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Corporate & Financial Regulation

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Pennsylvania
Insurance Department

November 24, 2009

Mr. Joel S. Ario
Insurance Commissioner
Commonwealth of Pennsylvania
1326 Strawberry Square
Harrisburg, PA 17120

Re: **Highmark Inc. 2010 Annual Community Health Reinvestment Application**

Dear Commissioner Ario:

Please accept this submission as the application for the expenditure distribution or other utilization of its projected Annual Community Health Reinvestment ("ACHR") obligation for 2010 for Highmark Inc. ("Highmark"). The following chart represents Highmark's estimated ACHR calculation pursuant to section 4 of the Agreement on Community Health Reinvestment (the "Agreement") of February 2, 2005:

2010 ACHR CALCULATION

Total Projected 2010 Premiums at 1.6%:	Total Projected 2010 Premiums at 1%:	Projected 2010 Pennsylvania Health Premium & State Income Taxes Credit:	Total Projected 2010 Estimated ACHR Amount:
\$5,843,842,904	\$ 3,923,539,620		
x .016	x .010		
\$93,501,486	\$39,235,396	\$(11,758,527)	\$120,978,355

In accordance with sections 5 and 6 of the Agreement, we estimate that \$72,587,013 will be available to support state approved programs in 2010:

	Projected Expenditures
60% ACHR to state-approved programs for the low-income and uninsured	\$72.6 million

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CHIEF COUNSEL
INSURANCE DEPARTMENT

We propose allocating the remaining \$48,391,342, or 40% of ACHR, to other Permitted Community Health Endeavors, which include:

40% of 2010 ACHR allocated to proposed Permitted Community Health Endeavors*:	Projected Expenditures
• adultBasic program: projected indirect costs	\$4.0 million
• SpecialCare low-income program: additional rate subsidy and projected underwriting losses	\$5.8 million
• CHIP and Direct Pay for uninsured children above the CHIP income guidelines: projected underwriting losses	\$12.3 million
• Guarantee Issue Direct Pay programs: projected underwriting losses	\$25.0 million
• Direct Pay, Senior, and HCTC/HIPAA programs: projected rate subsidies	\$25.0 million
• Community Initiatives: projected grants and donations that support improving health in Pennsylvania and addressing issues such as, but not limited to, health disparities, chronic diseases, health screenings, community health initiatives and influenza vaccines for Seniors	\$9.2 million
* Advertising expenses have been voluntarily excluded	

As in past years, our projected expenditures related to the 40% for Permitted Community Health Endeavors far exceed the agreed upon amount of \$48,391,342. The amounts listed for each activity represent our best estimate of the cost of Highmark's commitment for 2010. While actual amounts may vary from the projections, the amounts committed to these programs will meet or exceed \$48.4 million. This does not signify an expectation that we will always exceed the 40% portion.

Highmark proposes the following timeframe for transferring funds. Highmark will deposit one-fourth of the amount related to the 60% portion of ACHR (\$72,587,013) each quarter beginning March 1, 2010 (i.e. 3/1/10, 6/1/10, 9/1/10 and 12/1/10). Upon approval from the Insurance Department of the Commonwealth of Pennsylvania (the "Department"), Highmark will settle any refund/credit related to the 2010 ACHR year in 2011.

Additionally, by April 1, 2010, Highmark will submit a reconciliation of the 2009 Application to actual premiums reported and taxes incurred (ACHR agreement section 4(b)) and a reconciliation of actual adultBasic underwriting gains/losses (ACHR agreement section 6) to the Commonwealth of Pennsylvania. Upon approval from the Department, Highmark will adjust a quarterly payment in 2010 for any refund/credit for these items related to the 2009 ACHR year.

If you would like to discuss the estimated 2010 ACHR amounts in this application, or have any other questions, I can be reached at 412-544-8322, or through Candy Gallaher at 717-302-3982.

Sincerely,



Nanette P. DeTurk
Executive Vice President, Chief Administrative and Financial Officer & Treasurer

Cc: David M. O'Brien, Government Services, Highmark
Candy Gallaher, Regulatory Affairs, Highmark

cc: Melissa Anderson – 924
Jacki Bauer – 2180
Bill Cashion – 3031
Janine Colinear – 924
Karen Hanlon – 943
Tom Lehman – CTRST CH 1B 401
Kenneth Melani – 3111
Joe Reichard – 911
Carl Shuman – CTRST CH 1A L4
Jack Stover – Buchanan Ingersoll
Mari Vandenburg – 924
Michael Weinstein – 2628