higher premium rates
- Significant cost reduction strategies are included in the plan; [redacted]
- Member premiums for Freedom Blue are projected to increase approximately [redacted] in 2015 due to reduced payments from the Centers for Medicare and Medicaid Services associated with the anticipated reduction of the Star rating

Health Operating Income

($ in millions)	2014E	2015E	2016E	2017E
Western PA	[redacted]			
Central PA				
West Virginia				
Delaware				
National				
Senior				
PA Direct Pay				
Agency				
Total Health				
% y-o-y increase / (decrease)				

Source: Highmark.

(ii) Highmark's Forecasted Financial Condition (Cont'd.)

Diversified Services projected results reflect changes in Highmark's Dental business, in its Vision business and in HM Insurance Group ("HMIG").

Diversified Services Results

Dental Operating Commentary

- Results reflect the renewal of both the Active Duty Dental Program ("ADDP") and Federal Employee Dental and Vision Insurance Program ("FEDVIP") contract [redacted]
- Improvements in 2016 are primarily driven by scale gained with existing partnership arrangements; increase in dental contracts from [redacted] million at end of 2014 to [redacted] million by end of 2016

Dental Operating Results

($ in millions)	2014E	2015E	2016E	2017E[1]
Government (ADDP)	[redacted]			
FEDVIP				
Other Commercial				
Total Dental				
% y-o-y increase / (decrease)				

Vision Operating Commentary

- HVHC is projected to add [redacted] new stores over the forecast period, while maintaining sales in existing locations, with the goal of achieving a national footprint by 2018
- Managed Care Vision results stabilize in 2015 and 2016 despite enrollment pressure from the termination of the UPMC contract
  - Total Vision enrollment is projected to increase from [redacted] million at the end of 2014 to [redacted] million by end of 2016

Vision Operating Results

($ in millions)	2014E	2015E	2016E	2017E[1]
Retail	[redacted]			
Managed Care				
Other (incl. Eliminations)				
Total Vision				
% y-o-y increase / (decrease)				

HMIG Operating Commentary

- Results improve over time driven primarily Stop Loss, which is increasing operating gain by [redacted] million between 2014 and 2016
- Loss ratios for Stop Loss are projected to remain relatively constant through 2017; health care reform is not projected to have a significant impact on Stop Loss results

HMIG Operating Results

($ in millions)	2014E	2015E	2016E	2017E[1]
Stop Loss	[redacted]			
Worker's Compensation				
Worksite				
Other				
Total HMIG				
% y-o-y increase / (decrease)				

Total Diversified Services	**$174.9**	**$187.2**	**$217.2**	**$228.7**

Source: Highmark.
(1) Diversified Services Results only forecasted on a consolidated basis for 2017.

C. Standard "iii"

(ii) Highmark's Forecasted Financial Condition (Cont'd.)

On a Transaction pro forma basis, Highmark is projected to generate $423.7 million in 2017 Pre-tax Income, grow its GAAP reserves to $6.7 billion and have an RBC ratio in the [redacted] range.

Transaction Pro Forma Projected Income Statement

($ in millions)	2014E	2015E	2016E	2017E
Highmark Baseline	$232.9	$202.4	$329.3	$382.6
BCNEPA Baseline [1]	-	13.9	21.6	23.1
Baseline Pre-Tax Income	**$232.9**	**$216.3**	**$350.9**	**$405.7**
Administrative Cost Synergies	$0.0	$3.3	$9.9	$12.3
Pharmacy Synergies	0.0	2.4	5.3	5.4
Transaction / Integration Costs	(18.0)	(39.5)	(7.0)	0.0
Foundation Cont./ Inv. Income	0.0	(12.5)	(2.8)	(2.8)
Other	0.0	5.2	3.2	3.1
Post Merger Pre-Tax Income	**$214.9**	**$175.2**	**$359.5**	**$423.7**

Transaction Pro Forma Projected GAAP Balance Sheet

($ in millions)	2014E	2015E	2016E	2017E
Cash and Cash Equivalents	[redacted]			
Investments				
Accounts Receivable				
Property & Equipment, Net				
Goodwill & Other Intangibles				
Other assets				
Total Assets	**$11,097.4**	**$11,929.5**	**$12,194.1**	**$12,623.7**
Claims Outstanding	[redacted]			
Unearned Subscription Revenue				
Debt				
Other Liabilities				
Total Liabilities	**$5,421.4**	**$5,723.0**	**$5,738.4**	**$5,883.2**
Total Reserves	**$5,676.0**	**$6,206.5**	**$6,455.7**	**$6,740.5**
Liabilities & Reserves	**$11,097.4**	**$11,929.5**	**$12,194.1**	**$12,623.7**

Memo:
RBC% [redacted]

Source: Highmark.
(1) Transaction not expected to close until end of year 2014.

(ii) Highmark's Forecasted Financial Condition (Cont'd.)

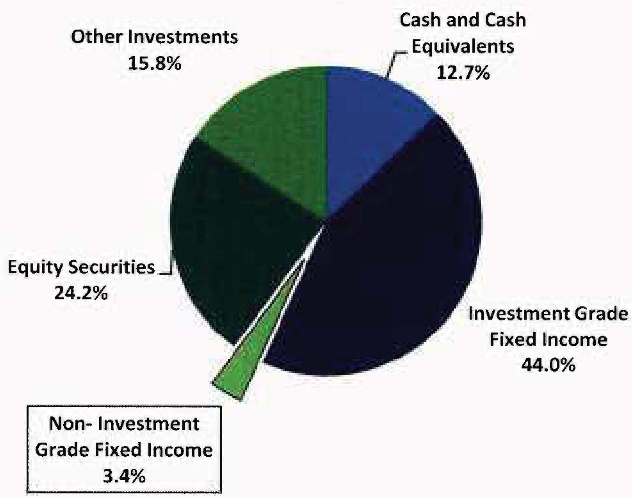
The Proposed Transaction is not expected to have a material negative impact on Highmark's investment portfolio. The portfolio's quality rating is projected to be at the level of Moody's "A1" and the pro forma allocation to non-investment grade fixed income investments will decrease, as a percentage of the total fixed income portfolio, with the addition of BCNEPA's invested assets.

Fixed Income Portfolio Characteristics

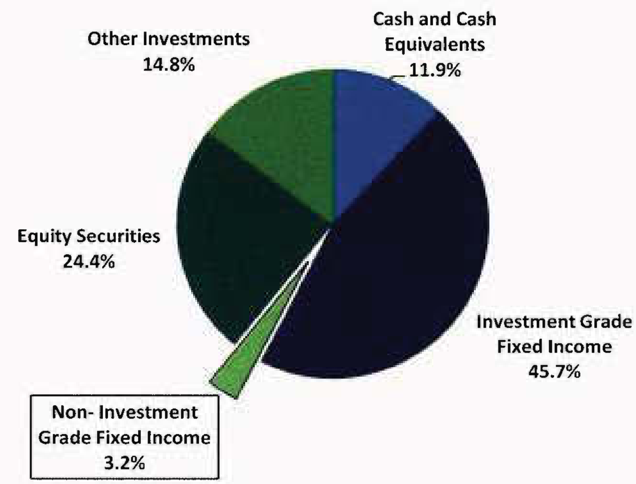
		Market Value *(000s)*	Effective Duration (yrs)	Yield to Worst (%)	Maturity (yrs)	Moody's Rating Quality	Coupon (%)
Highmark Current	Highmark Standalone	$1,697,941	6.10	2.28	7.75	Aa3	3.31
BCNEPA Current	BCNEPA Standalone	212,142	4.75	2.42	6.50	A1	4.01
Pro Forma	Combined Highmark / BCNEPA Fixed Income Portfolio	1,910,083	5.95	2.30	7.61	A1	3.39
Benchmark	Barclay's Aggregate Index	N/A	5.36	2.22	7.69	Aa2	3.30

Highmark Standalone Portfolio Allocation

June 30, 2014



Post Transaction Investment Portfolio Allocation



Source: Highmark.
Note: Non-Investment Grade Fixed Income refers to NAIC ratings 4, 5 and 6.

(ii) Highmark’s Forecasted Financial Condition (Cont’d.)

Highmark projects the merger with BCNEPA, if consummated, will increase its Risk-Based Capital ratio by approximately [redacted].

Day-1 RBC Impact

[redacted]

June 2014 Actual (A) | Dec. 2014 Projected (B) | NEPA Merger (C) | Reinsurance (D) | Post Merger

Commentary

(A)

(B)

(C)

(D)

[redacted]

Source: Highmark.

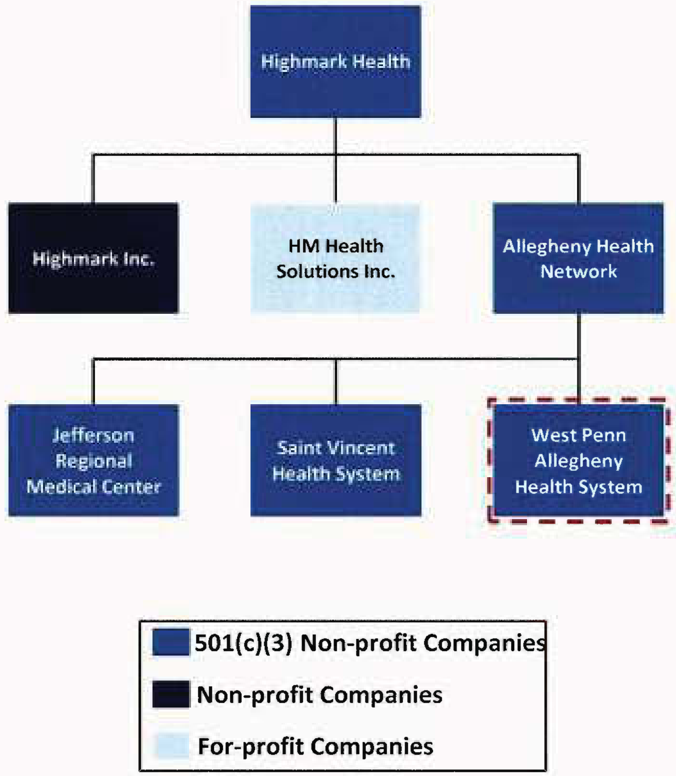
(1) See Appendix for reconciliation of BCNEPA GAAP reserves to statutory reserves contribution amount of $248 million.

(2) Upon closing of the proposed merger, all underwritten business at FPLIC and FPH will be ceded to Highmark under a 100% quota share reinsurance agreement. Underwriting risk accounted for at the corporate parent (i.e., Highmark) receives a lower risk charge than risk accounted for at the subsidiary (i.e., FPH or FPLIC) under statutory RBC calculation rules.

(ii) Highmark's Forecasted Financial Condition (Cont'd.)

Blackstone notes the competitive dynamics of the health insurance and provider markets in Western Pennsylvania that present certain business risks to the Highmark franchise.

High-Level Organizational Structure



Considerations with Regard to Highmark's Financial & Market Position

- On April 29, 2013, the PID approved Highmark's affiliation with West Penn Allegheny Health System ("WPAHS"); the Approving Determination and Order for this transaction provides certain conditions to the PID's approval
- On May 9, 2014, WPAHS refinanced $700 million of its Series 2007A bonds in order to refinance or defease its then outstanding 2007A bonds, a portion of which were held by Highmark, pay transactions expenses and for capital expenditures; Highmark no longer accounts for these bonds as investments in WPAHS though Highmark has provided a credit guarantee on behalf of WPAHS for the newly issued credit
- On June 27, 2014, Highmark entered into a Consent Decree with the Pennsylvania Departments of Insurance and Health regarding its relationship with UPMC, a competing Integrated Delivery Network; the Consent Decree outlined various arrangements by which, generally, Highmark subscribers may access UPMC facilities and at what rates
- Highmark is at risk of losing insurance membership should its current members choose different insurance products with potentially more favorable access provisions with regard to UPMC facilities
- Additionally, Highmark's guarantee of WPAHS debt could be triggered if financial results at WPAHS deteriorate below certain levels as a result of declining patient volume due to continued competition with UPMC, among other factors

Source: Highmark and PID.

(ii) Highmark's Forecasted Financial Condition (Cont'd.)

At the PID's request, BCNEPA developed a "downside" financial scenario which incorporates four key assumptions that are described below. The "downside" case generates ~$25 million less in 2017 pre-tax income than the base case, effectively eliminating all of BCNEPA's projected pre-tax income for that year.

Base Case vs. "Downside" Case Summary Comparison

		Base Projections				'13 - 17
($ in millions)	2013A	2014E	2015E	2016E	2017E	CAGR
Total Revenue	$810.4	$870.2	$852.2	$982.3	$1,074.4	7.3%
% growth		7.4%	(2.1%)	15.3%	9.4%	
Total Expenses	$806.9	$884.9	$852.1	$976.9	$1,067.9	7.3%
Operating Income	$3.5	($14.7)	$0.1	$5.4	$6.5	16.8%
% margin	0.4%	(1.7%)	0.0%	0.5%	0.6%	
Pre-Tax Income	$45.4	($0.9)	$13.9	$21.6	$23.1	(15.5%)
% growth	-	NM	NM	55.7%	7.1%	
% margin	5.6%	(0.1%)	1.6%	2.2%	2.2%	

		"Downside" Projections				'13 - 17
($ in millions)	2013A	2014E	2015E	2016E	2017E	CAGR
Total Revenue	$810.4	$870.2	$828.7	$938.9	$1,026.6	6.1%
% growth		7.4%	(4.8%)	13.3%	9.3%	
Total Expenses	$806.9	$884.9	$838.9	$956.2	$1,042.5	6.6%
Operating Income	$3.5	($14.7)	($10.2)	($17.2)	($15.9)	NM
% margin	0.4%	(1.7%)	(1.2%)	(1.8%)	(1.6%)	
Pre-Tax Income	$45.4	($0.9)	$3.4	($2.4)	($1.3)	NM
% growth	-	NM	NM	NM	NM	
% margin	5.6%	(0.1%)	0.4%	(0.3%)	(0.1%)	

		Surplus / (Deficit) "Downside" vs. Base				'13 - 17
($ in millions)	2013A	2014E	2015E	2016E	2017E	Total
Total Revenue	-	-	($23.6)	($43.4)	($47.7)	($114.6)
Operating Income	-	-	($10.3)	($22.6)	($22.4)	($55.3)
Pre-Tax Income	-	-	($10.4)	($24.0)	($24.5)	($58.9)

Source: BCNEPA.

"Downside" Case: Assumptions & Drivers

(i) Assumed loss of one or more key BCNEPA customers in 2015, which impacts enrollment through 2017

- Assumed 15,000 member reduction from 2015-2017;

[redacted]

(ii) Market competition impacts BCNEPA's ability to increase rates for risk business

- 2016 rates for risk portfolio (excluding Federal Employee Program ("FEP")) increase 25% less than base case

(iii) Healthcare costs are greater than expected in 2015 and 2016

- 2015 reflects a trend miss of 1% for risk portfolio (excluding FEP)
- 2016 reflects a trend miss of 1% for ACA risk products

(iv) Financial market turmoil results in a 20% reduction in 2016 and 2017 equity returns within BCNEPA's investment portfolio

- Equity yield is 1.4% in "downside" vs. 1.75% in base case
- Write-down of investment portfolio assets incorporated in Highmark-developed "downside" RBC analysis, shown on the following page

Public

(ii) Highmark's Forecasted Financial Condition (Cont'd.)

Assuming a BCNEPA "downside" scenario, as well as other negative market implications for Highmark, including a significant deterioration of results at WPAHS, Highmark projects that the surviving entity's RBC ratio could fall to approximately [redacted]

"Downside" Scenario RBC Summary

[redacted]

Post Merger	Trigger WPAHS Guarantee	Write-Off WPAHS Loans	Highmark	BCNEPA	Enrollment Losses	NEPA Downside Results	Downside Case
			Market Downturn				
	A	B	C		D	E	

"Downside" Scenario Assumptions & Commentary

A WPAHS results deteriorate significantly creating a situation where the guarantee that Highmark provides to WPAHS is triggered; this would result in Highmark paying $700 million in principal and interest to PNC Bank on behalf of WPAHS

B The value of WPAHS is insufficient to support the carrying value of the $300 million in Highmark loans to WPAHS (based on multiple funding commitments per the Highmark-WPAHS Affiliation Agreement), and Highmark has to write-off the value of those investments

C Another major downturn in the financial markets results in a significant loss (similar to 2008 level of losses experienced) in the value of Highmark's post-merger equity portfolio as well as the value of its benefit plan assets, including the assets transferred from BCNEPA

D Highmark loses enrollment in Western Pennsylvania, [redacted] as a result of the deterioration of results at WPAHS

E See page 49 for discussion of BCNEPA "downside" case

Source: Highmark.

(ii) Highmark's Forecasted Financial Condition (Cont'd.)

Highmark has stated that it believes that the management of Highmark Health, Allegheny Health Network ("AHN"), and Highmark would enact turnaround measures for the enterprise well in advance of the circumstances that would result in the "downside" scenario described on the previous pages. Highmark provided the following as a range of potential operational contingency actions that could be pursued as a course of action to respond to negative market factors.

With Regard to WPAHS:

- "AHN management would take action to avoid a significant deterioration in WPAHS results. These actions may include additional cost savings and revenue enhancements, attracting additional patient volume, right-sizing the physician organization to improve overall productivity, reviewing capital expenditures, reconsidering unfunded research priorities, and re-evaluating non-core assets. Sufficient strengthening of the results would avoid a call on the Highmark guarantee and/or the write-off of the WPAHS loans."

With Regard to BCNEPA:

- "Cost containment efforts: Intensify medical management process and expand performance based financial arrangements with providers, including the introduction of risk-sharing financial models. Further refinement of product benefit design to incentivize members through lower cost sharing to use high quality, cost efficient in-area hospital providers. Consider opportunities to accelerate synergies projected from vendor contracts.
- Rate setting efforts: Identify business at the commercial group level where premiums are inadequate relative to claims experience and rate these accounts to appropriate levels. Implement a more aggressive rating strategy for the Affordable Care Act-compliant offerings, particularly the Individual On-Exchange segment, to fully reflect the adverse level of risk that may develop within this pool. While the membership base would most likely decline, the resulting smaller pool would perform much better from a financial perspective.
- Administrative cost structure: Consider accelerating the cost savings identified in the merger analysis with the goal of reducing administrative expenses within the parameters of the agreement. Potential opportunities may include discretionary spend items, reconsidering personnel-related spending, targeted reductions in high-dollar areas such as advertising, promotion and broker commissions."

Source: Highmark and BCNEPA.

Standard "iii": Conclusion

Blackstone believes the Proposed Transaction would not violate Standard "iii".

Standard "iii": The financial condition of any acquiring party (i.e., Highmark) is such as might jeopardize the financial stability of the insurer (i.e., BCNEPA) or prejudice the interest of its policyholders

Standard "iii" Summary Conclusions:

- The standalone financial condition of Highmark does not appear to be such as would jeopardize Highmark's ability to serve BCNEPA policyholders in the foreseeable future; similarly, Highmark's pro forma financial condition does not appear as if its financial stability would be jeopardized or the interest of its policyholders prejudiced if the Proposed Transaction is consummated
- A pro forma Transaction "downside" scenario forecasts a Highmark RBC ratio range of [redacted] as a result of various negative market factors; an RBC ratio at this level, as an indicator of an insurer's financial health and ability to service its policyholders, is deemed "sufficient" by PID standards and is above the BCBSA's early warning threshold
- **Based on the analysis completed, Blackstone does not believe the financial condition of Highmark is such as might jeopardize the financial stability of BCNEPA or prejudice the interest of BCNEPA's policyholders if the Proposed Transaction is approved**

D. Standard "iv"

Blackstone

Standard "iv": Overview

The Proposed Transaction may entail risks to BCNEPA and its policyholders. However, these risks may be offset by the potential benefits of merging with Highmark.

Standard "iv": The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable and fail to confer benefit on policyholders of the insurer and are not in the public interest

Blackstone's review of Standard "iv" included, but was not limited to, the following:

(i) Assessment of BCNEPA's transaction process and rationale for the structure of the transaction

- Review of materials prepared by BCNEPA management and third-party advisors regarding the conduct of the transaction process
- Review of BCNEPA Board of Directors materials regarding key events and the Board's rationale for making certain decisions at various stages of the deal process
- Review select data with regard to financial and operating performance of Blue plans in West Virginia and Delaware that have previously affiliated with Highmark

(ii) Assessment of the financial implications of the Proposed Transaction for BCNEPA subscribers and the insurance buying public

- Review the financial components of the Proposed Transaction structure
- Review the impact of the Proposed Transaction on the projected financial results of the surviving entity and its insurance subscribers

(iii) Assessment of anticipated changes to BCNEPA's corporate and governance structures

- Review of Highmark's plans to integrate BCNEPA's insurance operations into the Highmark franchise
- Review of management and board compensation/incentives as it relates to the consummation of the Proposed Transaction
- Review of select governance provisions with regard to the BCNEPA Advisory Board, BCNEPA's Foundation and a newly formed Northeastern Pennsylvania-based public charity

(i) BCNEPA Transaction Process

BCNEPA describes the Northeastern Pennsylvania insurance market as challenged by declining enrollment, consolidating providers and a fragmented employer base.

BCNEPA Market Challenges

- Population aging, migration to Self Insured products and BlueCard, and more intense local competition is expected to continue to erode BCNEPA's Fully Insured Group membership and margins on a standalone basis
  - BCNEPA's ability to respond to competition, weather uncertainties, and ability to reinvest in capabilities necessary for long-term success is hampered
- The Affordable Care Act ("ACA") is expected to accelerate membership mix shift to products with lower margins, intensifying the need for insurers to maintain administrative scale
  - Projected that underwritten business will continue to migrate to self-funded business; there may be a high propensity of small groups to drop coverage resulting in employees migrating to individual coverage
- Significant provider consolidation has occurred throughout BCNEPA's Service Area, which has led to increased provider costs for BCNEPA
  - Specifically, Geisinger Health System and Susquehanna Health have recently acquired formerly independent hospitals
- BCNEPA's limited service area of 13 counties restrains the Company's ability to grow its Blue branded membership base
  - 13-County regional population census of 1.22 million, but the growth rate is roughly half of the national growth rate
- Northeastern Pennsylvania has few large employers and a relatively high percentage (51%) of potential subscribers who are currently non-addressable segments (i.e., Medicare and Medicaid, BlueCard shifts)
- If the merger is not consummated, BCNEPA is forecasted to potentially need to spend over $100 million over the next five years for ongoing compliance with the ACA, transformation to accountable care, maintenance, and upgrade of IT and other systems

Source: BCNEPA and Highmark.

(i) BCNEPA Transaction Process (Cont'd.)

To assess BCNEPA's market challenges, the company hired [redacted] ("Consultant") to conduct a comprehensive strategic review of the business. Consultant's advice to BCNEPA was to seek a long-term partner.

Consultant's Conclusions

- Health Reform, population aging, and other market trends are projected to dramatically expand government coverage while also driving lower margins on all projects
- Continued membership shifts from Fully Insured to Self Insured will have significant negative impacts on BCNEPA's profitability; anticipated reductions in BlueCard access fees will intensify this effect
- After membership losses, the net contribution to BCNEPA's bottom line is marginal [redacted]
- Primary care capabilities are the initial step in a long-term, multi-phase approach to population health management
- Additional investment will be required for the infrastructure and capabilities related to primary care and other joint venture opportunities
- Population health management results typically require 5-10 years to achieve; the short-term impact of utilization reduction initiatives may only be $3 million per year
- While critical to long-term success, the necessary investment in care management capabilities will further exacerbate BCNEPA's short-term capital constraints

Consultant's Recommendations

- Independently pursuing a traditional insurance strategy is not recommended given recent membership degradation, BCNEPA's inexperience in areas of projected growth (e.g., Government Programs), and anticipated capital requirements related to health care reform
- <u>To remain strategically and financially viable over the medium to long term (5 years+), BCNEPA should focus on three priorities</u>
  1. <u>Seek a partner</u> (or partners) to provide between $40 - $150 million in capital support to the organization
  2. Forge a consolidated statewide Blues plan to diversify its geographic footprint outside of the 13-county market area and acquire capabilities to profitably participate in Governmental product lines
  3. Co-invest in the development of enhanced primary care services with multiple area providers to support the evolution toward enhanced population health management
- Consultant considered an option for BCNEPA to exclude a major health system from BCNEPA's network of providers. Consultant did not recommend that course of action

Source: BCNEPA.

D. Standard "iv"

(i) BCNEPA Transaction Process (Cont'd.)

In advance of beginning a transaction process, BCNEPA developed the below strategic priorities to guide the company's search for a partner.

BCNEPA Stated Strategic Priorities

1. Compatibility with the mission, vision and values of BCNEPA in improving the quality of health and accessibility of health services within northeastern and north central Pennsylvania
2. Commitment to the preservation and growth of jobs within NEPA, including both the quantity and quality of jobs post affiliation
3. Contribution of a specified portion of the surplus created by BCNEPA for investment in the improvement of health care delivery, health services and overall health status of the NEPA region
4. Inclusion of representation from both BCNEPA and NEPA on the ultimate parent governing body to ensure appropriate representation of BCNEPA subscriber base and community
5. Strength of the affiliate's business model in the context of health care reform and adaptability/flexibility, particularly in light of the consolidating provider market and new competitive dynamics both within NEPA and the greater Pennsylvania market
6. Demonstrated ability to ensure the provision of quality, affordable Blue products within NEPA market:
    - Premium/Cost Comparison: Likelihood of being able to offer products similar or complementary to BCNEPA products at an equal or lower price point
        - Provider relationships: Likelihood to promote the development of a Blue Plan that will have sufficient size and scope to negotiate fair and reasonable provider contract rates in a pro-competitive manner with the ever growing and consolidating provider systems in Pennsylvania
        - Operating Scale: ability to (i) offer a lower cost of operations at comparable service levels (administrative expenses) and (ii) offer enhanced services, tools and technology to customers
        - Care Cost Management: has experience, tools and programs; with demonstrated outcomes as compared to benchmarks; to effectively and efficiently manage utilization
    - State Wide: Likelihood to promote collaboration among the PA Blue plans that will deliver increased efficiency, affordability and market share growth
7. Assessment of other acquisitions, affiliations, strategic initiatives or any other hurdle that might impact the financial and managerial resources available for this opportunity
8. Commitment to TCMC's viability and positive impact on the health of the community
9. Maintenance of existing employment practices including commitment to retain existing employees in good standing for at least 12 months post closing
10. Assessment of execution risk: customer disruption, integration of information technology, human resources, financial resources, timing in consideration of health care reform implementation

Source: BCNEPA.

D. Standard "iv"

(i) BCNEPA Transaction Process (Cont'd.)

The timeline illustrated below and on the following pages highlights select events that took place in BCNEPA's strategic transaction process, which ultimately led to the decision to merge with or be acquired by Highmark.

[redacted]

Source: BCNEPA.

Note: For a summary of the timeline, see Tab F of Highmark's Form A Regarding the Acquisition of Control of BCNEPA and Subsidiaries; Tab F is entitled "Overview of BCNEPA Business Perspective."

Public

(i) BCNEPA Transaction Process (Cont'd.)

[redacted]

(i) BCNEPA Transaction Process (Cont'd.)

[redacted]

Source: BCNEPA.

(i) BCNEPA Transaction Process (Cont’d.)

[redacted]

Source: BCNEPA.

(i) BCNEPA Transaction Process (Cont'd.)

[redacted]

Source: BCNEPA.

Public

(i) BCNEPA Transaction Process (Cont'd.)

[redacted]

Source: BCNEPA.

D. Standard "iv"

(i) BCNEPA Transaction Process (Cont'd.)

The below outlines the key provisions of proposals submitted by the bidders, as prepared by Cain Brothers for the BCNEPA Board in April of 2013 (i.e., the initial proposals).

[redacted]

Source: BCNEPA.

(i) BCNEPA Transaction Process (Cont'd.)

(cont'd. from previous page)

[redacted]

D. Standard "iv"

(i) BCNEPA Transaction Process (Cont'd.)

The below outlines the key provisions of each of the bidders' final proposal, as prepared by Cain Brothers for presentation to the BCNEPA Board in February 2014.

[redacted]

Source: BCNEPA.

(i) BCNEPA Transaction Process (Cont'd.)

BCNEPA solicited and received input from advisors regarding the Proposed Transaction, as well as due diligence findings on Highmark as BCNEPA's chosen merger partner.

[redacted]

Source: BCNEPA.

(i) BCNEPA Transaction Process (Cont'd.)

Upon selecting Highmark as its long-term partner of choice, BCNEPA has provided the below perspectives on the benefits of merging with and into Highmark.

BCNEPA Perspectives on a Merger with and into Highmark

Aligned Mission	▶ Ensures a continued strong presence in NEPA by providing diversification of market risks and required organizational capabilities to be competitive without large capital investments ▶ Maintains BCNEPA's 75-year history, economic impact and commitment to the northeastern and north central Pennsylvania region
Resources and Capabilities	▶ Provides scale and capabilities to address longer term challenges, such as: • Membership losses of more than 20% since 2007 • Operating losses due to competitive pricing pressures • Deteriorating revenue sources such as BlueCard fees, investment income and small group ▶ Allows BCNEPA to create / adopt required ACA capabilities for consumer-centric products, retail, population health management and eBusiness channels ▶ Broader career opportunities for BCNEPA employees as part of a larger Plan
Cost Reduction	▶ Provides the ability to transform partnerships with local provider systems to ensure long-term access by consumers to high-quality and affordable health care in NEPA region ▶ Improves administrative efficiency ▶ BCNEPA avoids projected capital expenditures of $100 million+ in capability investments

Source: BCNEPA and Highmark.

D. Standard "iv"

(i) BCNEPA Transaction Process (Cont'd.)

As a component of their diligence process, BCNEPA held discussions with Highmark West Virginia Inc. ("Highmark West Virginia") and Highmark BCBSD Inc. ("Highmark Delaware") management and legacy board members. Both of these organizations stated that transactions with Highmark had a positive impact on employment and performance, while allowing for significant local decision making.

	Highmark West Virginia	Highmark Delaware
Company Overview	▶ Non-stock, West Virginia corporation ▶ Employees: 827 ▶ Members: 273,699 ▶ Revenue: $823 million ▶ Surplus: $322 million ▶ RBC: [redacted] ▶ Operating Gain: $28.5 million	▶ Non-stock, Delaware corporation Employees: 630 ▶ Members: 295,000 ▶ Revenue: $600 million ▶ Surplus: $169 million ▶ RBC: [redacted] ▶ Operating Gain: Breakeven
Legal Structure	▶ Controlled Affiliate ▶ Highmark Inc. is sole member ▶ Highmark Health holds the BCBS license	▶ Controlled Affiliate ▶ Highmark Inc. is sole member ▶ Highmark Health holds the BCBS license
Stated Drivers for a Strategic Transaction	▶ Improve services for customers, improve support for employees and position company for financial success in the face of changing needs of competitive healthcare industry ▶ Information technology needs and costs to develop ▶ Looking for Plan Partner that shared philosophy, tradition and values	▶ Difficulty competing against aggressive national competitors ▶ Large health systems pursuing strategies to become competitors ▶ Passage of PPACA and unprecedented new requirements and risks ▶ Lacked capabilities and scale required to remain a market leader over the long-term ▶ Lacked human and financial capital for capability improvements ▶ Not in a position to expand capabilities via acquisitions
Stated Benefits Achieved as a Result of Affiliation with Highmark	▶ Significant new capabilities brought to West Virginia market in cost effective manner, e.g. portals, Medicare Advantage, shared systems, etc. ▶ Operational efficiencies and increased quality through automation and process improvement by using Highmark's IT platform ▶ Access to favorable contractual terms by leveraging Highmark relationships, e.g. pharmacy benefit management, care management, informatics, etc. ▶ Increased market share, financial strength and stability, and benefitted from compliant environment and Healthcare Reform Implementation	▶ Grew enrollment in 2012 after three consecutive years of enrollment losses ▶ Leveraging Highmark's Retail, Senior Markets, Medicaid capabilities and Diversified companies to drive future membership growth ▶ Recently won a large, Delaware-based national account; 20K+ new members and potential for additional 60K new members by January 2015 ▶ Delaware plan has leveraged health care reform support from Highmark to implement ACA requirements and strategically position itself

Source: BCNEPA.

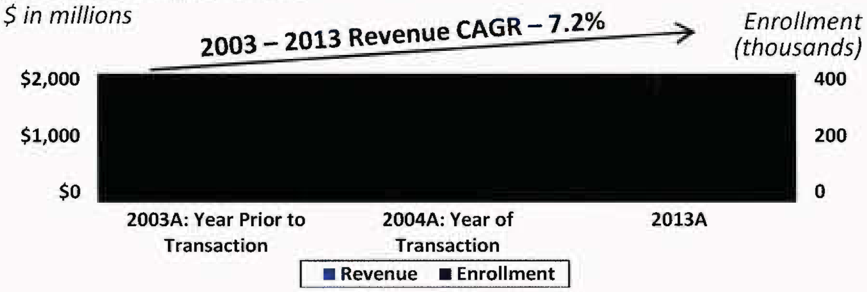
(i) BCNEPA Transaction Process (Cont'd.)

While select operational and financial performance metrics at both Highmark West Virginia and Highmark Delaware present mixed results since these organizations transacted with Highmark, local wage expense has increased at both entities.

HIGHMARK. West Virginia

Revenue & Enrollment

$ in millions

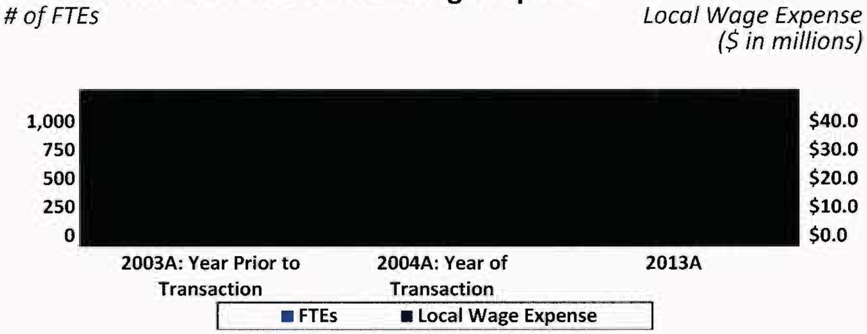


Operating Gain & Margin

$ in millions

Number of Local FTEs & Local Wage Expense

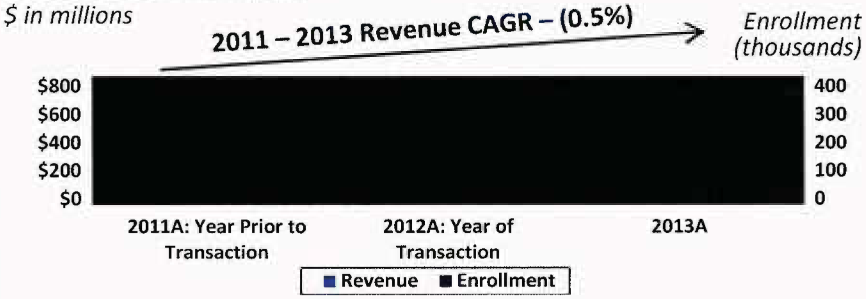
# of FTEs



HIGHMARK. Delaware

Revenue & Enrollment

$ in millions

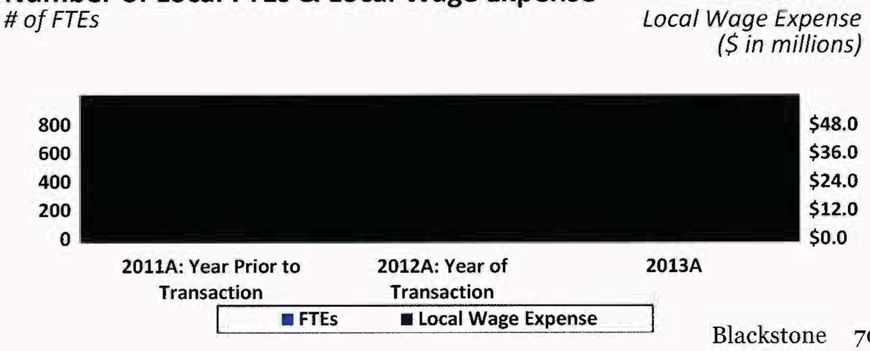


Operating Gain & Margin

$ in millions

Number of Local FTEs & Local Wage Expense

# of FTEs



Source: Highmark.

(ii) Financial Implications of the Proposed Transaction

The Highmark-BCNEPA Transaction contemplates a cash contribution of up to $90 - $100 million, in addition to the contribution of AllOne Health Group, Inc. and Health Resources Corporations (collectively, "AHRC"), to the Foundation and newly-formed public charity. Up to $90 million of the cash contribution is projected to come out of BCNEPA's reserves prior to the closing of the Transaction with $10 million being distributed post-closing, if certain conditions are met.

	Blue Ribbon Foundation (or its Successor)		New Public Charity		Total Contributions out of BCNEPA
Entities Contributed	▶ N/A	+	▶ AHRC	=	▶ AHRC
Cash Contribution(s)	▶ $60 - $67 million ▶ $10 million (post-closing, assuming certain conditions are met)	+	▶ $20 million to AHRC ▶ $3 - $10 million	=	▶ $20 million to AHRC ▶ Up to $70 million to one or more charitable organizations ▶ $10 million (post-closing, assuming certain conditions are met)
Total Contributions Received	▶ $70 - $77 million	+	▶ $23 – $30 million ▶ AHRC	=	▶ Up to $100 million cash contribution ▶ AHRC • Contribution of AHRC discussed further on the following pages

Source: BCNEPA and Highmark.

(ii) Financial Implications of the Proposed Transaction (Cont'd.)

The BCNEPA Board of Directors determined that it would be preferable to contribute the AHRC business to a Northeastern Pennsylvania-based public charity in order to attempt to increase economic activity in the region.

Considerations Regarding AHRC

- In BCNEPA's negotiations with Highmark, BCNEPA's Board determined that Highmark did not have an interest in acquiring AHRC
- BCNEPA's Board of Directors decided that, in order to provide additional benefits to the BCNEPA service area, including employment opportunities, AHRC should be separated from BCNEPA prior to the closing of the merger
  - HRC, a Massachusetts domiciled for-profit corporation, currently employs approximately 230 people
  - Separating AHRC from BCNEPA's business is a condition to closing, per the merger agreement between BCNEPA and Highmark
- Working with Arlington Healthcare Group ("Arlington"), BCNEPA evaluated the market opportunity for HRC's business
  - HRC provides services directly to customers who are generally independent from the core operations of BCNEPA; HRC's two key services are National Occupational Health Employee Screening Services ("NOH") and Employee Assistance Services ("EAP")
  - BCNEPA/Arlington projected that the revenue potential for HRC over a 6-year horizon could be as high as $200 million, up from $31.6 million in 2013
- The BCNEPA Board determined that AHRC could become a Pennsylvania-domiciled corporation with the purpose of creating as many jobs as possible in the BCNEPA service area, without jeopardizing the financial viability of AHRC
- BCNEPA expects the number of AHRC employees to grow over the next 5-6 years
- The ownership of AHRC by the newly formed public charity is, according to BCNEPA, intended to benefit the BCNEPA service area as an alternative source of employment

Source: BCNEPA.

(ii) Financial Implications of the Proposed Transaction (Cont'd.)

$20 million of BCNEPA reserves are projected to be contributed to AHRC. AHRC is projected to have Tangible Net Assets of ~$7.3 million at closing and is forecasted to generate ~$441k in pre-tax profit in the first year following the closing of the Proposed Transaction.

AHRC Projected Balance Sheet

($ in millions)	Projected at Closing
Assets	
Cash, Cash Equivalents & Investments	$24.7
Accounts Receivable	7.5
Property & Equipment	0.8
Prepaid Expenses & Other Assets	0.3
Deferred Income Taxes, Net	0.1
Goodwill	2.7
Total Assets	**$36.2**
Liabilities & Stockholders Equity	
Accounts Payable & Liabilities	$6.2
Stockholder's Equity	30.0
Total Liabilities and Stockholder's Equity	**$36.2**
AHRC Projected Tangible Net Asset Value (Excluding $20mm donation from BCNEPA)	
Total Assets, Net of Goodwill	$33.5
Less: Liabilities	(6.2)
Less: $20 million donation, pre-closing	(20.0)
AHRC Tangible Net Assets	$7.3

AHRC Projected Income Statement

	Projected		
($ in millions)	**Year 1**	**Year 2**	**Year 3**
Revenue & Other Income	$39.4	$44.5	$50.6
Operating and Administrative Expenses	38.9	44.1	49.1
Income Before Income Taxes	**$0.4**	**$0.4**	**$1.5**
Provision for Income Taxes	0.2	0.2	0.6
Net Income	$0.3	$0.2	$0.9

Source: BCNEPA.

D. Standard "iv"

(ii) Financial Implications of the Proposed Transaction (Cont'd.)

Highmark has projected the financial benefits and costs of the Proposed Transaction. Highmark's diligence findings indicate an opportunity for administrative efficiencies, shown below as having a gross annual value of [redacted] by 2017.

Transaction Pro Forma Projected Income Statement

($ in millions)	2014E	2015E	2016E	2017E
Highmark Baseline	$232.9	$202.4	$329.3	$382.6
BCNEPA Baseline	-	13.9	21.6	23.1
Baseline Pre-Tax Income	**$232.9**	**$216.3**	**$350.9**	**$405.7**
Administrative Cost Synergies	$0.0	$3.3	$9.9	$12.3
Pharmacy Synergies	0.0	2.4	5.3	5.4
Transaction / Integration Costs	(18.0)	(39.5)	(7.0)	0.0
Foundation Cont./ Inv. Income	0.0	(12.5)	(2.8)	(2.8)
Other	0.0	5.2	3.2	3.1
Post Merger Pre-Tax Income	**$214.9**	**$175.2**	**$359.5**	**$423.7**

Financial Benefits of the Transaction: Administrative Cost Synergies

($ in millions)	2014E	2015E	2016E	2017E
A Non-FTE Synergies	[redacted]			
B FTE Synergies				
Anticipated Administrative Cost Synergies				
Highmark Allocation / Legacy Savings				
Total Net Synergies	**$0.0**	**$3.3**	**$9.9**	**$12.3**

Commentary

A ▶ Non-FTE synergies include savings in the form of audit fees, advertising, hardware/software, and Highmark charges for the data center

B ▶ FTE synergies based on transition of BCNEPA systems and business processes to the Highmark platform; Highmark analysis based on due diligence findings in the areas of operations, clinical programs/medical management, information technology, sales and marketing and corporate oriented around reducing BCNEPA administrative costs to the level of that of Highmark's administrative per member per month ("PMPM")

- [redacted]

Source: Highmark.

(ii) Financial Implications of the Proposed Transaction (Cont'd.)

A portion of these projected administrative savings are forecasted to come in the form of full-time equivalent employee ("FTE") reductions. [redacted] million per year of these savings are expected to be passed through to current Highmark subscribers.

Transaction Pro Forma Projected Income Statement

($ in millions)	2014E	2015E	2016E	2017E
Highmark Baseline	$232.9	$202.4	$329.3	$382.6
BCNEPA Baseline	-	13.9	21.6	23.1
Baseline Pre-Tax Income	**$232.9**	**$216.3**	**$350.9**	**$405.7**
Administrative Cost Synergies	$0.0	$3.3	$9.9	$12.3
Pharmacy Synergies	0.0	2.4	5.3	5.4
Transaction / Integration Costs	(18.0)	(39.5)	(7.0)	0.0
Foundation Cont./ Inv. Income	0.0	(12.5)	(2.8)	(2.8)
Other	0.0	5.2	3.2	3.1
Post Merger Pre-Tax Income	**$214.9**	**$175.2**	**$359.5**	**$423.7**

Financial Benefits of the Transaction: Administrative Cost Synergies (Cont'd.)

($ in millions)	2014E	2015E	2016E	2017E
Non-FTE Synergies	[redacted]			
B FTE Synergies				
Anticipated Administrative Cost Synergies				
C Highmark Allocation / Legacy Savings				
Total Net Synergies	**$0.0**	**$3.3**	**$9.9**	**$12.3**

Commentary

B ▶ The Merger Agreement stipulates that Highmark will use commercially reasonable efforts to keep employee levels in the BCNEPA service area constant for a period of four years (as described on page 27)

C [redacted]

Source: Highmark.

[redacted]

(ii) Financial Implications of the Proposed Transaction (Cont'd.)

Further financial benefit is expected in the form of pharmacy synergies and the utilization of BCNEPA tax attributes.

Transaction Pro Forma Projected Income Statement

($ in millions)	2014E	2015E	2016E	2017E
Highmark Baseline	$232.9	$202.4	$329.3	$382.6
BCNEPA Baseline	-	13.9	21.6	23.1
Baseline Pre-Tax Income	**$232.9**	**$216.3**	**$350.9**	**$405.7**
Administrative Cost Synergies	$0.0	$3.3	$9.9	$12.3
Pharmacy Synergies	0.0	2.4	5.3	5.4
Transaction / Integration Costs	(18.0)	(39.5)	(7.0)	0.0
Foundation Cont./ Inv. Income	0.0	(12.5)	(2.8)	(2.8)
Other	0.0	5.2	3.2	3.1
Post Merger Pre-Tax Income	**$214.9**	**$175.2**	**$359.5**	**$423.7**

Financial Benefits of the Transaction: Pharmacy Synergies

($ in millions)	2014E	2015E	2016E	2017E
(A) Total Pharmacy Synergies	[redacted]			
(B) Less: Estimated Pharmacy Savings for Non-Risk / Passed Back				
Pharmacy Synergies	**$0.0**	**$2.4**	**$5.3**	**$5.4**

Commentary

(A) ▶ Moving BCNEPA's existing business to Highmark's pharmacy benefit management contract is expected to yield sustainable savings of an estimated [redacted] million per year

(B) ▶ The portion of savings attributed to BCNEPA's non-risk customers are assumed to be passed back to those BCNEPA customer groups through their claims costs

Other

▶ Includes projected utilization of BCNEPA tax attributes, specifically related to the use of FPLIC net operating losses ("NOLs")

Source: Highmark.

(ii) Financial Implications of the Proposed Transaction (Cont'd.)

Offsetting the aforementioned financial benefits are expenses that are forecasted to be incurred by the surviving entity. Integration costs are expected to total a cumulative $64.5 million through 2016.

Transaction Pro Forma Projected Income Statement

($ in millions)	2014E	2015E	2016E	2017E
Highmark Baseline	$232.9	$202.4	$329.3	$382.6
BCNEPA Baseline	-	13.9	21.6	23.1
Baseline Pre-Tax Income	**$232.9**	**$216.3**	**$350.9**	**$405.7**
Administrative Cost Synergies	$0.0	$3.3	$9.9	$12.3
Pharmacy Synergies	0.0	2.4	5.3	5.4
Transaction / Integration Costs	(18.0)	(39.5)	(7.0)	0.0
Foundation Cont./ Inv. Income	0.0	(12.5)	(2.8)	(2.8)
Other	0.0	5.2	3.2	3.1
Post Merger Pre-Tax Income	$214.9	$175.2	$359.5	$423.7

Financial Benefits of the Transaction: Integration Costs

($ in millions)	2014E	2015E	2016E	2017E
A Integration Costs	[redacted]			
B Legal / Due Diligence				
C Rebranding Initiatives				
D Anticipated Severance Costs				
Anticipated Transaction Costs	**($18.0)**	**($39.5)**	**($7.0)**	**$0.0**

Commentary

A ▶ 2014 Amount shown as pre-integration expenses, including development/maintenance of an electronic data room, specialized consulting, program management office expenses, and travel

▶ 2015 and 2016 amounts shown as post-merger expenses, including business administration expenses, insurance product benefit coding, consulting, outsourced vendors, program management office expenses, and travel

B ▶ Total expected legal and due diligence expenses of [redacted] million; [redacted] million related to legal and [redacted] million related to due diligence expenses including tax, accounting, and external non-legal consultants

C ▶ BCNEPA to maintain its brand name within the current BCNEPA geography thru 2015; rebranding under Highmark forecasted in 2016

D ▶ Estimated total severance expenses of [redacted] million break-down: [redacted]

Source: Highmark.

(ii) Financial Implications of the Proposed Transaction (Cont'd.)

Additionally, the cash contributions out of BCNEPA reserves are projected to reduce potential investment income.

Transaction Pro Forma Projected Income Statement

($ in millions)	2014E	2015E	2016E	2017E
Highmark Baseline	$232.9	$202.4	$329.3	$382.6
BCNEPA Baseline	-	13.9	21.6	23.1
Baseline Pre-Tax Income	**$232.9**	**$216.3**	**$350.9**	**$405.7**
Administrative Cost Synergies	$0.0	$3.3	$9.9	$12.3
Pharmacy Synergies	0.0	2.4	5.3	5.4
Transaction / Integration Costs	(18.0)	(39.5)	(7.0)	0.0
Foundation Cont./ Inv. Income	0.0	(12.5)	(2.8)	(2.8)
Other	0.0	5.2	3.2	3.1
Post Merger Pre-Tax Income	**$214.9**	**$175.2**	**$359.5**	**$423.7**

Financial Benefits of the Transaction: Foundation Contribution / Investment Income

($ in millions)	2014E	2015E	2016E	2017E
A Contribution of Combined Surplus	[redacted]			
B Inv. Income Impact due to Loss of $100 mm in reserves				
Anticipated Foundation Cont. / Inv. Income	**$0.0**	**($12.5)**	**($2.8)**	**($2.8)**

Commentary

A ▶ Capital contribution to Foundation, assuming certain conditions are met, including:

- BCNEPA's Risk-Based Capital at closing being equal to or greater than 725% (before giving effect to the Closing Contribution above); and
- The 2015 operating loss not greater than $15 million

B ▶ Negative impact on investment income due to loss of estimated $90 million by 2015 and $100 million by 2016, assuming an estimated yield of 2.8% for combined reserves

Source: Highmark.

(ii) Financial Implications of the Proposed Transaction (Cont'd.)

Highmark forecasts [redacted] million may accrue to the benefit of insurance subscribers annually by 2017 as a result of the Transaction, with $20.8 million projected to accrue to the benefit of the surviving entity by the same year.

Transaction Pro Forma Projected Income Statement

($ in millions)	2014E	2015E	2016E	2017E
Highmark Baseline	$232.9	$202.4	$329.3	$382.6
BCNEPA Baseline	-	13.9	21.6	23.1
Baseline Pre-Tax Income	**$232.9**	**$216.3**	**$350.9**	**$405.7**
Administrative Cost Synergies	$0.0	$3.3	$9.9	$12.3
Pharmacy Synergies	0.0	2.4	5.3	5.4
Transaction / Integration Costs	(18.0)	(39.5)	(7.0)	0.0
Foundation Cont./ Inv. Income	0.0	(12.5)	(2.8)	(2.8)
Other	0.0	5.2	3.2	3.1
Post Merger Pre-Tax Income	$214.9	$175.2	$359.5	$423.7

Summary of Projected Financial Costs & Benefits

($ in millions)	2014E	2015E	2016E	2017E
Gross Synergies	[redacted]			
Administrative Cost Synergies				
Pharmacy Synergies				
Other	0.0	5.2	3.2	3.1
Total Gross Synergies	[redacted]			
Memo: Cumulative Gross Synergies				
Synergies Passed to Insurance Subscribers				
To the Benefit of Highmark Current Subscribers				
To the Benefit of BCNEPA Current Subscribers				
Total Synergies Passed to Insurance Subscribers				
Memo: Cumulative Synergies Passed Back				
Net Financial Synergies (Gross - Passed Back)	$0.0	$10.9	$18.4	$20.8
Memo: Cumulative Net Financial Synergies	-	*$10.9*	*$29.3*	*$50.1*
Total Transaction/Integration Costs[(1)]	$18.0	$39.5	$7.0	$0.0
Memo: Cumulative Transaction/Integration Costs	-	*$57.5*	*$64.5*	*$64.5*

Source: Highmark.

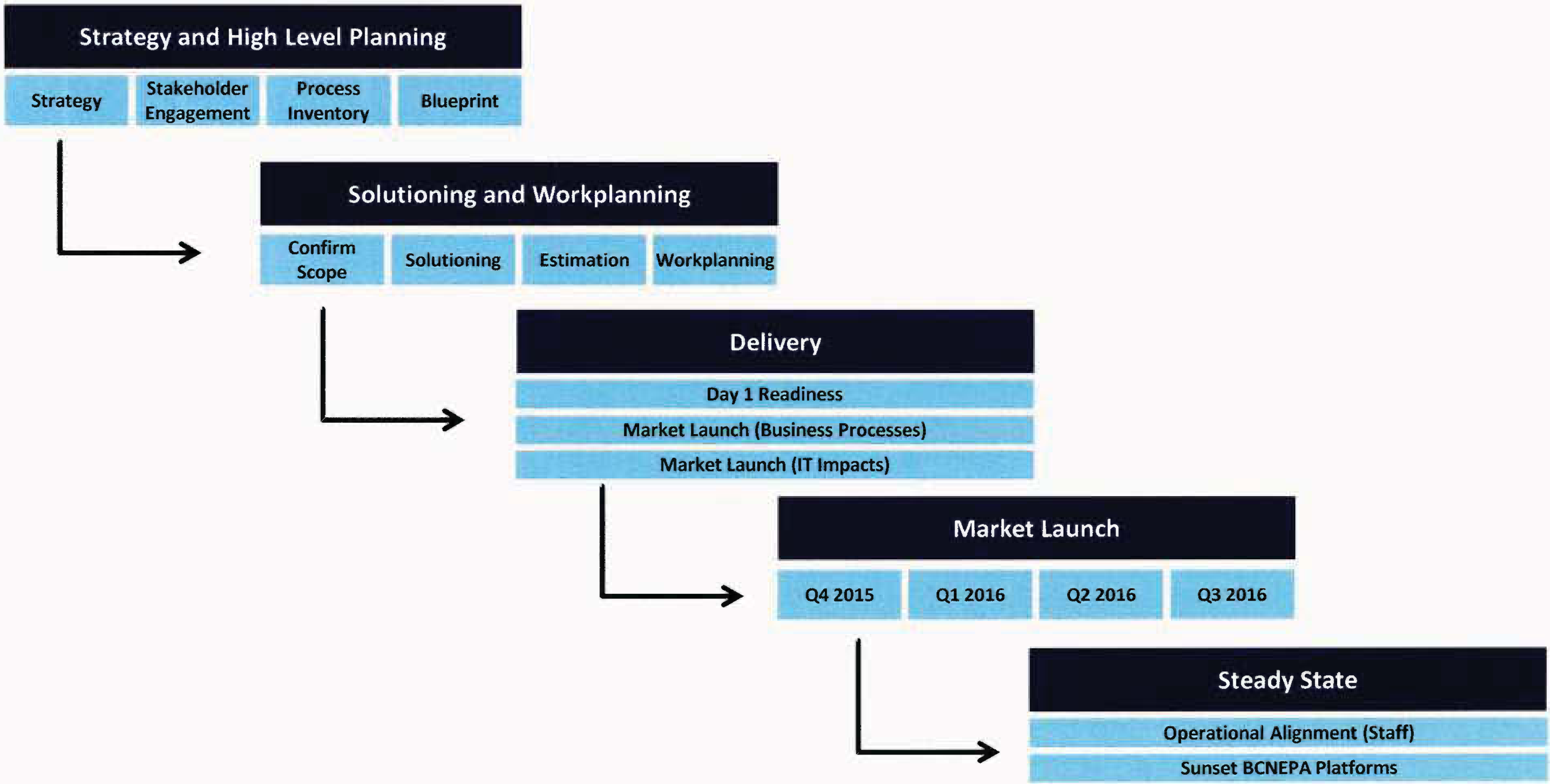
(1) Loss of investment income from Foundation Contribution is considered opportunity cost of the Transaction and not included in Total Transaction/Integration Costs.

(iii) Changes to BCNEPA Corporate/Governance Structure

Highmark's current integration plans contemplate "Day 1 Readiness" and steady state operational alignment.

Highmark's Integration Planning Concept

September 2014 Integration Planning Team Documents



Source: Highmark.

(iii) Changes to BCNEPA Corporate/Governance Structure (Cont'd.)

Based on Highmark's integration planning efforts to date, Highmark intends to keep client facing BCNEPA organizational functions locally managed, with other operational functions located in the BCNEPA service area supporting the surviving Highmark organization.

Projected Operating Model

Functions	Remaining at NEPA, NEPA Focused	Remaining at NEPA, Highmark Focused	Centralized Support Services
Front/Middle Office			
Sales & Distribution	X	X	
Product & Marketing		X	
Provider Relations	X		
Provider Contracting	X		
Medical Management		X	
Regulatory/Lobbying			X
Regional Comm. Affairs	X		
Corporate			
Finance		X	
Actuarial & Underwriting		X	
Information Technology			X
Legal		X	
Human Resources		X	
Compliance		X	
Other Corporate Services			X
Back Office			
Members Services		X	
Provider Services		X	
Claims		X	
Billing		X	
Enrollment		X	
Information		X	

Source: Highmark.

(iii) Changes to BCNEPA Corporate/Governance Structure (Cont'd.)

The following tables illustrate current pay levels for select Highmark, Highmark Health and BCNEPA executives. Highmark has asserted that executive compensation will not change based on approval of the Form A.

Highmark Management Compensation

Officer / Non-Officer Executive Leader	Title	Base Salary	Target AEIP (%)[1]	Target LTIP (%)[2]	Total Compensation at 100% of Target
Deborah L. Rice-Johnson	President, Health Plan, Highmark Inc.	$612,663	75%	90%	$1,623,557
Karen L. Hanlon	Chief Financial Officer, Highmark Health	535,000	80%	95%	1,471,250
Thomas L. VanKirk	Chief Legal Officer, Highmark Health	575,025	80%	95%	1,581,319
Darren P. Macioce	SVP, Diversified Plan Development, Highmark Inc.	414,420	35%	35%	704,514

BCNEPA Management Compensation

Officer / Non-Officer Executive Leader	Title	Base Salary	Target Incentive	Total Compensation at 100% of Target
Denise S. Cesare	President and CEO	$793,692	60%	$1,270,339
William Farrell	SVP, Finance & Enterprise CFO and Treasurer	395,595	40%	553,832
Aaron Holdren	SVP, Sales and Marketing Officer	353,059	40%	494,282
Brian Rinker	SVP, Chief Administrative Officer	362,882	40%	508,034
Gertrude McGowan	SVP, Chief Legal Officer	330,531	40%	462,743
[redacted]				
Gerald Walsh	VP, Strategic and Business Planning	261,913	30%	340,487
[redacted]				

Source: Highmark and BCNEPA.
(1) Annual Executive Incentive Plan.
(2) Long-term Incentive Plan.

(iii) Changes to BCNEPA Corporate/Governance Structure (Cont'd.)

Blackstone has reviewed select information pertaining to BCNEPA's executive compensation arrangements.

BCNEPA Management Compensation Considerations

- Two BCNEPA executives currently have change-in-control ("CIC") agreements
  - Denise Cesare, President and Chief Executive Officer ("CEO"): CIC agreement dated February 26, 2002, as amended
  - Brian Rinker, Chief Administrative Officer ("CAO"): CIC agreement dated February 25, 2002, as amended
- Each CIC agreement contains a "modified single trigger" as a mechanism for determining monetary payouts of severance benefits
  - "Modified single trigger" mechanism ensures a CIC transaction alone does not necessarily allow an executive to collect severance benefits
    - In addition to the occurrence of a change-in-control transaction: '*Generally the Executive must be terminated without cause, or initiate termination with Good Reason. However, the Executive may initiate a Good Reason termination for any reason beginning 6 months following the CIC and ending 6 months thereafter.*'
- Six BCNEPA executives are participants in a separate CIC plan, effective April 1, 2013
  - William Farrell, Senior Vice President, Finance & Enterprise Chief Financial Officer ("CFO")/Treasurer
  - Aaron Holdren, Senior Vice President, Chief Sales & Marketing Officer
  - Gertrude McGowan, Senior Vice President, Chief Legal Officer
  - Gerald Walsh, Vice President, Strategic & Business Planning
  - Dr. Nina Taggart, Vice President, Clinical Operations & Chief Medical Officer
  - Kerry Turner, Vice President, Corporate Assurance & Compliance
- A worst case scenario, as developed by Highmark, to account for the full payout of severance benefits based on termination of all eight BCNEPA executives covered by either a CIC agreement or covered under the CIC plan, would be a [redacted] million expense
- BCNEPA currently has retention agreements with 17 non-executive employees and are forecasted to total approximately [redacted]k in expense

Source: BCNEPA and Highmark.

(iii) Changes to BCNEPA Corporate/Governance Structure (Cont'd.)

In January 2013, [redacted] ("Compensation Consultant") provided BCNEPA's Board of Directors with a review of BCNEPA's CIC agreements and a comparison to current market practice trends/best practices.

Compensation Consultant Summary Findings:

"The CEO contract contains benefits that are on the higher end of current market practice. While the CAO contract provides benefits that are in line with current market practice, both agreements contain features that are no longer prevalent in CIC protection packages. However, a cap on overall benefits keeps actual value received in line with current market standards."

Select Compensation Consultant Detailed Findings

Provision	BCNEPA Agreements	Market Practice
Trigger for Cash Severance	▸ Generally, the executive must be terminated without cause, or initiate termination with Good Reason ▸ However, the executive may initiate a Good Reason termination for *any* reason beginning 6 months following the CIC and ending 6 months thereafter. (This structure is referred to as a modified single trigger.)	▸ Among large public companies, over 95 have a double trigger (meaning that the executive must be terminated following the CIC). Outright single triggers (payment upon CIC) and modified single triggers (similar to BCNEPA's agreements) have been characterized as a poor pay practice, so most public companies have moved away from them. ▸ However, we still see a number of single triggers (although less than a majority) at private Blue Cross companies.
Cash Severance	▸ CEO: 2.5x salary and bonus (2x if leave voluntarily after 6 months without any other Good Reason) ▸ CAO: 1.5x salary and bonus (1x if leave voluntarily after 6 months without any other Good Reason)	▸ Historically, for large public companies, the majority practice for CEOs was 3x salary plus bonus, with other top executives ranging from 2x to 3x. However, even among large companies, the prevalence of 3x is coming down. While currently still a slight majority practice due to legacy contracts, 2x is the norm for new arrangements and we expect it to soon become majority practice for CEOs, with other executives falling between 1x and 2x. ▸ Among smaller public companies and larger Blue Cross organizations, 2x is the most common practice for CEOs and the top 3 or 4 executives. Below that, benefits range from 1x to 2x.
Welfare Benefit Continuation	▸ Executive will be reimbursed for the employer-provided cost of medical, dental, life, and disability coverage for the duration of the separation period (2.5 years for CEO and 1.5 years for CAO, unless they leave voluntarily after 6 months without Good Reason, in which case it would be 2 years and 1 year, respectively).	▸ While it is quite common (over 80% of those surveyed) to provide continued coverage, or cost reimbursement, for medical and dental, it is much less common (under 20% to 30%, depending on the position) to see continued coverage for the cost of life or disability insurance.
Retirement Benefit Enhancement	▸ Executive will be fully vested in all savings and retirement plan benefits and is entitled to the equivalent value of continued participation in all retirement plans for the separation period (including pension, 401(k), SERP, SESP).	▸ While fully vesting existing retirement benefits is quite common, providing additional benefits is less so. Currently less than 40% provide any enhancement to retirement benefits, mostly found in legacy agreements. As with other trends in this area, we are currently seeing the prevalence of this enhancement declining even further.

Source: BCNEPA.

Public

(iii) Changes to BCNEPA Corporate/Governance Structure (Cont'd.)

Below is a summary of compensation benefits payable to Denise Cesare and Brian Rinker, as provided by Compensation Consultant, as well as the findings articulated by Financial Consultant regarding certain tax consequences of a hypothetical payment to Denise Cesare.

Benefits Provided Under Current CIC Agreements, *per Compensation Consultant*

Provision	CEO (Cesare)	CAO (Rinker)
Salary	[redacted]	
Highest Bonus		
All Other		
Total		
Total if single trigger during 6 month window		
Capped Amount(1)		

Tax Consequence Findings, *per Financial Consultant*

- [redacted]

Source: BCNEPA.

[redacted]

(iii) Changes to BCNEPA Corporate/Governance Structure (Cont'd.)

In addition to reporting to, and operating at the direction of, the Highmark Board of Directors, which will include BCNEPA appointees for a period of four years after closing, BCNEPA operations are proposed to be influenced by a soon-to-be created Advisory Board ("Advisory Board").

BCNEPA Advisory Board

- 19-member body; simple majority vote for select recommendations to Highmark
- BCNEPA initial members serving initial four year term:
  - Frank Apostolico
  - Paul Canevari
  - Peter Danchak
  - Louis DeNaples
  - Bart Ecker
  - John Graham
  - Alan Hollander
  - Gary Lamont
  - Richard Mangan
  - John McCarthy
  - John Menapace
  - John Moses
  - Paul Rooney
  - Rhea Simms
  - David Williams
- Highmark members serving initial four-year term:
  - Market President: Michael Sullivan, President, Health Markets, Highmark
  - Anthony Benevento, Senior Vice President, Regional Markets, Highmark
  - Karen Hanlon, Executive Vice President, Chief Financial Officer, Highmark Health
  - Brian Rinker, Senior Vice President, NEPA Region

BCNEPA Members of Highmark Board of Directors

- Corporate bylaws of Highmark to be amended and restated to establish Class A directors consisting of four members of Highmark's Board to be filled initially by members of BCNEPA Board
  - Provision expires four years after closing
- BCNEPA appointees as Class A Directors of Highmark:
  - Gary Lamont
  - John Menapace
  - John Moses
  - Rhea Simms

Source: BCNEPA.

(iii) Changes to BCNEPA Corporate/Governance Structure (Cont'd.)

Up to $90 million of charitable assets are to be contributed out of BCNEPA reserves prior to closing, with an additional $10 million to be contributed later if certain conditions are met. These monetary contributions, in addition to the contribution of AllOne Health Group, Inc. and Health Resources Corporations, are proposed to be overseen by the Foundation and a newly formed Public Charity.

	Foundation	Public Charity
Mission	▸ The name of the Foundation will be changed to AllOne Foundation ▸ The mission of the Foundation is to make a real and substantive impact on the health and welfare of the people of northeastern and north central Pennsylvania by improving access, affordability and quality of healthcare ▸ The Foundation is expected to support more extensive, programmatic charitable activities, either by itself or, perhaps, in concert with other exempt organizations by making larger contributions to public charities ▸ The Foundation anticipates that it will require more in depth grant applications, and more detailed grant proposals, select for funding more targeted programs in the healthcare arena, and that its oversight of the application of funds which it grants would be more extensive than would be the case with donations to other public charities for unrestricted purposes ▸ Upon receiving significant charitable funds provided for in the merger agreement, the Private Foundation will be in a position to make extensive, targeted grants to non-profits across the region, and to undertake larger programmatic activities or develop and fund self-designed charitable initiatives that are broad in scope	▸ The Public Charity will be named AllOne Charities ▸ The mission of the Public Charity is to make a real and substantive impact on the health and welfare of the people of northeastern and north central Pennsylvania by improving access, affordability and quality of healthcare ▸ The newly formed public charity intends to provide or 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, in particular, supporting health care and other purposes that complement or supplement the historic mission of BCNEPA

Source: BCNEPA.

(iii) Changes to BCNEPA Corporate/Governance Structure (Cont'd.)

	Foundation	Public Charity
Board Composition	▶ The Board of Directors of the Foundation will initially consist of the current members of BCNEPA's Board, other than the ex-officio director, as well as certain current members of the Board of Directors of the Foundation who are willing to serve	▶ Board of Directors will be both large in number (with a minimum of 31 directors) and broadly representative of the Northeastern and North Central Pennsylvania community, including current members of the Board of Directors of BCNEPA ▶ A majority of the Public Charity's directors, however, will not be directors of the Foundation ▶ A volunteer committee, consisting of members of the BCNEPA Board ("Volunteer Committee"), is working to identify candidate majority board members who are broadly representative of the community and who would agree to work diligently to enhance the Public Charity's mission ▶ Among the selection considerations for these majority members are broad geographic coverage throughout the 13 counties of Northeastern and North Central Pennsylvania, industry leaders, educators, healthcare professionals and other persons with healthcare backgrounds, members of the religious community, individuals who work for other exempt organizations, government officials and/or members of their staffs, and other persons interested in helping to improve the health and welfare of the residents of Northeastern and North Central Pennsylvania
Board Compensation	▶ A Director shall not be entitled to any compensation for his or her services as a Director of the Foundation ▶ Members are to be compensated for serving as Directors of AHRC	▶ A Director shall not be entitled to any compensation for his or her services as a Director of the Public Charity ▶ Members are to be compensated for serving as Directors of AHRC

Source: BCNEPA.

(iii) Changes to BCNEPA Corporate/Governance Structure (Cont'd.)

	Foundation	Public Charity
Amended Bylaws	▶ Section 1-1: Members. The Corporation shall have no members. In accordance with the Non-profit Corporation Law of 188, as amended (15 Pa.C.S. § 5751(b)), all actions to be taken by members shall be taken by the Board of Directors ▶ Section 2-1: The business and affairs of the Corporation shall be managed by a Board of not less than nine (9) nor more than thirty-five (35) Directors. Each Director shall be a natural person of the age 18 years or older and need not be a resident of the Commonwealth of Pennsylvania	▶ Section 1-1: The Corporation shall have no members. In accordance with the Non-profit Corporation Law of 1988, as amended (15 Pa.C.S. § 5751(b)), all actions to be taken by members shall be taken by the Board of Directors ▶ Section 2-1: The business and affairs of the Corporation shall be managed by a Board of not less than nine (9) nor more than thirty-five (35) Directors. Each Director shall be a natural person of the age 18 years or older and need not be a resident of the Commonwealth of Pennsylvania. So long as the Corporation owns the stock of AllOne Health Resources Corporation, a majority of the Directors of the Public Charity shall consist of individuals who are not directors of AHRC nor persons related to directors of AHRC.
Fundraising Activities	▶ The Foundation will not be engaging in fundraising	▶ The Public Charity's fundraising activities have not yet been determined ▶ It is expected that the Public Charity will engage in vigorous word-of-mouth solicitation of donations • The Foundation's Board may, for example, seek to raise funds through email and phone solicitations, through hosted fundraising events, by creating a website to aid in solicitations, and, in all events, by applying for grants from governmental agencies and from other exempt organizations, as the Board may decide
Management and Staff	▶ Officers, employees and facilities to be shared with the Public Charity; it is currently estimated that the total number of employees of the Foundation and Public Charity combined will be five	▶ Officers, employees and facilities to be shared with the Foundation; it is currently estimated that the total number of employees of the Foundation and Public Charity combined will be five
Headquarters	▶ Northeastern Pennsylvania	▶ Northeastern Pennsylvania

Source: BCNEPA.

(iii) Changes to BCNEPA Corporate/Governance Structure (Cont'd.)

Current BCNEPA board members are projected to be compensated as either members of Highmark's Board and/or the BCNEPA Advisory Board and as members of AHRC's Board. BCNEPA projects compensation to these board members will total an estimated $1.2 million annually.

($ in thousands)

	Highmark Board of Directors			BCNEPA Advisory Board					AHG/AHRC			Foundation / Public	
Director	Retainer	Fees & Other[1]	Total	Retainer[2]	Fees & Other[3]	Total	FPLIC[4]	FPH[4]	Retainer[5]	Fees & Other[6]	Total	Charity	Total
John P. Moses	$65.0	$19.7	$84.7	$55.0	$17.3	$72.3	$2.4	$2.4	$30.0	$3.0	$33.0	$0.0	**$194.8**
Gary F. Lamont	65.0	19.7	84.7	0.0	15.4	15.4	-	-	15.0	3.0	18.0	0.0	**118.1**
John J. Menapace	65.0	19.7	84.7	0.0	14.9	14.9	-	-	15.0	3.0	18.0	0.0	**117.6**
Rhea P. Simms	65.0	19.7	84.7	0.0	14.3	14.3	-	-	15.0	3.0	18.0	0.0	**117.0**
Frank Apostolico	-	-	-	20.0	15.0	35.0	-	-	15.0	3.0	18.0	0.0	**53.0**
John H. Graham	-	-	-	20.0	14.3	34.3	-	-	15.0	3.0	18.0	0.0	**52.3**
Paul J. Canevari	-	-	-	20.0	15.4	35.4	-	-	15.0	3.0	18.0	0.0	**53.4**
Peter J. Danchak	-	-	-	20.0	14.3	34.3	-	-	15.0	3.0	18.0	0.0	**52.3**
Louis A. DeNaples	-	-	-	20.0	14.3	34.3	-	-	15.0	3.0	18.0	0.0	**52.3**
Bart E. Ecker, Esq.	-	-	-	20.0	14.3	34.3	-	-	15.0	3.0	18.0	0.0	**52.3**
Alan Hollander	-	-	-	20.0	14.5	34.5	-	-	15.0	3.0	18.0	0.0	**52.5**
Richard K. Mangan	-	-	-	20.0	14.7	34.7	-	-	15.0	3.0	18.0	0.0	**52.7**
John D. McCarthy Jr.	-	-	-	20.0	14.3	34.3	-	-	15.0	3.0	18.0	0.0	**52.3**
Paul Rooney	-	-	-	20.0	15.3	35.3	-	-	15.0	3.0	18.0	0.0	**53.3**
David J. Williams	-	-	-	20.0	14.9	34.9	-	-	15.0	3.0	18.0	0.0	**52.9**
Committee Chairs - TBD				20.0					15.0				**35.0**
Total	**$260.0**	**$78.8**	**$338.8**	**$295.0**	**$223.4**	**$498.4**	**$2.4**	**$2.4**	**$255.0**	**$45.0**	**$285.0**	**$0.0**	**$1,162.0**

Note: 'Fees & Other' includes meeting fees, committee meeting fees, health insurance, travel and incidentals.

Note: Employees of Highmark Health and Highmark Inc. receive no additional compensation for serving on the Advisory Board or any committee of the Advisory Board. Such persons will be reimbursed for their reasonable out-of-pocket expenses.

(1) Assumes each director serves on 2 committees, each of which meets 5 times per year @$1,500 per member per meeting.
(2) Identity of four committee chairs is still being determined; each committee chair will receive an additional retainer of $5,000.
(3) Assumes four quarterly committee meetings per year, at $1,000 per meeting. Includes $10,324 for health insurance. Advisory Board members may serve on more than one committee.
(4) Directors (not including employees of Highmark Health of Highmark Inc.) will receive meeting fees of $1,200 per meeting. Assumes four quarterly meetings per year. Highmark policy is if two meetings held simultaneously, only one meeting fee paid per director, and therefore, the cost of these meeting fees are split between FPH and FPLIC.
(5) Identity of the AHRC committee chairs is to be determined; each will receive additional retainers of $5,000.
(6) Assumes each AHRC Board members sits on one committee that meets quarterly at $750 per meeting. Assumes committees will consist of five Board members, including the committee chair.

Standard "iv": Conclusion

Blackstone believes the Proposed Transaction would not violate Standard "iv".

Standard "iv": The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable and fail to confer benefit on policyholders of the insurer and are not in the public interest

Standard "iv" Summary Conclusions:

- BCNEPA conducted a thorough and competitive transaction process that included input from multiple third-party advisors
- The Proposed Transaction, if approved, appears to be accretive as of the closing date to Highmark's surplus and BCNEPA will, by merging with and into Highmark, become part of a larger, financially sound entity
- The structure of the Proposed Transaction includes a contribution to one or more Northeastern Pennsylvania-based charitable organizations of: (i) funds in the amount up to $100 million, of which up to $90 million may be paid out of BCNEPA's surplus capital and up to $10 million may be paid by Highmark after closing if certain criteria are satisfied as discussed earlier; and (ii) all of the outstanding stock of AHRC. As discussed in Standard "iii," these contributions do not appear to pose risks to BCNEPA subscribers who will become subscribers of Highmark as a result of the Transaction, if the Proposed Transaction is approved. Highmark and BCNEPA have projected potential financial synergies for the combined entity that exceed projected transaction costs; the assumptions underlying these financial projections do not appear to be unreasonable
- We understand that the Attorney General of the Commonwealth of Pennsylvania has certain rights of *parens patriae* to ensure that the public interest in non-profit assets is protected. In that regard, by letter dated April 15, 2015, Michael T. Foerster, Esq., Senior Deputy Attorney General, stated that "[b]ased upon information that you [BCNEPA] provided ... and based on our resolution regarding advisory board compensation, we have no objection to the transaction."
- **Based on the analysis herein, Blackstone does not believe that the plans and proposals related to the Proposed Transaction appear to be unfair and unreasonable and fail to confer benefit on policyholders and against the public interest**

E. Standard “vi"

Blackstone

Standard "vi": Overview

BCNEPA provides health insurance services to approximately 550k subscribers and employs approximately 650 health plan employees in the Northeastern Pennsylvania region. As such, the PID and its advisors have solicited the public's feedback on the Proposed Transaction via public information sessions and private diligence discussions.

Standard "vi": The merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public

Blackstone's review of Standard "vi", in addition to the issues reviewed by Compass Lexecon, included, but was not limited to, the following:

(i) Assessment of public feedback concerning the Transaction

- Blackstone participated in public information sessions hosted by the PID and attended by BCNEPA and Highmark
- Blackstone reviewed comments submitted to the PID regarding the Proposed Transaction

(ii) Assessment of stakeholder feedback concerning the Transaction

- Blackstone conducted private diligence discussions with various market/industry participants

Standard "vi": Overview (Cont'd.)

Blackstone and Compass Lexecon participated in public information sessions and conducted private diligence meetings in order to identify concerns about the Proposed Transaction.

	General Characteristics	Session / Meeting Details
Public Information Sessions and Written Submissions to the PID	▶ Sessions were open to the public; notice given on September 25, 2014 (48 days in advance) on the PID website ▶ BCNEPA and Highmark prepared opening remarks and responded to questions posed by the PID and members of the public during the sessions ▶ Members of the public also submitted written comments and verbal remarks; all comments and remarks transcribed and made publicly available	▶ November 12, 2014: day and evening sessions in Scranton, PA
Private Diligence Meetings with Market Participants	▶ Blackstone and Compass Lexecon conducted 30-90 minute telephonic discussions or in-person meetings with industry participants • Industry participants interviewed were suggested by BCNEPA, Highmark, the PID and others ▶ Blackstone and Compass Lexecon, generally, raised the following topics: • Views on the impact of the proposed merger on the market participant's organization and stakeholders • Views on the level of BCNEPA's importance as an employer and service provider in the region • Views on BCNEPA's future as a thriving participant in the insurance market if BCNEPA were to remain independent • Views on the importance of BCNEPA having a local presence • Whether a market participant's organization had any concerns regarding Highmark as the acquiring party • Whether a market participant had a perspective on the possible outcome of a transaction involving BCNEPA and an insurer other than Highmark • Views on the potential impact on local community hospitals/providers • Views on potential negative outcomes of the Transaction	▶ Participants included: • Provider systems • Business and community organizations • Subscribers / insurance customers

(i) Public Feedback

In addition to favorable comments provided to the PID, Blackstone notes the following select concerns voiced by members of the public that were either submitted via email to the PID or verbalized during public information sessions held by the PID in Scranton on November 12, 2014.

Comment	Stakeholder(s) Concerned
Transaction will remove competition from the marketplace, therefore increasing prices and offering fewer choices	Consumer
Transaction will lead to layoffs in Northeastern Pennsylvania	Consumer
Highmark has been known to withdraw products that are affordable for members who have limited income	Consumer
Concern over who is controlling the public charity and private foundation and if the officers of these organizations will be paid	Consumer
Concern regarding Highmark's market power and the negative impact on providers	Provider organization

Source: PID.

(ii) Industry / Market Participant Feedback

Blackstone and Compass Lexecon conducted interviews with industry participants and interested stakeholders in order to understand a variety of perspectives on the Proposed Transaction. In addition to favorable comments provided to the PID, below is a listing of select concerns raised in these discussions.

Comment	Stakeholder(s) Concerned
Loss of BCNEPA's local presence and interaction with local clients	Consumer
Concern regarding the impact on employment and the local economy; even if the number of jobs stays the same, the quality of these jobs may be worse	Business organization
Concern regarding any changes to the BCNEPA Foundation's mission as a result of the Transaction	Business organization
Highmark's reputation of being a challenging party with whom to negotiate; Highmark's reputation for using market presence and sophistication to the detriment of smaller providers	Provider
Concern that the Highmark BCNEPA merger would only serve to create a larger Blues monopoly and preserve supposedly anticompetitive market environment in the region	Provider

Standard "vi": Conclusion

Blackstone believes that the Proposed Transaction would not violate Standard "vi".

Standard "vi": The merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public

Standard "vi" Summary Conclusions:

- In addition to favorable comments provided to the PID, select concerns noted by BCNEPA customers and the insurance buying public, as submitted to the PID via email or during the hearing, are related to maintenance of the insurer's local presence and market-focused functionality, impact on employment levels and governance issues with regard to the "leave-behind" entities
- In addition to favorable comments provided to the PID, select concerns noted by other industry/market participants, via private diligence discussions with the PID's advisors, related to Highmark's potential to have a negative impact on providers and competition if the Proposed Transaction is approved

V. Appendix A

Blackstone

BCNEPA Statutory Reserves

Highmark predicts that merging with BCNEPA's insurance operations will result in a contribution of an estimated $248 million to Highmark's statutory reserves after up to a $90 million contribution is made to BCNEPA charitable entities.

BCNEPA Reconciliation from GAAP to Statutory Reserves[1]

($ in millions)	6/30/2014
GAAP Surplus Reserves	[redacted]
Less: Noncontrolling interest (Highmark's 40% interest in FPLIC & FPH)	
BlueCross of Northeastern PA Surplus Reserves	
Statutory Adjustments:	
Non-admitted assets	
Bond valuation adjustments	
Deferred tax adjustments	
FPLIC and FPH statutory adjustments (net)	
All other adjustments	
Total Statutory Adjustments	
BCNEPA Statutory Surplus	
Less: Equity Value of AHG, HRC and the Blue Ribbon Foundation	
Less: Contribution to Private Foundation and Public Charity	
BCNEPA Net Statutory Surplus acquired by Highmark	**$247.6**

Source: BCNEPA.
(1) Assuming a contribution of $90 million is made out of BCNEPA reserves.

VI. Appendix B: Addendum to Blackstone's Review of Highmark's Financial Condition

Blackstone

Appendix B: Addendum to Blackstone's Review of Highmark's Financial Condition

Following the release of Blackstone's initial draft report on the proposed Transaction, two material developments occurred: (i) Highmark issued its 2014 year-end financial results and (ii) Highmark requested PID approval to make a grant of $175 million to AHN for purposes of funding capital investments within the provider system.

- Highmark's 2014 financial performance fell short of projections submitted during the PID's initial review process for this proposed Transaction
  - Highmark's 2014 pre-tax income of $70.5 million represented a 69.7% decline relative to the Company's previous forecast of $232.9 million
    - Highmark attributes $155 million of this shortfall to the loss of previously anticipated payments from the Centers for Medicare and Medicaid Services ("CMS") under the ACA Risk Corridor program, based on the uncertainty of the receipt of this revenue
  - The year-end valuation of Highmark's pension and postretirement plan liabilities, which incorporate updated mortality tables and a decrease in the discount rate used to value these liabilities (due to the current low-interest rate environment), also negatively impacted Highmark's surplus
  - Due to the downturn in 2014 financial results, Highmark's RBC ratio at year-end 2014 was [redacted] compared to the previously submitted forecast of [redacted]

Highmark 2013-2014 RBC Bridge

[redacted]

Dec. 2013 Actual | ACA Risk Corridor | Benefit Plan YE Valuation | WPAHS Bond Guarantee[1] | Other, net[2] | Dec. 2014 Actual | Revised "Downside" Case

- Highmark has requested approval under PID Approving Determination and Order No. ID-RC-13-06 to provide $175 million in grants to AHN to fund capital improvements; If this request is approved, Highmark's RBC will decrease by [redacted]
- The combined impact of (i) Highmark's actual 2014 financial results and (ii) the prospective $175 million grant to AHN reduce Highmark's projected RBC pro-forma for the NEPA Transaction from the previously submitted [redacted] to [redacted] and reduce Highmark's RBC in a "downside" scenario from the previously submitted [redacted] to [redacted]

See page 108 for greater detail of "downside" case.

After accounting for the above developments, Blackstone notes that Highmark's RBC ratio pro-forma for the proposed Transaction remains above [redacted] and that Highmark's "downside" case RBC ratio remains above [redacted]

Although the above developments are material to Highmark's financial condition, Blackstone's initial conclusions regarding the proposed Transaction, as detailed in the main body of this Report, remain unchanged. Blackstone recommends, however, that the PID consider conditions that, if the proposed Transaction were approved, would provide for enhanced PID monitoring of Highmark's comprehensive financial condition, including Downside case testing of the type included in this Report, on an ongoing basis.

Source: Highmark.
(1) [redacted]
(2) 2014 results, excluding the factors highlighted on this page, were positive.

Note: This updated page is based on page 39 from the body of this report.

Appendix B: Addendum to Blackstone's Review of Highmark's Financial Condition (Cont'd.)

Highmark's Risk-Based Capital ratio is monitored by the PID and the BCBSA and measured against established benchmarks. Highmark's RBC has been deemed "Sufficient" for the last five years, according to the PID's standards, and Highmark's RBC has been above the BCBSA early warning threshold over the same time period.

Highmark Historical RBC

[redacted]

2010 2011 2012 2013 2014

■ Highmark RBC Ratio

Commentary

- In 2005, the PID implemented a model of analysis to review reserve and surplus levels of state "Blue" plans, classifying the RBC level as either efficient, sufficient or inefficient
- Several risk factors are considered, including: health care regulation, inflation of health care costs, class action law suits, terrorism, public health outbreaks, and underwriting risk
- Benefits of insurer surplus include reducing policyholder risk, minimizing the threat of insolvency resulting from the measured level of risk, as well as investing in improving technology or other operational efficiencies

A **Inefficient**: Greater than 750% of the lower of the NAIC Health RBC ratio or the consolidated risk factor ratio

- Upper level of surplus, which means it is presumptively inefficient and potentially excessive

B **Sufficient**: Greater than 550% (but less than 750%) of the lower of the NAIC Health RBC ratio or the consolidated risk factor ratio is considered

C **Efficient:** An RBC level below 550% is considered efficient

D **Early Warning Monitoring Threshold**: An RBC ratio below 375% triggers active monitoring by the BCBSA and the plan will be required to submit an action plan for improving its surplus position

E **Withdrawal of the Brand**: If a company falls below a 200% RBC level, the BCBSA may revoke the company's right to use the Blue Cross Blue Shield trademarks

Source: Highmark and PID.

Note: This updated page is based on page 42 from the body of this report.

Appendix B: Addendum to Blackstone's Review of Highmark's Financial Condition (Cont'd.)

On a standalone basis, Highmark projects it will generate $382.6 million in Pre-tax Income, grow its GAAP reserves to $6.3 billion, and have an RBC ratio in the [redacted] range in 2017. Select assumptions and drivers of these financial projections are discussed on the following pages.

Highmark Projected Standalone Income Statement

($ in millions)	2014A	2015E	2016E	2017E
Premium Revenue	[redacted]			
Management Services Revenue				
Other Revenue				
Total Operating Revenue	$15,025.5	$14,887.6	$15,351.6	$16,128.0
Claims Incurred	[redacted]			
Operating Expenses				
Total Operating Expenses	$14,796.5	$14,623.7	$14,995.2	$15,726.4
Operating Income	**$229.0**	**$263.9**	**$356.4**	**$401.6**
% margin	*1.5%*	*1.8%*	*2.3%*	*2.5%*
% y-o-y growth		*15.2%*	*35.1%*	*12.7%*
Net Investment Income	[redacted]			
Non-Operating Expenses				
Other[1]				
Income before Income Taxes	**$70.5**	**$202.4**	**$329.3**	**$382.6**
Net Income	**($22.2)**	**$106.1**	**$213.3**	**$256.5**
% margin	*(0.1%)*	*0.7%*	*1.4%*	*1.6%*
% y-o-y growth		*NM*	*101.0%*	*20.3%*

Highmark Projected Standalone GAAP Balance Sheet

($ in millions)	2014A	2015E	2016E	2017E
Cash and Cash Equivalents	[redacted]			
Investments				
Accounts Receivable				
Property & Equipment, Net				
Goodwill & Other Intangibles, Net				
Other Assets				
Total Assets	**$10,903.2**	**$11,175.1**	**$11,386.9**	**$11,770.3**
Claims Outstanding	[redacted]			
Unearned Subscription Revenue				
Debt				
Other Liabilities				
Total Liabilities	**$5,592.9**	**$5,374.9**	**$5,373.4**	**$5,500.4**
Total Reserves	**$5,310.3**	**$5,800.2**	**$6,013.5**	**$6,269.9**
Liabilities & Reserves	**$10,903.2**	**$11,175.1**	**$11,386.9**	**$11,770.3**
Memo:	[redacted]			
RBC%				

Note: Sub totals may differ from the sum of amounts shown by +/- 1 due to rounding of decimal places not displayed

Source: Highmark.

(1) Other includes Equity Income from Affiliates and change in premium deficiency reserve.

Appendix B: Addendum to Blackstone's Review of Highmark's Financial Condition (Cont'd.)

Highmark Health Plan enrollment is projected to decline from an estimated [redacted] members in 2014 to [redacted] members in 2017 as a result of competition from the University of Pittsburgh Medical Center ("UPMC"), among numerous other factors.

Health Plan Results

Health Enrollment Commentary

- By the end of 2016, Highmark projects a loss of not more than [redacted] commercial members spread across Pennsylvania and national accounts primarily due to the disruption associated with the loss of the UPMC contract and competition from national carriers
  - Partially offset by the growth in partnership business in 2015 is primarily driven by [redacted]
- PA Direct Pay products are projected to grow from [redacted] members in 2014 to [redacted] members in 2016 with the introduction of healthcare exchanges, with a portion of this growth being attributable to small groups dropping commercial coverage
- The loss of the "half-Star" quality rating on Freedom Blue products (down to 3.5 Stars from 4) contributes to member loss in 2015 in the Senior market, due to necessary price increases that are likely to negatively impact membership

Health Enrollment

(in thousands)	2014A	2015E	2016E	2017E
Western PA	[redacted]	[redacted]	[redacted]	[redacted]
Central PA	[redacted]	[redacted]	[redacted]	[redacted]
West Virginia	[redacted]	[redacted]	[redacted]	[redacted]
Delaware	[redacted]	[redacted]	[redacted]	[redacted]
National	[redacted]	[redacted]	[redacted]	[redacted]
Senior	[redacted]	[redacted]	[redacted]	[redacted]
PA Direct Pay	[redacted]	[redacted]	[redacted]	[redacted]
Agency	[redacted]	[redacted]	[redacted]	[redacted]
Total Health	[redacted]	[redacted]	[redacted]	[redacted]
% y-o-y increase / (decrease)	[redacted]	[redacted]	[redacted]	[redacted]

Health Operating Income Commentary

- A [redacted] decline in profitability is projected in the Pennsylvania Large Group market in 2015 as a result of the termination of the UPMC contract and the accompanying loss of enrollment; [redacted]
- IDN strategy savings are projected to impact care cost trend by [redacted] by 2016 [redacted]
- Small group results are projected to return to profitability as membership migrates to Patient Protection and Affordable Care Act ("PPACA") compliant offerings at higher premium rates
- Significant cost reduction strategies are included in the plan; [redacted]
- Member premiums for Freedom Blue are projected to increase approximately [redacted] in 2015 due to reduced payments from the Centers for Medicare and Medicaid Services associated with the anticipated reduction of the Star rating

Health Operating Income

($ in millions)	2014A	2015E	2016E	2017E
Western PA	[redacted]	[redacted]	[redacted]	[redacted]
Central PA	[redacted]	[redacted]	[redacted]	[redacted]
West Virginia	[redacted]	[redacted]	[redacted]	[redacted]
Delaware	[redacted]	[redacted]	[redacted]	[redacted]
National	[redacted]	[redacted]	[redacted]	[redacted]
Senior	[redacted]	[redacted]	[redacted]	[redacted]
PA Direct Pay	[redacted]	[redacted]	[redacted]	[redacted]
Agency	[redacted]	[redacted]	[redacted]	[redacted]
Total Health	[redacted]	[redacted]	[redacted]	[redacted]
% y-o-y increase / (decrease)	[redacted]	[redacted]	[redacted]	[redacted]

Source: Highmark.

Appendix B: Addendum to Blackstone's Review of Highmark's Financial Condition (Cont'd.)

Diversified Services projected results reflect changes in Highmark's Dental business, in its Vision business and in HM Insurance Group ("HMIG").

Diversified Services Results

Dental Operating Commentary

- Results reflect the renewal of both the Active Duty Dental Program ("ADDP") and Federal Employee Dental and Vision Insurance Program ("FEDVIP") contract [redacted]
- Improvements in 2016 are primarily driven by scale gained with existing partnership arrangements; increase in dental contracts from [redacted] million at end of 2014 to [redacted] million by end of 2016

Vision Operating Commentary

- HVHC is projected to add [redacted] new stores over the forecast period, while maintaining sales in existing locations, with the goal of achieving a national footprint by 2018
- Managed Care Vision results stabilize in 2015 and 2016 despite enrollment pressure from the termination of the UPMC contract
  - Total Vision enrollment is projected to increase from [redacted] million at the end of 2014 to [redacted] million by end of 2016

HMIG Operating Commentary

- Results improve over time driven primarily Stop Loss, which is increasing operating gain by [redacted] million between 2014 and 2016
- Loss ratios for Stop Loss are projected to remain relatively constant through 2017; health care reform is not projected to have a significant impact on Stop Loss results

Dental Operating Results

($ in millions)	2014A	2015E	2016E	2017E[1]
Government (ADDP)	[redacted]			
FEDVIP				
Other Commercial				
Total Dental				
% y-o-y increase / (decrease)				

Vision Operating Results

($ in millions)	2014A	2015E	2016E	2017E[1]
Retail	[redacted]			
Managed Care				
Other (incl. Eliminations)				
Total Vision				
% y-o-y increase / (decrease)				

HMIG Operating Results

($ in millions)	2014A	2015E	2016E	2017E[1]
Stop Loss	[redacted]			
Worker's Compensation				
Worksite				
Other				
Total HMIG				
% y-o-y increase / (decrease)				
Total Diversified Services	$225.3	$187.2	$217.2	$228.7

Source: Highmark.
(1) Diversified Services Results only forecasted on a consolidated basis for 2017.

Appendix B: Addendum to Blackstone's Review of Highmark's Financial Condition (Cont'd.)

On a Transaction pro forma basis, Highmark is projected to generate $423.7 million Pre-tax Income, grow its GAAP reserves to $6.7 billion and have an RBC ratio in the [redacted] range in 2017.

Transaction Pro Forma Projected Income Statement

($ in millions)	2014A	2015E	2016E	2017E
Highmark Baseline	$70.5	$202.4	$329.3	$382.6
BCNEPA Baseline	-	13.9	21.6	23.1
Baseline Pre-Tax Income	**$70.5**	**$216.3**	**$350.9**	**$405.7**
Administrative Cost Synergies	$0.0	$3.3	$9.9	$12.3
Pharmacy Synergies	0.0	2.4	5.3	5.4
Transaction / Integration Costs	(18.0)	(39.5)	(7.0)	0.0
Foundation Cont./ Inv. Income	0.0	(12.5)	(2.8)	(2.8)
Other	0.0	5.2	3.2	3.1
Post Merger Pre-Tax Income	$52.5	$175.2	$359.5	$423.7

Transaction Pro Forma Projected GAAP Balance Sheet

($ in millions)	2014A	2015E	2016E	2017E
Cash and Cash Equivalents	[redacted]			
Investments				
Accounts Receivable				
Property & Equipment, Net				
Goodwill & Other Intangibles				
Other assets				
Total Assets	$10,903.2	$11,929.5	$12,194.1	$12,623.7
Claims Outstanding	[redacted]			
Unearned Subscription Revenue				
Debt				
Other Liabilities				
Total Liabilities	**$5,592.8**	**$5,723.0**	**$5,738.4**	**$5,883.2**
Total Reserves	**$5,310.3**	**$6,206.5**	**$6,455.7**	**$6,740.5**
Liabilities & Reserves	$10,903.2	$11,929.5	$12,194.1	$12,623.7

Memo:
RBC% [redacted]

Source: Highmark.
Note: Pro forma figures reflected in 2015 – 2017 estimates.

Appendix B: Addendum to Blackstone's Review of Highmark's Financial Condition (Cont'd.)

Highmark projects the merger with BCNEPA, if consummated, will increase its Risk-Based Capital ratio by approximately [redacted], including the impact of Highmark's recently submitted request to provide additional funding to AHN.

Day-1 RBC Impact

[redacted]

Dec. 2014 Actual	NEPA Merger	Reinsurance	$175mm AHN Capex	Post Merger
A	B	C	D	

Commentary

A [redacted]

B

C

D

Source: Highmark.

(1) See Appendix for reconciliation of BCNEPA GAAP reserves to statutory reserves contribution amount of $248 million.

(2) Upon closing of the proposed merger, all underwritten business at FPLIC and FPH will be ceded to Highmark under a 100% quota share reinsurance agreement. Underwriting risk accounted for at the corporate parent (i.e., Highmark) receives a lower risk charge than risk accounted for at the subsidiary (i.e., FPH or FPLIC) under statutory RBC calculation rules.

Appendix B: Addendum to Blackstone's Review of Highmark's Financial Condition (Cont'd.)

Assuming a BCNEPA "downside" scenario, as well as other negative market implications for Highmark, including a significant deterioration of results at WPAHS, Highmark projects that the surviving entity's RBC ratio could fall to approximately [redacted]

"Downside" Scenario RBC Summary

[redacted]

Post Merger	Trigger WPAHS Guarantee	Write-Off WPAHS Loans	Highmark	BCNEPA	Enrollment Losses	NEPA Downside Results	Downside Case
			Market Downturn				
	A	B	C		D	E	

Source: Highmark.

"Downside" Scenario Assumptions & Commentary

A WPAHS results deteriorate significantly creating a situation where the guarantee that Highmark provides to WPAHS is triggered; this would result in Highmark paying $700 million in principal and interest to PNC Bank on behalf of WPAHS

B The value of WPAHS is insufficient to support the carrying value of the $300 million in Highmark loans to WPAHS (based on multiple funding commitments per the Highmark-WPAHS Affiliation Agreement), and Highmark has to write-off the value of those investments

C Another major downturn in the financial markets results in a significant loss (similar to 2008 level of losses experienced) in the value of Highmark's post-merger equity portfolio as well as the value of its benefit plan assets, including the assets transferred from BCNEPA

D Highmark loses enrollment in Western Pennsylvania, [redacted] as a result of the deterioration of results at WPAHS

E See page 49 for discussion of BCNEPA "downside" case