

## COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT HARRISBURG

THE COMMISSIONER

March 8, 2006

Gary St. Hilaire Senior Vice President & Chief Financial Officer Capital BlueCross 2500 Elmerton Avenue Harrisburg, PA 17110

Re: 2006 Community Health Reinvestment Application

Dear Mr. St. Hilaire:

This will acknowledge receipt of the Community Health Reinvestment ("CHR") Application of Capital BlueCross ("Capital") submitted November 30, 2005 (rev. March 1, 2006) for calendar year 2006. The Department has reviewed the submission and finds it acceptable, with adjustments noted herein, under the terms of the CHR Agreement. Thus, the Department finds the Annual Community Health Reinvestment amount ("Annual CHR") set forth to be a reasonable estimate. The Department also finds to be reasonable the Net 60% Commonwealth Directed Low Income Health Insurance Portion amount. The Application contemplates quarterly payments, with the first quarter installment due (and paid) on March 1; in consonance therewith, the Department anticipates, and understands that Capital accepts, a quarterly payment schedule, such that the three remaining equal installments will be payable on June 1, September 1, and December 1. Finally, based on the representations in Capital's Application, the Department anticipates that Capital's 40% Permitted Community Health Reinvestment Endeavors amount of its CHR will be expended on approvable expenditures, distributions, or utilizations.

This approval is subject to the audits and reconciliations contemplated by the CHR Agreement as to the amounts of the Annual CHR and the 60% and 40% portions thereof, and as to the scope of expenditures for the 40% Permitted Community Health Reinvestment Endeavors portion.

Thank you for your participation in this community health reinvestment effort for the benefit of Pennsylvanians.

Sincerely,

M. Diane Koken

Insurance Commissioner

Fax: (717) 772-1969

cc: Sandra L. Ykema, Esq.

Phone: (717) 783-0442