

What's the latest?

Melani, Frick testify at legislative hearing October 30

Highmark President and CEO Dr. Ken Melani and Independence Blue Cross (IBC) President and CEO Joe Frick testified at a Pennsylvania Senate Banking and Insurance Committee public hearing on the proposed combination. The two CEOs explained why the combination of the two companies will be good for Pennsylvania, noting that it would not reduce competition in the health insurance market. Both answered questions from committee members on a wide range of topics, including the companies' social missions and how the combination will help control cost increases, and improve quality and access in health care.

IBC and Highmark respond to Insurance Department

As part of the regulatory review process of the proposed consolidation, the Pennsylvania Insurance Department (PID) sent the two companies a series of detailed questions. IBC and Highmark have submitted responses to just over half of the questions and are working diligently on responding to the remaining ones. Some of the questions and responses are posted at www.ins.state.pa.us.

Integration planning

Integration teams formed with representation from both companies. Teams are analyzing processes, functions, and culture within each company to:

- identify and validate best practices the new company should adopt
- plan for a smooth transition as soon as consolidation is approved
- review and evaluate business requirements so customers, members, providers, brokers, consultants, communities and other key stakeholders are best served by the new company
- further refine the opportunities for efficiencies and growth
- determine the name for the new company

Milestones accomplished

March 28, 2007 – IBC and Highmark Boards of Directors agree to combine Highmark Inc. and IBC and remain not for profit.

April 9, 2007 – IBC CEO, Joe Frick and Highmark CEO, Dr. Ken Melani, testify at Senate Judiciary hearing hosted by Sen. Specter with Sen. Casey and Pennsylvania Governor Rendell.

April 26, 2007 - Highmark Corporate Members overwhelmingly approve the combination.

April 27, 2007 – Companies submit filings to the PID on transaction and benefits for Pennsylvania.

May 2007 – U.S. Department of Justice and the Federal Trade Commission conclude the proposed combination would not adversely affect competition in Pennsylvania.

May 2007 - "Public comment period" begins giving individuals the opportunity to remark to the PID on the IBC or Highmark combination.

September 20, 2007 – The Blue Cross and Blue Shield Association approves the transfer of Highmark and IBC primary and controlled affiliate licenses to the new company for the same service areas the two companies currently use.

Why combine?

If approved, the combined companies will have the resources to generate more than \$1 billion in economic benefits over six years to continue to provide access to affordable, high-quality health care for Pennsylvanians – part of our historic mission for 75 years. This includes the companies' proposal to:

- hold administrative fees flat for two years resulting in savings to customers of approximately \$295 million

- better manage prescription costs, expected to result in \$285 million in drug cost savings for customers
- provide over \$650 million to help expand access to health insurance for Pennsylvania's uninsured
- generate approximately \$4 billion of positive impact on the state's economy each year
- generate new business that can stimulate additional opportunities for Pennsylvania-based companies

What happens next?

- More milestones in the regulatory approval process, including PID hearings
- Integration planning continues
- Filings with insurance departments in 16 states in which the companies do business
- Continuing to respond to questions as they arise

We welcome your comments, which can be submitted to your primary contact person at IBC.