



**For Release  
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## **Statement Karen Weldin Stewart, CIR-ML Delaware Insurance Commissioner**

We are assembled here for an announcement regarding the future of Delaware's only non-profit health service corporation. This morning, I have executed and issued a Decision and Final Order approving the affiliation of Blue Cross Blue Shield of Delaware with Highmark, Inc. A copy of my Decision and Final Order is available in your packet.

I will summarize my findings, and then I will be happy to answer any questions.

I take very seriously my responsibility to protect the citizens of Delaware in every transaction that involves insurance. This important trust is vital in a matter such as this transaction, when Delaware policyholders and a Delaware employer are impacted. With this decision and the 49 conditions that are built into my approval, the interests of an important Delaware Company and its subscribers will be protected, both now and in an uncertain future for health insurance.

I have been involved in the insurance regulatory field for 25 years and as a consumer for many more. I know from experience the many benefits to Delaware citizens in having a locally controlled insurance company competing in the health insurance market. The ability to share in the benefits provided by the Blue Cross Blue Shield Association can only benefit Delawareans.

I am also very concerned for the many people, who do not have health insurance, and the difficulties that are imposed on them, and on the entire health delivery system. As part of my approval, I have imposed certain conditions to help with this concern.

I have watched with great concern as Blue Cross Blue Shield of Delaware and other small health insurers have struggled to compete with large national insurers who have billions of dollars of capital and resources. These small companies have limited ability to make the changes required by today's health care reform, including but not limited to:

- research and development of new products
- prompt payment of claims
- technology enhancements

- meeting compliance deadlines
- access to professional expertise

After careful study, the Board of Blue Cross Blue Shield of Delaware came to the conclusion its future, and its mission, would be best served by affiliating with a larger non-profit entity. As a result, Blue Cross Blue Shield of Delaware's Board selected Highmark to be their partner.

Accordingly, in October of 2010, Blue Cross Blue Shield of Delaware and Highmark submitted an application to the Delaware Insurance Department seeking my approval of an arrangement that would keep Blue Cross Blue Shield of Delaware as a separate non-profit Delaware entity and allow it to affiliate with Highmark.

In addition to being supported by the much larger resources and reserves of Highmark, Blue Cross Blue Shield of Delaware's Board determined it would derive many other benefits from the arrangement. They will have access to funds to make needed changes to their systems to continue to deliver important products and services. They will be able to access and integrate their technology system with a much larger platform that Highmark has developed. This is critically important to remain competitive and also to comply with many new regulations that are coming as a result of the new federal health care initiatives.

Upon receipt of the Application last October, a process began for careful regulatory examination of the proposed transaction. The Insurance Department, under my direction, retained national financial and legal experts to scrutinize every aspect of the proposed affiliation. I appointed a distinguished jurist, Battle R. Robinson, to act as Hearing Officer, to supervise the process leading to Public Hearings, and to issue proposed findings of fact and conclusions of law. Informational sessions were also held throughout the state to seek public input beyond that of the Public Hearings. The Delaware Department of Justice was a party and participant in the proceedings. The Delaware General Assembly participated by enacting certain changes to the insurance laws to assure itself that the transaction would be fully overseen by me, and would include certain protections.

The result has been a fourteen (14) month process of examination and analysis that has led to my Decision and Final Order, issued this morning. I did not approve the transaction as originally submitted to my office. Instead, I have approved the proposed affiliation with forty-nine (49) conditions. These conditions, when satisfied, will allow Blue Cross Blue Shield of Delaware and Highmark to affiliate, but with important protections to assure that the interests of the Delaware Company and its subscribers are protected now and in the future.

The conditions arise from several sources. Many were a result of my Department's analysis of the transaction, and our ongoing negotiation with the parties to make sure that Delaware continues to greatly benefit from the Blue Cross Blue Shield's presence in our state. Some of the conditions were part of the changes to the Insurance Laws which did not exist at the time of the original application. A few of the conditions were

suggested to me by Hearing Officer Robinson, who recommended that I approve this transaction.

Lastly, I have added a condition that I think is necessary to make Delaware's Children's Health Insurance Program (CHIP) affordable to families slightly above the federal poverty level.

Blue Cross Blue Shield of Delaware has agreed to add \$3 million dollars to their commitment to subsidize this program, called CHIP, until June 30, 2014, or until the federal program goes into effect, whichever occurs first.

With the conditions, the affiliation will go forward, while preserving important interests for Delaware citizens. Without elaborating on each condition, the following important goals will be met:

- Blue Cross Blue Shield will remain in Delaware. Its corporate office will stay here and the people that Delaware subscribers interact with will be here. Employment in Delaware will be continued.
- The Board of Directors will include independent Delaware residents who have lived in Delaware for at least five years and are not employees of Blue Cross Blue Shield of Delaware, Highmark, or any of its affiliates. This important class of independent directors will have substantial influence over the operations of the company.
- The assets and reserves of Blue Cross Blue Shield of Delaware will be fully protected and can be used only for the benefit of Blue Cross Blue Shield of Delaware or its subscribers.
- The important community contributions that Blue Cross Blue Shield of Delaware has made in the past will continue; indeed, in many cases they will be expanded.
- Blue Cross Blue Shield of Delaware has made a commitment to significantly fund the CHIP program in Delaware, giving access to health insurance to children who presently cannot obtain it.

All operations will remain under the direct regulatory control of the Delaware Insurance Department. With these protections, I find that the affiliation should go forward and hereby approve the application. I am confident that this affiliation will prove to be in the best interests of Blue Cross Blue Shield of Delaware and its subscribers.

I would be happy to answer any questions.