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From: Davis, Steven [SDavis@STRADLEY.COM]
Sent: Thursday, November 14, 2013 10:05 AM
To: Bybee, Cressinda
Cc: David L. Harbaugh (dharbaugh@morganlewis.com); Samuel R. Marshall (smarshall@ifpenn.org)
Subject: Independence Blue Cross Form A Filing -- Response to Public Comment Received from Samuel Marshall
Attachments: 1855832_1.PDF

Ms. Bybee: I am forwarding herewith a .pdf copy of the above-referenced public comment response. I have copied Mr. Marshall. If you have any questions or would like this document in a different format, please do not hesitate to contact me or Dave Harbaugh. Thank you for your attention to this matter.

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Response of Independence Blue Cross to the October 9, 2013 Comment of Samuel Marshall, President & CEO of The Insurance Federation of Pennsylvania, Inc.

Independence Blue Cross is responding to the October 9, 2013 comment from Mr. Samuel Marshall. The comment is numbered as Document 0014 on the Independence Blue Cross (IBC) Log page of the Pennsylvania Insurance Department ("Department") website.

On behalf of his membership, Mr. Marshall asks the Department to analyze how the proposed holding company redesign may impact IBC's non-profit endeavors and mission. The company's mission is to enhance the health and wellness of the people and communities we serve. We remain committed to this mission. We have been in the Philadelphia region for 75 years offering health plans to everyone in this market. Throughout our history, we have always offered health plans to everyone, regardless of their health status and whether or not they have pre-existing conditions. Similar to our historical practices, the Patient Protection and Affordable Care Act ("Affordable Care Act") now requires all health insurers who provide individual coverage in Pennsylvania to accept all people, regardless of their health status and whether or not they have pre-existing medical conditions, and the law also provides certain individuals with subsidies to purchase coverage. The proposed new corporate structure should facilitate our work to increase access to and the quality of health care, lower the cost of care, and also help us continue to provide an array of cost-effective products for sale on the Health Insurance Marketplace created under the Affordable Care Act – fulfilling our mission and our vision of helping to transform health care in the region.

Mr. Marshall also questions whether the proposed redesign might somehow constitute a "de facto conversion" to a for-profit insurer. As repeatedly and clearly stated, we are committed to remaining a non-profit. Unlike the publicly traded health insurance companies represented by Mr. Marshall, we do not use net income to pay dividends to stockholders. Rather, we use this income to respond to our customers' needs for new products and services, comply with new legal requirements and regulations, continually improve our already high level of customer service, invest in technology and innovation, and support initiatives to enhance the health of the community – again, fulfilling our mission by enhancing health and wellness of the people and communities we serve. We wish to point out that our company is neither a charity nor tax exempt like certain other non-profit organizations. We pay federal, state and local taxes. In 2012 alone, we paid more than \$250 million in federal, state, and local taxes, including \$34 million in state premium taxes. Under the proposed corporate redesign, IBC will remain a nonprofit, taxpaying corporation.

Mr. Marshall states in his comment that "the Federation's membership includes a number of commercial health insurers with whom IBC competes." Mr. Marshall then asks the Department to analyze the competitive impact and consumer benefits of the proposed restructuring. IBC has provided the Department with an explanation that the restructuring transaction does not involve the combination of two or more unaffiliated insurers and therefore no question of competitive effects is presented under 40 P.S. § 991.1403.

As we have stated, the proposed redesign of our corporate structure is expected to produce operational and administrative efficiencies, which in turn, will support existing and new lines of business and allow the company to respond more quickly to new market opportunities presented by the Affordable Care Act – all of which should allow us to continue lowering costs and increasing the access to and quality of healthcare in the region. However, the proposed redesign does not in any way constitute an anti-competitive or impermissible undertaking. To the contrary, the proposed redesign will have a positive impact on our ability to serve our customers, our efficiency and our competitiveness.

Mr. Marshall also questions whether Commissioner Koken's February 9, 2005, Order concerning reserves of the four Blue health insurers in Pennsylvania will remain applicable after the redesign, and Mr. Marshall also invites the Department to seek clarity on how IBC will use branded and unbranded products after the transaction. We understand that the 2005 Order will remain in effect regardless of the Department's decision on the proposed redesign, and we expect that the licensing rules issued by the Blue Cross Blue Shield Association about the use of branded and unbranded products and where and how IBC and other Blue insurers can use the Blue Cross brand on products will be no different post-redesign.