

FORM A

**STATEMENT REGARDING THE ACQUISITION
OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER**

**QCC INSURANCE COMPANY,
a Pennsylvania stock insurance corporation,**

and

**KEYSTONE HEALTH PLAN EAST, INC.,
a Pennsylvania health maintenance organization**

and

**AMERIHEALTH HMO, INC.
a Pennsylvania health maintenance organization,**

and

**VISTA HEALTH PLAN, INC.,
a Pennsylvania health maintenance organization,**

and

**REGION 6 RX CORP.,
a Pennsylvania stock insurance corporation,**

by

**NEWCO
a Pennsylvania nonprofit corporation to be formed
upon the consolidation of Independence Blue Cross and Highmark Inc.,
each a Pennsylvania nonprofit corporation**

**Filed with the Insurance Department
of the Commonwealth of Pennsylvania**

April 27, 2007

Persons to whom notices and correspondence should be addressed:

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Item 1: Insurer and Method of Acquisition.***A. Domestic Insurers:***

The domestic insurers to which this Application relates (hereinafter "Domestic Insurers") are as follows:

Insurer: QCC Insurance Company

Principal address: 1901 Market Street, Philadelphia, PA 19103-1480

Type of entity: Pennsylvania stock insurance company

Ownership interest: QCC Insurance Company is a second tier wholly-owned subsidiary of Independence Blue Cross

NAIC group code: 0936

NAIC company code: 93688

Insurer: AmeriHealth HMO, Inc.

Principal address: 1901 Market Street, Philadelphia, PA 19103-1480

Type of entity: Pennsylvania business corporation and health maintenance organization

Ownership Interest: AmeriHealth HMO, Inc. is third-tier wholly owned subsidiary of Independence Blue Cross

NAIC group code: 0936

NAIC company code: 95044

Insurer: Keystone Health Plan East, Inc.

Principal address: 1901 Market Street, Philadelphia, PA 19103-1480

Type of entity: Pennsylvania business corporation and health maintenance organization

Ownership Interest: Keystone Health Plan East, Inc. is third-tier wholly owned subsidiary of Independence Blue Cross

NAIC group code: 0936

NAIC company code: 95056

Insurer: Vista Health Plan, Inc.

Principal address: 1901 Market Street, Philadelphia, PA 19103-1480

Type of entity: Pennsylvania business corporation and health maintenance organization

Ownership Interest: Vista Health Plan, Inc. is a third-tier wholly owned subsidiary of Independence Blue Cross

NAIC group code: 0936

NAIC company code: 96660

Insurer: Region 6 Rx Corp.

Principal address: 1901 Market Street, Philadelphia, PA 19103-1480
 Type of entity: Pennsylvania stock insurance company
 Ownership interest: Region 6 Rx Corp. is a second tier wholly-owned subsidiary of Independence Blue Cross
 NAIC group code: 0936
 NAIC company code: 12812

B. Method Of Acquisition

The Applicants are Highmark Inc. ("Highmark") and Independence Blue Cross ("IBC") (collectively "Applicants"). This Application is filed pursuant to a proposed consolidation of Highmark and IBC. Control of the Domestic Insurers will be acquired through the consolidation of the Applicants.

Subject to the terms of an Agreement of Consolidation dated March 28, 2007, a copy of which is filed herewith as Tab A (the "Consolidation Agreement"), the Applicants will consolidate their businesses and operations. Both of the Applicants are organized as Pennsylvania domestic nonprofit corporations and neither has capital stock. Upon the filing of the Articles of Consolidation and pursuant to the terms of the Consolidation Agreement and the Plan of Consolidation, the separate corporate existences of the Applicants will cease and a new nonprofit nonstock Pennsylvania corporation ("NewCo") will be created to succeed to the business of the Applicants. By operation of law, NewCo will succeed to all property, rights, privileges, powers and franchises of the Applicants, and NewCo will become responsible for all debts, liabilities and duties of the Applicants.

By virtue of the consolidation and by operation of law, the Domestic Insurers will become direct and indirect subsidiaries of NewCo. No change to the capitalization, organizational structure, or other aspect of any of the Domestic Insurers will occur as a direct result of the consolidation itself.¹ The separate corporate existence of each of the Domestic Insurers will continue and the daily management and boards of directors of each of the Domestic Insurers will remain initially as they were prior to the consolidation.

Item 2: Identity and Background of the Applicants.***A. Name and Address Of Applicants:***

The Applicants are:

**Highmark Inc.
 120 Fifth Avenue
 Pittsburgh, PA 15222**

**Independence Blue Cross
 1901 Market Street
 Philadelphia, PA 19103**

¹ Note, however, that Section 4.5.6(d) of NewCo's proposed bylaws will require that each subsidiary's bylaws must be amended to require that certain actions to be taken at the subsidiary level would first have to be approved by a super-majority vote of NewCo's Board of Directors for three years following the consolidation..

B. Nature of the Applicants' Business Operations

Highmark

Highmark is a Pennsylvania nonprofit corporation licensed by the Pennsylvania Insurance Department ("Department") to operate a hospital plan and a professional health services plan pursuant to the Health Plan Corporations Act, 40 Pa. C.S. §§ 6101-6127, 6301 6335 ("HPCA"). Under this authority, Highmark provides traditional indemnity, or "fee for service," health care insurance coverage to groups and individuals. As an independent licensee of the Blue Cross Blue Shield Association ("BCBSA"), which owns the "Blue" names and marks, Highmark operates as Highmark Blue Cross Blue Shield in the 29 western-most counties of Pennsylvania and as Highmark Blue Shield in the remaining counties of the Commonwealth.² Highmark is one of four "Blue" plans in Pennsylvania and one of 39 "Blue" plans in the nation. Highmark serves the 29 western-most counties of Pennsylvania and 21 counties of central Pennsylvania and the Lehigh Valley as a full-service health plan, offering health care coverage, on both an insured and self-funded basis to groups, and to individuals.

As a party to joint operating agreements, Highmark also provides professional health services coverage in conjunction with hospital coverage provided by Blue Cross of Northeastern Pennsylvania in northeastern Pennsylvania and by IBC in southeastern Pennsylvania. Highmark does not sell indemnity coverage for hospital services in northeastern or southeastern Pennsylvania. In addition to its indemnity coverage, Highmark also offers health insurance coverage in 49 of Pennsylvania's 67 counties (excluding the five counties in the IBC service area and other counties in northeastern Pennsylvania), through a non-Medicare preferred-provider organization ("PPO") program. In Pennsylvania, Highmark serves as an "insurer of last resort," helping to keep the state's uninsured population among the lowest in the nation.

Highmark's wholly owned subsidiary, Keystone Health Plan West, Inc. ("Keystone West"), offers HMO coverage in western Pennsylvania to both the over-65 and under-65 group and individual insurance markets. Highmark has two other insurance subsidiaries which provide group and individual Medicare products: Highmark Senior Resources Inc., which offers Medicare Part D prescription drug coverage in Pennsylvania and West Virginia, and HM Health Insurance Company, which offers Medicare Advantage plans in West Virginia. Highmark also offers Medicare Advantage products, as well as Medicare supplemental products, to the individual and group markets in western Pennsylvania, central Pennsylvania and parts of northeastern Pennsylvania. In northeastern Pennsylvania, the supplemental products are jointly underwritten with Blue Cross of Northeastern Pennsylvania and the Medicare Advantage products are provided by Highmark.

Highmark focuses its efforts on helping children and adults receive the health care coverage they need through state and federally funded programs. Highmark and its subsidiary, Keystone West, participate in Pennsylvania's Children's Health Insurance Program (CHIP),

² Highmark's license agreements with the BCBSA permit Highmark to operate as Highmark Blue Cross Blue Shield in the western portion of Centre County and as Highmark Blue Shield in the eastern portion of Centre County.

which provides insurance coverage to children who may not otherwise receive medical, dental and vision care. CHIP serves more than 150,000 Pennsylvania children, including more than 49,000 enrolled through Highmark and Keystone West in Central and Western Pennsylvania, respectively. With the addition of the Commonwealth's new Cover All Kids program in 2007, CHIP will grow to insure a projected 15,000 additional children next year and 70,000 by 2010. In ten (10) central Pennsylvania counties, Highmark offers PPO health care coverage to eligible adults ages 19 through 64 under Pennsylvania's adultBasic program. Keystone West offers an adultBasic HMO program in the 29 counties of Western Pennsylvania. Highmark's estimated Annual Community Health Reinvestment for 2007 is \$100,825,889.

Highmark's strategy for corporate giving emphasizes programs that stand to make measurable gains in improving the health in the communities where Highmark does business. It recently began the Healthy High 5 program, a five-year, \$100 million initiative of the Highmark Foundation to promote healthy behaviors in children and adolescents in Pennsylvania. The program will provide support in five areas critical to a child's overall health and well-being: nutrition, physical activity, grieving, self-esteem and bullying, through grants, education, programming and communications.

IBC

IBC is a Pennsylvania nonprofit corporation licensed by the Department to operate a nonprofit hospital plan pursuant to 40 Pa. C.S. §§ 6102. Under this authority, IBC provides traditional indemnity hospital plan, or "fee for service," health care insurance coverage to groups and individuals. Like Highmark, IBC is an independent licensee of the Blue Cross Blue Shield Association and operates as the Blue Cross plan for a service area consisting of Bucks, Chester, Montgomery, Delaware and Philadelphia Counties. Under a Joint Operating Agreement, IBC provides hospital indemnity coverage in conjunction with professional health services coverage provided by Highmark.

Through its wholly-owned subsidiary, QCC Insurance Company, IBC offers Personal Choice®, a network of PPO-based products, in the form of Personal Choice PPO, Personal Choice High Deductible and Personal Choice 65. Member benefits are maximized via the use of network providers. Through Keystone Health Plan East, Inc., IBC offers HMO and POS (point of service) products, available to the group, individual and Medicare markets. Through another wholly-owned subsidiary, AmeriHealth HMO, Inc., IBC offers HMO (health maintenance organization) products in Pennsylvania, New Jersey and Delaware. The vast majority of the in-force business of IBC and its affiliates consists of branded business written in IBC's five-county service area.

As a corporate leader, IBC enriches the community through its social mission, which includes a variety of programs and activities that help make health insurance more affordable to nearly 166,000 southeastern Pennsylvania residents. As part of the IBC & Highmark Blue Shield Caring Foundation, IBC helps provide free or low cost Keystone Health Plan East HMO coverage to 33,854 uninsured children through Pennsylvania's CHIP program, and low cost health insurance to 16,820 uninsured adults in its service area through the adultBasic and Special Care programs. In addition, IBC serves as an

“insurer of last resort,” helping to keep Pennsylvania’s uninsured population among the nation’s lowest. IBC’s estimated Annual Community Health Reinvestment for 2007 is \$50,045,600.

The IBC Charitable Medical Care Grant Program is a \$10 million commitment through 2010 to provide support for privately funded, non-profit clinics serving the uninsured. Since 2004, IBC has allocated \$5.1 million in financial support to 28 clinics that serve over 100,000 uninsured or underinsured residents in its service area. IBC also created the Nurse Scholars program, in cooperation with the Pennsylvania Higher Education Foundation (PHEF), which by 2006 had awarded \$3.25 million for more than 2,000 scholarships at accredited nursing programs in southeastern Pennsylvania. The program will dedicate \$9.5 million through the year 2010. The IBC Nurse Faculty Program provides grants to support faculty positions at five area colleges to increase the number of nursing students the school can enroll. It is projected that this program will enable nursing schools to register more than 400 new nursing students over a three-year period.

NewCo

A profile of NewCo is attached at Tab B. A summary of the advantages which Highmark and IBC have determined will result from a consolidation is attached at Tab C.

C. Chart of the Applicants and all Affiliates of the Applicants.

A chart reflecting the identities and inter-relationships of Highmark and its affiliates is attached at Tab D. A chart reflecting the identities and inter-relationships of IBC and its affiliates is attached at Tab E.

Item 3: Identity and Background of Individuals Associated with the Applicants.

Biographical affidavits for the senior management and members of the Boards of Directors for the Applicants are currently on file with the Insurance Department and are incorporated herein by reference. Updated biographical affidavits will be filed as necessary.

Highmark and IBC have agreed upon the following appointments with respect to NewCo’s Board of Directors and senior officers:

- **M. Walter D’Alessio**, currently Chairman of the IBC Board of Directors, will serve as Chairman of NewCo’s Board of Directors.
- **J. Robert Baum, Ph.D.**, currently Chairman of the Highmark Board of Directors, will serve as Vice-Chairman of NewCo’s Board of Directors.
- **Kenneth R. Melani, M.D.**, currently Chief Executive Officer & President of Highmark, will serve as Chief Executive Officer of NewCo.
- **Joseph Frick**, currently President and Chief Executive Officer of IBC, will serve as President and Chief Operating Officer of NewCo.

The remaining members of NewCo's Board of Directors and senior management will be determined prior to closing on the consolidation transaction. This filing will be promptly amended when that information becomes available.

Item 4: Nature, Source and Amount of Consideration.

There will be no cash consideration or exchange of any voting stock of any of the Applicants' subsidiaries or affiliates.

Item 5: Future Plans.

The Applicants have no present plans to declare any extraordinary dividend, liquidate any of the Domestic Insurers, sell their assets to or merge them with any person or persons, or to make any other material change in their business operations or corporate structure or management, except as set forth herein.

Item 6: Voting Securities to be Acquired.

This transaction does not involve the sale or purchase of voting securities. By operation of law, upon consolidation of the Applicants, NewCo will become the indirect owner of 100% of the voting securities of the Domestic Insurers. The terms of the consolidation are set forth in the Agreement of Consolidation attached at Tab A.

Item 7: Ownership of Voting Securities.

IBC's ownership interest in the Domestic Insurers is reflected in Items 1 and 6. Highmark does not own any voting securities of the Domestic Insurers.

Item 8: Contracts, Arrangements, or Understandings with Respect to Voting Securities of the Domestic Insurer(s).

The Applicants entered into an Operating Agreement and a Program Agreement, each dated as of February 22, 2006 pursuant to which they would organize and jointly own a holding company created for the purpose of a joint venture related to Medicare regional products. The Program Agreement contemplates that Highmark will contribute Highmark Senior Resources Inc. and IBC will contribute Region 6 Rx Corp. to the holding company.

Item 9: Recent Purchases of Voting Securities.

None.

Item 10: Recent Recommendations to Purchase.

None.

Item 11: Agreements with Broker-Dealers.

None.

Item 12: Financial Statements and Exhibits.

Copies in "pdf" format of financial statements for Highmark, IBC and certain affiliates of Highmark and IBC (covering the period 2002-2006 unless otherwise indicated) are filed concurrently herewith on the compact disks included at Tab F to this filing:

- Highmark Inc.
 - Highmark Inc. Statutory Financial Statements
 - Highmark Inc. Combined GAAP Financial Statements

- Highmark Domestic Insurer Subsidiaries:
 - First Priority Life Insurance Company, Inc.
 - Gateway Health Plan, Inc.
 - HealthGuard of Lancaster, Inc.
 - HM Health Insurance Company (2005-2006 only)
 - HM Life Insurance Company³
 - Highmark Casualty Insurance Company
 - Highmark Senior Resources Inc. (2005-2006 only)
 - HMO of Northeastern Pennsylvania, Inc.
 - Keystone Health Plan West, Inc.
 - United Concordia Companies, Inc.
 - United Concordia Dental Plans of Pennsylvania, Inc.
 - United Concordia Life and Health Insurance Company

- Highmark Non-domestic Insurance Subsidiaries:
 - Davis Vision of Michigan, Inc. (2002-2005 only)
 - Gateway Health Plan of Ohio, Inc. (2005-2006 only)
 - HCI, Inc.
 - HM Life Insurance Company of New York⁴
 - Highmark West Virginia Inc., d/b/a Mountain State Blue Cross Blue Shield.⁵
 - United Concordia Insurance Company
 - United Concordia Insurance Company of New York
 - United Concordia Dental Plans, Inc.
 - United Concordia Dental Corporation of Alabama
 - United Concordia Dental Plans of Arizona, Inc.
 - United Concordia Dental Plans of California, Inc.
 - United Concordia Dental Plans of Delaware, Inc.
 - United Concordia Dental Plans of Florida, Inc.

³ Prior to 2006, the corporate name was Highmark Life Insurance Company.

⁴ Prior to 2006, the corporate name was Highmark Life Insurance Company of New York.

⁵ Prior to 2004, the corporate name was Mountain State Blue Cross Blue Shield, Inc.

- United Concordia Dental Plans of Illinois, Inc.
- United Concordia Dental Plans of Kentucky, Inc.
- United Concordia Dental Plans of the Midwest, Inc.
- United Concordia Dental Plans of Texas, Inc.

- Independence Blue Cross
 - Independence Blue Cross Statutory Financial Statements
 - Independence Blue Cross GAAP Consolidated Financial Statements (2001-2005)

- IBC Domestic Insurance Subsidiaries:
 - Keystone Health Plan East, Inc. Statutory Financial Statements
 - AmeriHealth HMO, Inc. Statutory Financial Statements
 - QCC Insurance Company Statutory Financial Statements
 - Vista Health Plan Statutory Financial Statements

- IBC Non-domestic Insurance Subsidiaries
 - AmeriHealth Casualty Insurance Company Statutory Financial Statements
 - AmeriHealth Insurance Company Statutory Financial Statements
 - La Cruz Azul Statutory Financial Statements (2001-05)

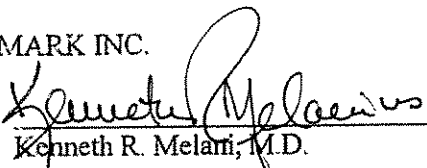
- Jointly Controlled Domestic Affiliates
 - Inter-County Health Plan, Inc.
 - Inter-County Hospitalization Plan, Inc.

Item 13: Signature and Certification.

Pursuant to the requirements of Section 1402 of the Act, Highmark Inc. has caused this Application to be duly signed on its behalf in the City of Pittsburgh and Commonwealth of Pennsylvania on the 27th day of April, 2007.


(SEAL)

HIGHMARK INC.

By: 
Kenneth R. Melani, M.D.

Title: Chief Executive Officer and President
Highmark Inc.

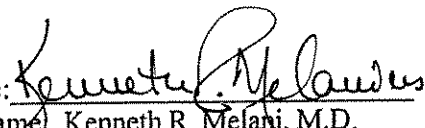
Attest:

By: 

Title: CORPORATE SECRETARY

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated April 27, 2007 for and on behalf of Highmark Inc., that he is the Chief Executive Officer and President of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Signature: 
Typed Name: Kenneth R. Melani, M.D.

Pursuant to the requirements of Section 1402 of the Act, IBC has caused this Application to be duly signed on its behalf in the City of Philadelphia and Commonwealth of Pennsylvania on the 27th day of April, 2007.

(SEAL)

INDEPENDENCE BLUE CROSS

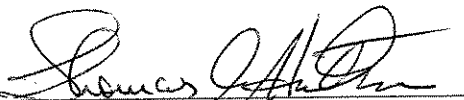
By:



Title: President and Chief Executive
Officer, Independence Blue Cross

Attest:

By:

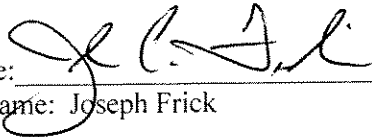


Title: *Senior Counsel*

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated April 27, 2007 for and on behalf of IBC, that he is the President and Chief Executive Officer of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Signature:



Typed Name: Joseph Frick