



Independence
Blue Cross

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March 1, 2005

VIA FACSIMILE AND FEDERAL EXPRESS

Honorable M. Diane Koken
Insurance Commissioner
Commonwealth of Pennsylvania
1326 Strawberry Square
Harrisburg, PA 17120

Re: 2005 Community Health Reinvestment Application

Dear Commissioner Koken:

Independence Blue Cross ("IBC") is pleased to submit this letter as its Community Health Reinvestment ("CHR") application for calendar year 2005, pursuant to our CHR Agreement of February 2, 2005. Based on the formula in the Agreement, IBC's CHR for 2005 will total \$38,264,833.

Section 5 of the Agreement provides that 60% of IBC's CHR, or approximately \$22.95 million, shall be "dedicated to providing health insurance through state-approved programs for persons of low income, including, but not limited to adultBasic . . ." Because of the number of open program and funding issues regarding adultBasic, including the ongoing RFP process for a new contract, the requirement to provide "at cost coverage" to individuals on the waiting list and the recent contract extension, it is not possible at this time to provide a detailed breakdown of this component of the 2005 CHR. It is our understanding that the subsidies and underwriting losses IBC incurs in connection with adultBasic will be counted towards our commitment under Section 5 of the Agreement. There are a number of other operational issues that also need to be addressed with the Department regarding how this aspect of the CHR Agreement will best be implemented. We look forward to resolving these issues with the Department.

The remaining 40% of IBC's 2005 CHR, or approximately \$15.3 million, will be directed towards a variety of "Permitted Community Health Reinvestment Endeavors".

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The following is a breakdown of those endeavors in which IBC is engaged, and the *projected* expenditures/distributions/utilizations¹ for 2005:

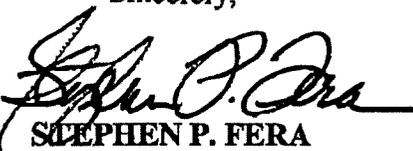
- subsidies to non-group programs (\$20.4 million)
- administrative subsidy and contribution to our Caring Foundation, which keeps the parent portion of the low-cost CHIP premium to just \$30 per child per month (\$2.2 million)
- IBC Charitable Medical Care Program, which gives financial support to area clinics providing care to the uninsured in our region (\$1.25 million)
- IBC Nurse Scholars Program, which addresses the nursing crisis through scholarships to regional nursing programs (\$830,000)
- contributions and sponsorships to a variety of organizations and institutions, whose purpose or mission is health care related (in excess of \$1 million)

Combined, support of these endeavors is expected to far exceed the \$15.3 million component of IBC's 2005 CHR.

IBC's participation in the CHR Agreement is the latest example of our longstanding commitment to the community we serve. We look forward to working with the Commonwealth on an already successful partnership to improve the health of Pennsylvanians.

Please feel free to contact me at (215) 241-3027 with questions or to participate in any work group regarding the implementation of this Agreement.

Sincerely,



STEPHEN P. FERA

Vice President, Social Mission Programs

¹ The actual expenditures/distributions/utilizations for these endeavors will vary from these projections, and will be provided to the Department at its request pursuant to Section 7 of the Agreement.