

# CITIZEN POWER

*Public Policy Research Education and Advocacy*

April 30, 2015

David H. Phelps, Financial Analyst  
Financial Analysis Division, Insurance Department  
1345 Strawberry Square  
Harrisburg, PA 17120

**Re: Review of Matters Regarding Highmark, Inc., Highmark Health and Allegheny Health Network in Connection with the Insurance Department's Approving Determination and Order Issued on April 29, 2013**

Dear Mr. Phelps,

Enclosed for filing with the Insurance Department on behalf of Citizen Power, Inc. are its Comments in the above-captioned proceeding.

Sincerely,

/s/ Theodore S. Robinson  
Theodore Robinson  
Counsel for Citizen Power

Enclosures

**Review of Matters Regarding Highmark, Inc., Highmark Health and Allegheny Health Network in Connection with the Insurance Department's Approving Determination and Order Issued on April 29, 2013**

**COMMENTS OF CITIZEN POWER, INC.**

Citizen Power provides these comments to the Pennsylvania Insurance Department ("Department") concerning the March 9, 2015 Request of Highmark Inc. ("Highmark") for Approval of a Transaction Pursuant to Condition 11 of the Approving Determination and Order and 40 P.S. § 991.1405. Specifically, Highmark has requested that the Department approve a grant, or series or grants, of up to \$175 million from Highmark to the Allegheny Health Network ("AHN"), an affiliate of Highmark. Citizen Power believes that the reasoning and evidence provided by Highmark in their March 9<sup>th</sup> Request is not sufficient to support the Department's approval of this transaction at this time.

Citizen Power is a nonprofit public policy, research, education and advocacy organization based in Pittsburgh, Pennsylvania working on behalf of those less advantaged and those without a voice, to provide and further improve vital human services. Citizen Power has had a long-standing interest in the health care and health insurance arenas and supports the establishment of a single-payer, universal service healthcare system. However, since a single-payer system has not yet been established, we have been supplementing our work by investigating the current structure of the healthcare and insurance systems in Pennsylvania with the goal of improving consumer outcomes.

Our main opposition to the request is that it does not provide sufficient information to independently determine whether such a transaction is in the best interest of either current

Highmark policyholders or the public in general. Although we do agree with the general contention of Compass Lexecon that a stronger West Penn Allegheny Health System, Inc. (“WPAHS”) can serve as a competitive constraint against the University of Pittsburgh Medical Center (“UPMC”), it is unclear from the request whether this additional financial support is either necessary to improve competition or a cost-efficient use of Highmark’s existing assets.<sup>1</sup> The filing itself states that the funding will be used in the areas of “women’s health and prenatal care, outpatient centers, trauma and emergency service, and system-wide renovations and enhancements, including those at WPH and AGH.” However, there are no specific numbers regarding what will be spent in each area and the estimated benefits resulting from the additional financing, nor any analysis regarding the potential impact on competition and utilization levels. While Citizen Power recognizes the importance of the viability of WPAHS, we believe that the use of non-profit funding that originates from Highmark’s reserves, which were primarily built with the premium dollars of western Pennsylvania consumers, must be shown to result in a net benefit for the region as a whole before the Department approves the request. In addition, policy holders may be harmed from the diminution of capital even if risk-based capital will be maintained through 2017. Although there may be a sufficient current surplus, any reduction in Highmark’s assets will ultimately result in higher premiums than otherwise would have existed. The potential future impact on premiums should be accounted for in the analysis of this request.

Citizen Power would also like to take this moment to comment on the review process associated with this request. We support the decision to hold a public hearing and urge the Department to increase use of public hearings in the future. However, we believe that it may be difficult for an interested party to participate in the hearing because the relevant documents are

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<sup>1</sup> Guerin-Calvert, Margaret, E. Economic Analysis of Highmark’s Affiliation with WPAHS and Implementation of an Integrated Healthcare Delivery System. 4/8/13 Submission to the Pennsylvania Insurance Department. Pg. 9, available at: [http://www.portal.state.pa.us/portal/server.pt/document/1330775/1306\\_part\\_1\\_pdf](http://www.portal.state.pa.us/portal/server.pt/document/1330775/1306_part_1_pdf)

not easily located. For example, the request of Highmark is available on the web at [http://www.portal.state.pa.us/portal/server.pt/directory/order\\_condition\\_documents/](http://www.portal.state.pa.us/portal/server.pt/directory/order_condition_documents/), but is one of several listed documents. The document itself is titled “Highmark Condition 11(C) 3-9-15.pdf”, which makes identification difficult for the general public. Citizen Power recommends that the Department should create a webpage for hearings that is linked from the front page and includes all relevant documents listed with easily understandable names. In addition, we believe it would be helpful to include a link to the relevant documents in the Notice placed in the Pennsylvania Bulletin.

Respectfully Submitted,

/s/ Theodore S. Robinson  
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