

**BEFORE THE INSURANCE DEPARTMENT  
OF THE  
COMMONWEALTH OF PENNSYLVANIA**

Statement Regarding the Acquisition of Control of or Merger with  
Domestic Insurers:

Highmark Inc.; First Priority Life Insurance Company; Inc.;  
Gateway Health Plan, Inc.; Highmark Casualty Insurance Company;  
Highmark Senior Resources Inc.; HM Casualty Insurance Company;  
HM Health Insurance Company, d/b/a Highmark Health Insurance Company;  
HM Life Insurance Company; HMO of Northeastern Pennsylvania, Inc.,  
d/b/a First Priority Health; Inter-County Health Plan, Inc.;  
Inter-County Hospitalization Plan, Inc.; Keystone Health Plan West, Inc.;  
United Concordia Companies, Inc.; United Concordia Dental Plans of Pennsylvania, Inc.;  
United Concordia Life and Health Insurance Company

By UPE, a Pennsylvania nonprofit corporation

**RESPONSE TO PID INFORMATION REQUEST 3.8 FROM THE  
PENNSYLVANIA INSURANCE DEPARTMENT**

**REQUEST 3.8:**

**Provide a full and complete copy of any press release or public announcement,  
issued by the Applicant or any Highmark and WPAHS Entity regarding or referencing the  
Transaction.**

**RESPONSE:**

Press releases June 28, 2011, Nov 1, 2011, Nov 16, 2011, Nov 22, 2011, Dec 23, 2011,  
Dec 30, 2011, Jan 4, 2012, Feb 13, 2012. See attached.

**West Penn Allegheny Health System  
30 Isabella St., Suite 300  
Pittsburgh, PA 15212**

# Document Divider

Posted on website at <http://www.wpahs.org/highmark>:

- Press release – text below
- Video from press event
- Photo of Highmark and WPAHS executives who signed agreement

## **Highmark, West Penn Allegheny Boards Approve Definitive Agreement on Affiliation; Announce New Management and Detailed Next Steps**

### **Affiliation agreement filed with the Pennsylvania Insurance Department**

June 28, 2011 – Pittsburgh, PA -- Officials from Highmark Inc. and the West Penn Allegheny Health System, Inc. (WPAHS) today announced another important milestone in their plans to build a new integrated health system that will deliver value, choices and high-quality health care services to the Western Pennsylvania community.

The two organizations announced that their boards of directors have approved a definitive agreement, which will now be filed with the Pennsylvania Insurance Department (PID). In addition to the PID, the transaction must be reviewed by the Pennsylvania Attorney General and the Internal Revenue Service.

“This transaction is critical to ensuring the continued vitality of the West Penn Allegheny Health System and maintaining provider choice in our community,” said Kenneth R. Melani, M.D., Highmark’s president and chief executive officer. “In recent weeks, we’ve been working very closely with the staff at West Penn Allegheny to finalize a definitive agreement. We’ve made significant progress to get to this point, but there is much to be done that cannot be accomplished until the affiliation is approved. For the benefit of the community, we hope the review and approval process is thorough and timely.”

“Our anticipated partnership with Highmark has energized our medical staff and employees,” said Jack Isherwood, chairman of the board of WPAHS. “Since the initial announcement on June 28, this transaction has continued to move steadily forward because both organizations share a commitment to making quality health care services available and affordable for the communities that we serve. We believe this partnership will create a highly efficient and lower-cost health care system, expand access to additional clinical services for patients and enhance medical education and training for physicians and other health care professionals.”

As part of today’s announcement, Mr. Isherwood introduced Keith T. Ghezzi, M.D. as the interim chief executive officer of WPAHS. Dr. Ghezzi is a Managing Director with Alvarez & Marsal Healthcare Industry Group in Washington, D.C. He specializes in operational and financial turnarounds, performance improvement and interim management. His primary areas of focus include health systems, large hospitals and physician group practices.

“I am proud to be joining the West Penn Allegheny Health System and a team of healthcare professionals that are highly-regarded for their commitment to excellent patient care. Their passion for delivering quality care has been palpable as I have spent time with physicians and staff throughout the system in recent months. I am also enthusiastic about working with our new partners, Highmark, to transform the healthcare delivery system in western Pennsylvania.”

Dr. Ghezzi announced today that one of his first tasks will be to fulfill the commitment of Highmark and WPAHS to reinstate essential services and reopen the emergency department at West Penn Hospital, and to bolster other acute care services, along with making upgrades to other WPAHS hospitals.

As part of the affiliation agreement announced in June, Highmark provided WPAHS with an initial grant of \$50 million to sustain and strengthen West Penn and Forbes Regional hospitals. Highmark has made a total financial commitment of up to \$475 million – including \$75 million to fund scholarships for students attending medical schools affiliated with WPAHS, and to support other health professional education programs.

#### **About Highmark Inc.**

Highmark Inc., based in Pittsburgh, is an independent licensee of the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield plans. Highmark serves 4.8 million members in Pennsylvania and West Virginia through the company's health care benefits business and is one of the largest Blue plans in the nation. Highmark has 19,500 employees across the country. For more than 70 years, Highmark's commitment to the community has consistently been among the company's highest priorities as it strives to positively impact the communities where we do business. For more information, visit [www.highmark.com](http://www.highmark.com).

#### **About West Penn Allegheny Health System, Inc.**

West Penn Allegheny Health System is a physician-led healthcare organization based in Pittsburgh, Pa. Recognized as a healthcare quality and personalized service leader in its market, the organization's sole purpose is to improve the health of people in the Western Pennsylvania region. West Penn Allegheny Health System's specialty programs continually receive national and international recognition – particularly in the areas of Bone and Joint, Cardiovascular, Neurosciences and Oncology, which make up the organization's four Institutes of Excellence.

The System is comprised of five hospitals, including Allegheny General Hospital on the North Side, West Penn Hospital in Bloomfield, Allegheny Valley Hospital in Natrona Heights, Canonsburg General Hospital in Canonsburg, Forbes Regional Hospital in Monroeville and a nearly 700-person multi-specialty physician group practice. For more information, visit [www.wpahs.org](http://www.wpahs.org).

On website at <http://www.wpahs.org/news/11-1-2011/highmark-west-penn-allegheny-boards-approve-definitive-agreement-affiliation-announce>

## **Highmark, West Penn Allegheny Boards Approve Definitive Agreement on Affiliation; Announce New Management and Detailed Next Steps**

**November 1, 2011, Pittsburgh, PA** - Officials from Highmark Inc. and the West Penn Allegheny Health System, Inc. (WPAHS) today announced another important milestone in their plans to build a new integrated health system that will deliver value, choices and high-quality health care services to the Western Pennsylvania community.

The two organizations announced that their boards of directors have approved a definitive agreement, which will soon be filed with the Pennsylvania Insurance Department (PID). In addition to the PID, the transaction must be reviewed by the Pennsylvania Attorney General and the Internal Revenue Service.

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On website at <http://www.wpahs.org/locations/western-pennsylvania-hospital/west-penn-hospital-revitalization>

- Press release (text below)
- Video from announcement event
- Architectural renderings

## **Highmark, West Penn Allegheny Announce Details of West Penn Hospital Revitalization Plan**

**November 16, 2011, Pittsburgh, PA** – Moving forward with a pledge to restore and enhance essential healthcare services at The Western Pennsylvania Hospital in Bloomfield, officials of Highmark Inc., and the West Penn Allegheny Health System (WPAHS) today shared details of those plans with hospital employees and community leaders.

Central to the West Penn Hospital revitalization project, which will take place in three phases over the next six months, will be the reopening of the hospital's emergency department in early 2012. The department will be completely renovated and technologically advanced, including the addition of a fast track patient triage system. Plans are also on the table to increase the department's size from its current bed count of 24 and to incorporate a new observation unit into the program to further expedite and improve patient care.

Complimenting the emergency department opening will be an expansion of the hospital's overall capacity to 300-350 private patient rooms with monitoring capabilities, extensive renovations to nurse stations in the hospital's medical, surgical and intensive care units and remodeling of all common areas in the facility, including lobbies and waiting rooms.

According to Highmark President Kenneth Melani, MD, the revitalization of West Penn Hospital is a critical step towards solidifying the future of the West Penn Allegheny Health System and a move that is consistent with Highmark's mission and history of investments that enhance the health and wellbeing of the western Pennsylvania community.

On November 1, Highmark and WPAHS announced the reaching of a definitive affiliation agreement between the two organizations that, pending regulatory approvals, will considerably strengthen the health system and position it as the center piece of a new and innovative integrated healthcare delivery system for the region. Among the consequences of West Penn Allegheny's recent financial difficulties has been a significant downsizing and the threatened closure of West Penn Hospital.

"We want the community to know that we are taking the necessary steps to assure the continued viability of West Penn Hospital and the entire West Penn Allegheny Health System. From Highmark's perspective, it's critically important that we preserve these valuable community institutions," Dr. Melani said.

"Our affiliation agreement with West Penn Allegheny represents a milestone for consumers who want the security of health care choices when selecting a hospital or a doctor; for employers who are seeking high-quality, more affordable health care for their employees; and for local

communities – like Bloomfield – that are striving to maintain their community hospital as an economic engine and source of employment.”

The expanded services at West Penn Hospital are expected to initially bring nearly 200 new jobs to the facility, with significant additional employment opportunities anticipated as patient volumes grow and additional programs are introduced. Close to 600 prospective employees participated in a job fair at the hospital last week and a second job fair will take place on December 7.

Keith Ghezzi, MD, Interim President and Chief Executive Officer of WPAHS, said the emergency department reopening and other significant improvements planned for West Penn Hospital reflects a commitment by Highmark and West Penn Allegheny to ensuring that the hospital returns to its roots as a cherished and vital healthcare resource for the people of Bloomfield, its surrounding neighborhoods and the region at large.

“For more than a century, West Penn Hospital has been a bedrock of this community as a source of economic vitality, employment and of course, outstanding healthcare services. Our goal is to reestablish an expanded scope of services at West Penn that addresses the needs of the community and positions the hospital appropriately for the pivotal role it will play in the success of our health system,” Dr. Ghezzi said.

Phase two of the West Penn Hospital revitalization project will involve enhancements to the hospital’s highly regarded women and infants program, including expansion and renovation of its labor and delivery facilities and Neonatal Intensive Care Unit and increased gynecologic surgical capabilities. More than 3,000 babies are delivered each year at West Penn and the hospital has a long history of innovation in the treatment of gynecologic disease.

The hospital also plans to renovate and reorganize its six story Mellon Pavilion to accommodate more physician practices and better coordinate patient care services. The plan includes construction of a new entrance to the Pavilion that will feature a governor’s driveway off of Liberty Avenue to make patient visits and transports more convenient.

All renovation projects at the hospital are being designed and constructed by Astorino, one of the country’s leading healthcare architectural design firms.

Other existing services at West Penn that are expected to also grow as the hospital transitions back into a full service community hospital include its nationally recognized bone marrow transplantation program, Institute for Pain Medicine, Sleep Disorders Center, radiation oncology program, breast diagnostic program, pelvic floor disease center, Jones Institute for Reproductive Medicine, Lupus Center of Excellence, Joslin Center for Diabetes, in-patient rehabilitation services, general outpatient surgery, and various diagnostic testing services, such as laboratory medicine and radiology.

## **WPAHS Statements on Ratings Changes**

December 23, 2011 - We are disappointed in Fitch's decision to downgrade West Penn Allegheny Health System's (WPAHS) bond rating. However, we share their forward-looking view that WPAHS' affiliation with Highmark is a positive development that should yield benefits for both organizations. As Fitch states, the new WPAHS management team is aggressively pursuing cost and revenue initiatives that are intended to better position the health system for the future.

November 22, 2011 – We are disappointed with Moody's decision to lower our rating, particularly given that this revision is based on their opinion that the system would have been forced to restructure and may have defaulted on bond payments. Although there is no doubt that West Penn Allegheny Health System has struggled financially, and past consolidation plans did not yield the improvement results desired, the board and executive leadership did not consider bond payment defaults as a likely outcome. Moody's is correct that our current strategy is based on targeted expansion, enabled by our partners at Highmark. We believe we will demonstrate this plan is in the best long-term interest of WPAHS and the community we serve.

## **West Penn Allegheny Issues Statement on Auditor's Opinion, Medical School Delay**

**December 30th, 2011, Pittsburgh, PA**

Attributable to Keith T. Ghezzi, M.D., Interim President and CEO, West Penn Allegheny Health System

West Penn Allegheny Health System (WPAHS) released audited financial statements for the fiscal year ended June 30, 2011, which reflect a \$51.8 million loss from operations. KPMG has expressed doubt in its audit report about WPAHS' ability to continue as a going concern. In developing its unqualified opinion, KPMG took into consideration the System's recurring losses from the past several years and financial performance since June.

Accounting standards preclude any comments by auditors on future plans or events, most notably the proposed affiliation with Highmark. Ken Melani and his team have demonstrated their commitment to ensuring that patients have choice and access to WPAHS doctors and facilities by committing \$475 million to facility improvements, clinical program growth and education.

Highmark's financial support is enabling immediate improvements in our facilities. For example, we will reopen West Penn Hospital's emergency department in the first quarter of 2012, and we are updating Forbes Regional Hospital to successfully compete in the eastern suburbs. Our other facilities will see program and technology improvements.

As we reinvent our system with Highmark's support, we are implementing new ways to operate more efficiently and to grow revenue, while providing the best possible care to our patients. Early efforts to streamline operations and to increase accountability are beginning to yield measureable improvements.

Separately, we are announcing today that WPAHS has determined that it will delay the opening of the Temple University School of Medicine at the West Penn Allegheny Health System regional campus until the affiliation is approved by regulators. Leaders of the Temple University School of Medicine have been consulted and they understand this decision.

We are absolutely committed to our partnership with Highmark and to improving our financial situation. The audit report underscores the need for expedited review and approval of the Highmark-WPAHS transaction to preserve important community assets and preserve access to excellent healthcare for all residents of Western Pennsylvania.

On website at <http://www.wpahs.org/locations/forbes-regional-hospital/revitalization>

- Press release (text below)
- Video from announcement event
- Architectural renderings

## **Highmark, West Penn Allegheny Health System Announce Facility Upgrades Planned for Forbes Regional Hospital**

**January 4, 2012, Monroeville, PA** – Officials from Highmark Inc., and the West Penn Allegheny Health System (WPAHS) today outlined the first phase of plans to significantly enhance the scope and sophistication of patient care services offered at Forbes Regional Hospital.

Through an initial investment of \$20 million in the Forbes facility, the goal is to begin a process of modernizing and reconstructing the hospital and its campus to better meet the healthcare needs of the community and greatly improve the patient and visitor experience.

“West Penn Allegheny and its affiliated hospitals are vital community resources that play a critical role in the health and economic vitality of this region,” said Kenneth R. Melani, M.D., Highmark president and chief executive officer. “Several weeks ago, we shared great news with the residents and leaders of the Bloomfield community about our planned revitalization of West Penn Hospital. Today, those who live and work in the eastern suburbs, and all who have come to rely on Forbes Regional for its excellent patient care services, have reason to celebrate as well.”

Among the projects planned at Forbes during the first phase of the initiative include a complete renovation of the hospital’s 4th and 6th floor medical/surgical units; the opening of a comprehensive breast care center; the addition of a third cardiovascular surgery operating room; new facility signage and exterior landscaping; and aesthetic upgrades to many patient/visitor areas including waiting rooms and the cafeteria.

Considerable investment will also be made in technology and construction supporting Forbes Regional’s plans to become accredited as the Pittsburgh area’s first Level 2 trauma center, a designation by the State that identifies hospitals with advanced capabilities for treating adult patients with complex traumatic injuries.

“As the only full service healthcare provider in the eastern suburbs, Forbes Regional has served this community exceptionally well for more than three decades,” said Keith T. Ghezzi, M.D., interim president and chief executive officer, WPAHS. “Highmark’s commitment to this hospital will build upon its proud legacy by moving forward critical investments in programs, technology, people and infrastructure that will enable us to continue offering comprehensive patient care services that are unsurpassed in their quality and state-of-the-art capabilities.”

On November 1, Highmark and WPAHS announced they had reached an affiliation agreement between the two organizations that, pending regulatory approvals, will considerably strengthen the health system and position it as the centerpiece of a new and innovative integrated healthcare delivery system for the region.

As part of the affiliation agreement, Highmark has committed to providing WPAHS with \$400 million in grants and loans to support capital investment in its various facilities and programs. Officials announced in mid-November plans for a major upgrade and expansion of West Penn Hospital, including the reopening of its emergency department in the first quarter of 2012.

Established in 1978, Forbes Regional is a 350-bed hospital that annually admits more than 14,000 patients, performs nearly 11,000 surgical procedures and logs approximately 50,000 emergency department visits. The hospital also delivers more than 1,000 babies each year and houses a Level 2 neonatal intensive care unit.

Throughout the past five years, Forbes Regional has grown substantially through the addition of key services such as cardiovascular surgery and neurosurgery and the opening of both a new 38 bed emergency department and a completely refurbished Women and Infants' Center. The hospital has also recently become an affiliate of the world renowned Joslin Diabetes Center and is a Joint Commission certified primary stroke center.

More than 500 physicians and 1,380 employees share the hospital's commitment to patient care excellence.

# News

## West Penn Hospital Emergency Department to Reopen on February 14, 2012

**Monday, February 13th, 2012**

Officials from Highmark and the West Penn Allegheny Health System (WPAHS) today joined community leaders to celebrate the restoration of emergency medical services at The Western Pennsylvania Hospital in Bloomfield. West Penn Hospital's newly equipped and renovated emergency department will open at 8 am on Tuesday, February 14, and mark the hospital's rebirth as a full service healthcare provider.

"Today is a great day for the people of Bloomfield and its surrounding communities, many of whom have relied upon West Penn Hospital as source of exceptional healthcare services throughout their lifetime. The opening of this state-of-the-art, beautifully refurbished emergency department represents another critical step towards a very bright future for this hospital, West Penn Allegheny Health System and our emerging healthcare provider organization," said Kenneth R. Melani, MD, Highmark President and Chief Executive Officer.

In November, Highmark and WPAHS announced an affiliation agreement between the two organizations that, pending regulatory approvals, will considerably strengthen the health system and position it as the center piece of a new and innovative integrated healthcare delivery system for the region. Among the consequences of WPAHS' recent financial difficulties was a significant downsizing of West Penn Hospital and the closure of its emergency department on December 31, 2010.

According to Thomas Campbell, MD, Chair of Emergency Medicine for WPAHS and the former medical director of West Penn Hospital's emergency department for more than two decades, emergency medical care is a vital community resource that often serves as the front door to a hospital's full spectrum of clinical and support services.

"It is absolutely fitting that we are reopening West Penn Hospital's emergency department on Valentine's Day, because one thing that has always distinguished this hospital and its outstanding staff is a love for this community and the commitment to every single person who comes through these doors that they will be treated with dignity, compassion and the highest quality of care possible," Dr. Campbell said.

"Our dedicated employees are thrilled to once again have the opportunity to fulfill that important mission, and we are delighted that so many have come back to work in this wonderful new facility," he said.

Two recent job fairs at West Penn have attracted more than 2,000 interested applicants for jobs throughout the hospital.

The new West Penn Hospital emergency department features a redesigned patient entrance on South Millvale Avenue, 23 patient beds and a number of technological upgrades, including a 128 slice CT scanner (to be installed in March) and a fast track patient triage system.

Complimenting the emergency department opening is a significant expansion of inpatient services and other facility enhancements at the hospital, including newly renovated medical, surgical and intensive care units that offer all-private patients rooms and upgraded labor and delivery capabilities.

The improvements are all components of a much broader plan to revitalize and modernize West Penn Hospital so that it is poised to play a central role in meeting the healthcare needs of the region for many years to come.

"As an emergency physician, I am particularly excited to help share this terrific news today with the residents of Bloomfield, our employees, medical staff and the many community leaders who have been tireless advocates for this hospital over the years. The reopening of the West Penn Hospital emergency department signifies the beginning of the fulfillment of our promise to restore and enhance essential services at this proud and beloved institution," said Keith T. Ghezzi, MD, WPAHS Interim President and Chief Executive Officer.

Dr. Ghezzi said future plans for West Penn Hospital include expanding the hospital's overall capacity to 300-350 private patient rooms; further expansion and renovation of its labor and delivery facilities; the return of cardiovascular services; remodeling of the hospital's lobbies and waiting rooms; and renovation and reorganization of the hospital's Mellon Pavilion to accommodate more physician practices and better coordinate patient care services.

Other existing services at West Penn that are expected to also grow as the hospital transitions back into a full service community hospital include its nationally recognized Burn Center and bone marrow transplantation program, Institute for Pain Medicine, Sleep Disorders Center, radiation oncology program, breast diagnostic program, pelvic floor disease center, Jones Institute for Reproductive Medicine, Lupus Center of Excellence and Joslin Diabetes Center.