



Independence
Blue Cross

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December 1, 2008.

VIA FACSIMILE AND FEDERAL EXPRESS

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

RE: 2009 Community Health Reinvestment Application

Dear Commissioner Ario:

Independence Blue Cross (IBC) submits this letter as our Community Health Reinvestment (CHR) application for calendar year 2009, based on our CHR Agreement of February 2, 2005 and directions from the Pennsylvania Insurance Department (PID) regarding Act 62 compliance. Using the formula in the Agreement our projected CHR for 2009 will total \$61,252,000. You will find a detailed description of IBC's calculations attached.

Section 5 of the Agreement provides that 60 percent of IBC's projected CHR, or \$36,751,200 in 2009, will be "dedicated to providing health insurance through state-approved programs for persons of low income, including, but not limited to adultBasic..." We have credited the estimated 2008 adultBasic underwriting losses of \$4.6 million that will be incurred July through December 2008. With this adjustment, the 60 percent portion of IBC's 2009 CHR projected obligation is \$32,151,200.¹

The 2005 Agreement also provides that the 60 percent of our CHR directed toward providing insurance to low-income people will be "expended, distributed, or utilized in the respective service area" of IBC. We continue to honor this agreement with the assurance of the PID that IBC's 60 percent obligation has been and will continue to be spent to reduce the number of uninsured in our service area, which includes Philadelphia, Bucks, Chester, Delaware and Montgomery counties.

¹ While the Pennsylvania Insurance Department (PID) has taken the position that actual underwriting losses from the CHIP program cannot be offset against IBC's 60% CHR obligation, it is IBC's opinion that actual underwriting losses from the CHIP program – a "state approved program(s) for persons of low income" – are permitted to be credited against its 60% obligation. Notwithstanding this difference of opinion, and without waiving any of its rights, IBC's application does not reflect incurred or projected CHIP underwriting losses.

Joel Ario, Insurance Commissioner
December 1, 2008
Page 2

The 2005 CHR Agreement specifies that the remaining 40 percent of IBC's projected 2009 CHR, which totals approximately \$24.5 million, will be directed towards a variety of "Permitted Community Health Reinvestment Endeavors". The following is a breakdown of the community health endeavors in which IBC is engaged, and the projected expenditures/distributions/utilizations for 2009:

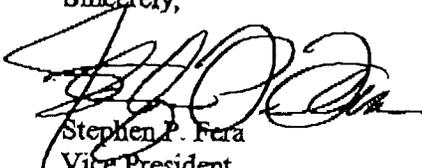
- subsidies to non-group programs, which currently includes Special Care: in excess of \$40 million
- administrative subsidy to social mission and contribution to our Caring Foundation: in excess of \$3 million
- IBC's Charitable Medical Care Grant Program, which gives financial support to area non-profit clinics providing care to the uninsured in our region: in excess of \$2.3 million
- IBC's Nurse Scholars Program, which addresses the nursing shortage through scholarships and related assistance to regional nursing programs: \$1 million
- contributions to and sponsorships of a variety of organizations and institutions, whose purpose or mission is health care related: in excess of \$1 million

Combined, our support of these endeavors is expected to significantly exceed the required \$24.5 million for the remaining 40 percent of IBC's projected 2009 CHR.

As we have set forth in previous correspondence, IBC is reserving all of its rights and waiving none of its rights, including, but not limited to, its right to make adjustments to accurately reflect actual rather than estimated CHR obligations and account for any appropriate credits. Likewise, IBC is submitting this application without prejudice to its right to obtain relief from its annual CHR obligation, as set forth in Section 8 of the CHR Agreement, in the event of a change in circumstance, which would compromise IBC's ability to meet its annual CHR obligation.

Through this application, we are pleased to demonstrate our longstanding commitment to serving those in need. We look forward to our continued work together to improve the health of all Pennsylvanians. Should you have any questions, I may be reached at (215) 241-3027.

Sincerely,



Stephen P. Fera
Vice President
Government and Social Mission Programs

Attachments