BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF DELAWARE

In Re: The Proposed Affiliation of BCBSD, INC., doing business as Blue Cross Blue Shield of Delaware with HIGHMARK INC.	**))))**	**Docket No.: 1509-10**

DIRECT TESTIMONY OF TIMOTHY J. CONSTANTINE

CALLED BY BCBSD, INC. AT THE HEARING HELD OCTOBER 5 – 7, 2011

Q. ***Mr. Constantine, please state your full name and position for the record***

A. I am Timothy J. Constantine, President and Chief Executive Officer of BCBSD, Inc.

Q. ***Can you briefly describe your experience?***

A. I joined BCBSD in August 1998 as Vice President of Network and Medical Management. I have held the position of President since September 2001, and Chief Executive Officer since November, 2006.

Prior to joining BCBSD, I served as Chief Financial Officer for Union Hospital of Cecil County Health System from June 1995 to August 1998, and Vice President of Community Health Services for St. Francis Hospital (Wilmington) from January 1993 to June 1995. I was a manager for Arthur Andersen & Co. in its Audit and Business Advisory division from June 1986 to December 1992. I graduated from Loyola College (Baltimore, MD) in May 1986 and received a Bachelor of Business Administration degree in Accounting.

EXHIBIT
JOINT-1

I currently serve as a director on the following boards: the Blue Cross Blue Shield Association and its Federal Employee Program Board of Managers; the United Way of Delaware; the Delaware State Chamber of Commerce; the Delaware Business Roundtable and the University of Delaware College of Health Sciences Advisory Board.

Q. ***Mr. Constantine, please describe Blue Cross Blue Shield of Delaware?***

A. Blue Cross Blue Shield of Delaware or "BCBSD" is the largest health insurer in Delaware. BCBSD currently provides health insurance, or administers health benefits, for approximately 394,000 people. Health insurance, whether fully insured or administrative services only, is the primary line of business for BCBSD. BCBSD is the primary licensee of the national Blue Cross and Blue Shield Association ("BCBSA") in Delaware and has the exclusive rights to market health insurance and issue policies and contracts using the "Blue" names and service marks throughout Delaware. BCBSD has no right to issue "Blue" branded policies or contracts outside of Delaware.

Q. ***How is BCBSD organized and regulated?***

A. BCBSD is organized as a Delaware non-stock, not-for-profit corporation that is regulated by the Delaware Insurance Commissioner under the provisions of Chapter 63 of the Insurance Code. Because BCBSD was in existence prior to the adoption of Chapter 63, BCBSD is not required to hold a Certificate of Authority the way other health insurers are.

Q. ***Can you give us a brief history of BCBSD?***

A. BCBSD was founded in 1935 as Group Hospital Service, Inc., a not-for-profit corporation offering a prepaid hospital plan. At the time, BCBSD was organized under the Delaware General Corporation Law, as any other non-stock, not-for-profit corporation. The entity was financed with a $1,626 loan from the four Wilmington

hospitals that were its members. The original governing body was a "board of trustees," and each of the member hospitals was entitled to name three trustees to this board. The new company's three stated corporate purposes were (i) to operate a hospital plan to furnish hospitalization to individual subscribers, (ii) to collect statistics and information, and (iii) otherwise promote activities that were in the best interests of the community with respect to its hospitals. In 1939, the "purpose" article was amended to add an additional clause providing for coverage at hospitals that were not members of the plan, and amendments in 1943 expanded coverage to include physicians' services. Additional amendments to the BCBSD Certificate of Incorporation were made in the mid-1960s, and again in 1980. The 1980 purpose statement has appeared in all versions of the BCBSD Certificate of Incorporation filed since 1980, and appears in the proposed Certificate of Incorporation that would be filed with the Division of Corporations to consummate the proposed affiliation.

Q. ***At one point, BCBSD was affiliated with CareFirst, Inc. Can you give us a little background on that?***

A. CareFirst, Inc. is a not-for-profit health service corporation and BCBSA licensee providing services in Maryland, Northern Virginia, and Washington, D.C. In March 2000, the Delaware Insurance Commissioner approved an affiliation between BCBSD and CareFirst that was similar in many respects to the affiliation we are planning with Highmark. During that affiliation, CareFirst held the primary BCBSA licenses for Delaware, and BCBSD held BCBSA's "Controlled Affiliate" licenses. In 2003, the Maryland General Assembly passed legislation that caused the existing CareFirst Board to be removed and, among other things, gave the State of Maryland a material level of

control over the future composition of the CareFirst Board of Directors. As a result, in 2004, the Delaware Insurance Commissioner ordered the disaffiliation of CareFirst and BCBSD. Thereafter, we attempted to restructure the affiliation with CareFirst on a contractual basis. Unfortunately there was litigation in both Maryland and Delaware and we were not able to restructure the affiliation. Ultimately the companies were disaffiliated in September 2006, and BCBSD has been operating as the primary licensee of the BCBSA in Delaware since that time.

Q. ***Why doesn't BCBSD simply remain a stand-alone plan?***

A. As I mentioned earlier, BCBSD can only operate as the BCBSA licensee for the State of Delaware, and our ability to grow is therefore very limited geographically. By the early 1990s, the BCBSD Board of Directors had determined that as a small, single-state Blue plan, BCBSD's long term success required that it affiliate with a larger Blue organization. Through affiliation, BCBSD could benefit from economies of scale, as well as access to the enhanced resources that only a larger plan could provide. BCBSD then began a search for potential affiliation partners. The search began with an attempted transaction with Blue Cross Blue Shield of New Jersey, and ultimately resulted in the 2000 affiliation with CareFirst. The CareFirst affiliation was largely successful, resulting in reduced per member per month administrative expenses and increases in membership, reserves and employees; however, the disaffiliation from CareFirst, just six years after it commenced, placed BCBSD back in the same position it was in prior to the CareFirst affiliation.

Q. ***What process did BCBSD go through to plan for its future after the CareFirst disaffiliation?***

A. In late 2006, BCBSD's Board of Directors and management began an extensive strategic planning process designed to address the challenge of maintaining BCBSD's strength and stability over the long term. In preparation, the BCBSD Board of Directors met in February 2007 to discuss the implications of the recent disaffiliation and the strategy for going forward. Participants included the Board, senior management and industry experts. After presentations by the experts and extensive discussion, the Board directed management to conduct a formal strategic planning process to determine the future course for BCBSD.

Q. ***What was the result of that strategic planning process?***

A. The Board, working with management and its advisors, ultimately determined that given the competitive environment in which BCBSD must operate, and the need for systems and capabilities upgrades, the best option for BCBSD was to again collaborate with a strong partner. Over the next several months, the team detailed BCBSD's market and organizational requirements and analyzed its potential strategic value as a partner. Out of this process, over 30 potential partners were identified and studied. Six, including adjacent regional and multi-state Blue Cross and Blue Shield plans, were determined to be best suited to meet the requirements of BCBSD. Detailed evaluation criteria were established and further due diligence of these six was conducted with oversight by the Board.

Q. ***How did BCBSD decide among the six candidates?***

A. In July 2007, each of the six target partners received a *Partnership Memorandum,* requesting a confidential proposal for establishing a long-term strategic partnership. During the remainder of 2007 and the first quarter of 2008, these proposals were

analyzed, additional information was requested and evaluated, and the executives of each of the six companies were invited to make a presentation to the BCBSD management team to discuss their proposals in more detail.

After thorough analysis and evaluation, the potential partner list was narrowed to three organizations for further consideration and evaluation. Although Highmark had made a strong presentation to BCBSD's management team, it was not one of the three organizations invited to present to the BCBSD Board at this time, largely due to our concern that Highmark's then-pending proposed merger with Independence Blue Cross would affect its ability to focus on an affiliation with BCBSD. The leadership of the three finalist organizations each made a presentation to the BCBSD Board, describing the proposed business relationship, the rationale for partnering with BCBSD and the benefits of the relationship to BCBSD, its members, accounts, providers, employees and the residents of the state of Delaware. Ultimately, however, BCBSD was unable to reach agreement with any of these candidates.

Q. ***So then what did you do?***

A. During the summer of 2009, management updated its evaluation of the six previously identified potential partners and, based on the findings of this analysis, reissued an updated *Partnership Memorandum* to two of these potential partners, including Highmark, which by this time had terminated plans to partner with Independence Blue Cross. Discussions were held with both candidates and further due diligence was performed. By year end 2009, our Board decided to engage in exclusive negotiations with Highmark, based on the potential fit of the two organizations.

Q. ***Please walk us through BCBSD's rationale for affiliation***

A. Although BCBSD has successfully existed as a stand-alone company since 2006, the fundamental need for BCBSD to be affiliated with a larger plan has not abated. Significant consolidation has occurred in the health insurance industry over the last twenty years. This is illustrated by the fact that in 1993, 80% of the U.S. health insurance market share was held by 47 insurers, whereas today, just 9 insurers hold this 80% market share. These large consolidated insurers enjoy a size and scale that provides them with many advantages over a smaller plan such as BCBSD. These advantages include:

- Economies of scale resulting in lower administrative overhead;
- Access to the resources necessary to develop new products and services demanded by the insurance marketplace;
- Access to information technology systems, software and infrastructure necessary to administer health insurance products and pay claims in today's rapidly changing environment; and
- Access to resources, technology and other capabilities required to effectively implement far-reaching federal and state mandates, including the provisions of the Patient Protection and Affordable Care Act or "PPACA.

Our primary competitors are Aetna, Coventry and United Healthcare. These competitors dwarf BCBSD in size, and each has a national presence with very strong business and technology capabilities. These large insurers have the capital to invest in the leading-edge technologies that consumers and providers demand, and they have the size and leverage to secure economies of scale and favorable national medical cost agreements (for example, deeper rebates with pharmaceutical manufacturers due to

higher volumes, etc.). Access to this size and leverage leads not only to enhanced capabilities but lower costs to consumers.

BCBSD retained Deloitte, an international consulting firm, to conduct an assessment of BCBSD's business capabilities in 2004. This assessment was updated in 2008, and again in 2010, and compared BCBSD capabilities against market requirements and industry competitors to project future capital requirements and priorities. In its assessment of BCBSD, Deloitte determined that, on a stand-alone basis, BCBSD would need to make near-term investments in capability improvements in the range of $88 million to $140 million over the next several years to maintain its strong position in the marketplace. Given that BCBSD currently delivers its business on a core operating system installed in the mid-1980s, BCBSD's future is dependent on timely access to leading edge technology and business solutions; however, the expenditure associated with these investments would amount to between 49% and 77% of BCBSD's current reserves.

While the Deloitte study focuses on technology enhancements, to remain competitive, BCBSD also needs access to enhanced product offerings and expanded capabilities. Specifically, BCBSD needs this access for the senior segment, government programs, compliance capabilities, consumer services, research and development resources, and the overall strategic platform that a large affiliate with greater resources can provide. The health care industry has transformed considerably over the last decade, with intense demand for cost control and significant expansion of regulatory oversight. The most direct evidence of this is the 2010 passage of PPACA. From a very practical view, a small, independent plan such as BCBSD, is not likely to have the human or

technological resources to effectively evolve to meet these increased demands on its own. Also important is the financial security an affiliation with a larger, very well capitalized entity brings to BCBSD's stakeholders. As a small company, BCBSD's reserves (*i.e.*, surplus) are more limited and subject to greater volatility than the surplus of a large company. This consequence has led industry analysts to determine that smaller companies need to maintain higher relative surplus levels than large companies. This volatility was dramatically illustrated by the 30% drop in BCBSD's reserves that occurred in 2008, due largely to the economic downturn.

Q. ***Why did BCBSD select Highmark?***

A. As noted earlier, we are pursuing the affiliation with Highmark after completing a thorough assessment of our strategic options during the four-year period subsequent to the company's disaffiliation from CareFirst. The company believes that the agreement with Highmark offers the most practical, efficient and cost-effective means of ensuring that BCBSD can meet the near-future and long-term needs of its Delaware stakeholders, while remaining a viable and robust local presence in the Delaware employer marketplace.

As you will hear from Ms. Hanlon, although Highmark is a not-for-profit like BCBSD, it is much larger. In fact, it is one of the ten largest health insurance companies in the United States, with membership of almost 5 million and reserves in excess of 3.7 billion. It also has a state-of-the-art and highly capable information technology platform that has proven itself in service and support arrangements with several other Blue Cross Blue Shield plans.

With the Highmark affiliation, BCBSD would expect to invest approximately $37 million over 18 to 24 months to migrate onto Highmark's technology and business platforms. This represents a substantial savings to BCBSD and its stakeholders from the $88 to $140 million that the company would need to expend as an independent health insurer. Coinciding with BCBSD's plan to affiliate with Highmark is the impact of two significant federal mandates required of health care payors. The first of these is conversion to the International Classification of Diseases, 10th Revision, or "ICD-10," which will result in a ten-fold increase in the number of diagnostic codes that must be utilized by health insurers and providers. The federal compliance deadline for ICD-10 is October 2013.

As mentioned earlier, the second federal mandate is the 2014 market reform provisions of PPACA. For PPACA, significant new provisions will become effective January 1, 2014, including:

- Integration with the new Health Insurance Exchanges,
- Elimination of medical underwriting,
- New product design mandates,
- Accountable Care Organization payment reform administrative capabilities and
- Medical loss ratio pool management/rebate administration capabilities.

For practical purposes, BCBSD would need to have systems, products and services ready to go to market in early 2013 in order to meet the January 1, 2014 effective date of these new PPACA plans and regulations.

Q. ***Was affiliation the only alternative considered?***

A. There are two plausible alternatives to affiliation: (i) make the capital investment necessary to bring BCBSD's capabilities up-to-date entirely on its own, or (ii) outsource BCBSD's information technology needs to a third party vendor. Both of these alternatives were rejected because they would result in less desirable outcomes for BCBSD and its Delaware stakeholders. If BCBSD were to attempt to make the necessary capabilities enhancements on its own, this would require enormous capital expenditures without any increase in revenue or access to the resources and product/service enhancements only available through an affiliation. Additionally, BCBSD would not have the financial support of a larger company. Similarly, outsourcing to another party (even Highmark) to administer BCBSD business on outside operations platforms also has a number of disadvantages relative to an affiliation, including:

- The costs to BCBSD would be higher under such an arrangement;
- BCBSD would not enjoy the expanded financial security of being part of a larger, more diversified organization, with much greater financial resources;
- BCBSD would not gain the advantage of access to the larger company's non-technology resources; and
- Delaware employment would be adversely impacted by outsourced, back-room operations.

These were important considerations in BCBSD's decision to seek an affiliation generally, and to enter into an affiliation agreement specifically with Highmark, under the terms negotiated in the August 13, 2010 Business Affiliation Agreement (the "Affiliation Agreement").

Q. ***Mr. Constantine, will you briefly describe the Affiliation structure?***

A. It is critical to note, at the outset, that following closing of the Transaction, BCBSD will remain a Delaware non-stock, not-for-profit corporation with a corporate purpose set forth in its post-Closing Certificate of Incorporation that is *identical* to its current not-for-profit purpose. No assets are being transferred from BCBSD as a result of the Transaction, and no consideration is to be paid to, or received by, any entity as a result of the Transaction.

Under the Affiliation Agreement, Highmark will become the sole member of BCBSD. Although Highmark will be the sole member of BCBSD, it has no "membership interest" as that term is defined in the Delaware General Corporation Law, and therefore no right to receive dividends or other distributions of profits or retained earnings from BCBSD.

As the sole member of BCBSD, Highmark will become the primary licensee of the Blue Cross and Blue Shield service marks for Delaware, but will exercise these rights only through BCBSD. Post-Closing, BCBSD will become a "controlled affiliate" of Highmark, and will receive BCBSA's "Controlled Affiliate License." BCBSD's status as a controlled affiliate carries with it a critical advantage; in order for Highmark to retain its primary licensee status in Delaware, it must guaranty the obligations of BCBSD.

At Closing, BCBSD will file a new Certificate of Incorporation and will adopt new Bylaws, which together will reconfigure the Board of Directors of BCBSD.

Q: How will the Board of Directors change after the Affiliation has closed?

A. The post-Closing Board will be comprised of nine members, four of which are identified as "Class A" directors. The membership of the initial slate of Class A directors is at the discretion of BCBSD, prior to Closing, and will be comprised of four members

of BCBSD's present Board of Directors. Thereafter, Highmark, as the sole member, will elect the Class A directors from persons nominated by a nominating committee of the Board of Directors; however, this nominating committee will be comprised solely of Class A directors. Moreover, even after a Class A director's term expires, he or she will continue to serve as a Class A director until Highmark elects the replacement nominated by the nominating committee. Practically speaking, this means that the Class A directors will be self-perpetuating. We understand that the Department has proposed conditions requiring Highmark to not unreasonably withhold its election of a Class A nominee, and to provide a reason in writing should Highmark decline to elect a Class A nominee. BCBSD does not oppose these conditions.

Another four directors, the "Class B" directors, are to be selected by Highmark at its discretion; provided, however, in the initial years, the Highmark Chief Executive Officer and two of his direct reports will serve as members of this class to ensure a smooth transition process. Dr. Kenneth Melani is the Highmark Chief Executive Officer and he will therefore serve as the first of the Class B directors. The direct reports chosen by Highmark to fill the second and third Class B seats are Highmark Treasurer and CFO, Nanette DeTurk, and Highmark Executive Vice President of Health Services, Deborah Rice.

Senate Bill 146, signed into law on July 12, 2011, adds a new section 6311 to the Insurance Code. Among other things, this new section will require that the post-Closing BCBSD Board be comprised of a majority of Delawareans, who are not employees of the company or any Highmark affiliate. All of the current BCBSD directors – from whom the initial Class A directors will come – meet this description; however, the fourth and

final Class B director must also pass this test to qualify. Accordingly, Highmark will select the fourth Class B director in compliance with section 6311, and has asked BCBSD to recommend suitable candidates. The ninth and final member of the post-Closing BCBSD Board will be the BCBSD President. The parties intend for me to serve in this role post-Closing.

Q; Does the Affiliation Agreement contemplate agreements between the parties post-closing?

A. One of the many advantages of the Transaction is the economies of scale that arise out of partnering with a larger entity. Accordingly, the Agreement contemplates that BCBSD will enter into an Administrative Services Agreement with Highmark, under which a broad range of services will be made available to BCBSD at cost, including an allocation of administrative overhead but with no provision for a profit margin for Highmark. Also, since BCBSD will be migrating to Highmark's information technology platforms and systems, and there is a significant cost associated with this migration, Highmark has agreed to make available to BCBSD an unsecured line of credit in the principal amount of $45 million to help defray these costs if, and to the extent that BCBSD determines that it needs this assistance. At this time, BCBSD does not intend to draw upon this line of credit. As noted, the cost of this migration would be a fraction of the cost of BCBSD upgrading as a standalone entity.

Q: Do the Affiliation documents address a disaffiliation or unwinding of this transaction?

A. Yes, BCBSD's prior experience in disaffiliating from CareFirst is reflected in the terms of this transaction. Under the Agreement, the Class A directors are given the right to cause the unwinding of the affiliation and Highmark's surrender of its primary licensee

status in the event of certain occurrences. These are: (i) the conversion of Highmark to for-profit status under Pennsylvania law; (ii) the insolvency of Highmark; (iii) the loss of Highmark's right to use the "Blue" service marks; and (iv)the enactment or adoption of certain changes in Pennsylvania law, which affect the manner of selection or powers of the Highmark Board of Directors.

Q. Mr. Constantine, are you concerned that Highmark might improperly access BCBSD's surplus following closing?

A. No. As I mentioned, the transaction is structured such that Highmark has no right to receive dividends or other distributions of profits or retained earnings from BCBSD. Indeed, other than payments – at cost – for services fairly and reasonably allocated to BCBSD, and any repayments of interest or principal under the Line of Credit, we do not anticipate any funds flowing from BCBSD to Highmark. In our due diligence of Highmark, we ran across nothing to give us concern that Highmark would be inclined to misuse assets held by its affiliates, and nothing in the integration process currently underway causes me to change my mind. Also, the parties have agreed to a number of conditions that give the Insurance Department significant oversight of the budgeting process and material or unusual payments to Highmark. Accordingly, I am confident that our surplus will not be depleted as a result of any malfeasance by Highmark.

Q. ***Are BCBSD executives getting any special bonuses as a result of this transaction?***

A. No BCBSD executive will be paid any bonus or incentive compensation as a result of negotiating or closing this transaction. The senior executive team (the President/CEO and six Vice Presidents) at BCBSD is responsible for managing a complex business organization in an unsettled, highly competitive and rapidly changing

health care environment. Compensation for these senior executives is overseen by BCBSD's Board of Directors. The Board's goal is to ensure that BCBSD is competitive in its efforts to attract, retain and motivate the highest caliber of leadership. On an annual basis, the Board reviews and approves all senior executive base salary and incentive amounts, utilizing external benchmark data and recommendations by independent external experts. The current targeted total compensation amounts (base salary and potential incentive) for each of the executives are far below the average for non-publicly traded Blue Cross and Blue Shield Plan officers, as well as the Health Insurance and Managed Care industry sector averages.

The goal of attracting and retaining quality executive management assumed special importance following BCBSD's disaffiliation from CareFirst when there was an immediate need for stability as well as expertise. In 2007, the Board directed management to retain the law firm of Young Conaway Stargatt & Taylor to conduct an executive compensation review. This law firm and management, in turn, retained consultants to provide guidance on appropriate compensation packages for executive management.

As a result of this process, BCBSD's seven executives have entered into employment agreements, all of which predate the Affiliation Agreement. I would note that in connection with the Affiliation, some agreements were amended, primarily to address the tax impacts of the agreements on BCBSD. My contract was amended to reduce the benefits I would receive in the event that severance benefits became payable in connection with a change of control. All of these employment agreements include severance benefits, the principal elements of which take into account the executive's base

salary, incentive compensation, and medical benefits. If payable, such severance benefits would be paid for the remainder of the contract term or a specified period, not to exceed two years. Severance benefits become payable if: (1) the executive's employment is terminated without "Cause" (regardless of whether a "Change in Control" has occurred), or (2) the executive submits his or her resignation following a specified material negative change in employment, constituting "Good Reason" after a Change in Control has occurred and the Good Reason event is not corrected after notice of such event is provided by the executive.

Examples of "Good Reason" are a substantial reduction of the executive's duties or a substantial reduction in compensation. Thus, although the Affiliation would constitute a Change in Control, the Affiliation alone would not trigger benefits under the employment agreements. Such benefits would be payable only if one of the executives was thereafter involuntarily terminated, or suffered an uncured material negative change in employment following the Affiliation.

If the executive becomes entitled to severance benefits, the amount of the benefits is generally the same with, or without, a Change in Control, except that base salary continuation payments and incentive payments are paid in a lump sum, reduced to present value, within sixty days of the termination if the termination occurs within two years following a Change in Control. BCBSD and Highmark have no plans to terminate any of the BCBSD executives following the Affiliation. At some point, the synergies and economies of scale that are principal benefits of the Affiliation may cause employment changes or reductions in force that impact one or more of the seven executives with employment agreements. So, in preparing documents as part of the review of the

proposed affiliation, BCBSD obtained estimates of a "worst case scenario." In the **highly unlikely** event that all seven executives were terminated immediately after closing, thus being entitled to their maximum possible 12 to 24 months' severance benefit, the potential total lump sum severance payments owed to the seven executives would be approximately $5,960,000. A payment of this size relative to our assets and reserves would have no material impact on the financial condition of the company or its ability to pay claims or service policyholders.

In 2009, BCBSD utilized Mercer to assist it in evaluating a Retention Bonus Program to help ensure that BCBSD retains employees who have special skills or knowledge that is vital to maintaining certain business-critical functions during the affiliation's transitional period. Accordingly, eight BCBSD non-executive management employees are eligible for retention bonuses under this program. In the aggregate, these retention bonuses amount to approximately $300,000.00, which is consistent with the findings provided by Mercer regarding a program of this type.

Q. ***Mr. Constantine, can you briefly describe BCBSDs' current level of charitable giving, and can you tell us whether there is anything about the proposed affiliation that would cause any changes to your community support programs?***

A. As the state's premier health benefits company, BCBSD has a strong commitment to the health and well-being of our members, and the communities in which they live. Our company proudly provides financial support to more than 100 Delaware organizations annually.

In late 2007, BCBSD expanded our community support activities by establishing a donor-advised fund at the Delaware Community Foundation, a non-profit organization

that manages and administers charitable funds throughout Delaware. This fund, known as *BluePrints for the Community*, was created to help address issues faced by Delaware's uninsured and underserved populations, as well as health care disparities throughout the state. To support the grant program, BCBSD made an initial $2 million contribution. The company recently added over $1.6 million to the fund. Ongoing, BCBSD is committed to making annual contributions equal to what the company would owe in state corporate income taxes, were it subject to such taxes.

Our other community-focused program, *Working Well Together*, reflects our ongoing dedication to making a difference in the health and lives of Delawareans by:

- Making health care more affordable and accessible;
- Improving the quality and safety of patient care;
- Responding to the increasing diversity of our members; and
- Supporting organizations that address health-related issues within the community.

Our average aggregate annual contributions under this program are in the range of $750,000.

We are committed to maintaining each of these programs in connection with the Highmark affiliation.

Q. ***Is there anything more that you would like to add?***

A. In closing, we are very excited about our potential partnership with Highmark. This affiliation will allow us to retain our not-for-profit status, enhance operations, maintain financial stability, and continue to provide the high level of local service that our customers and providers expect. Through the partnership with Highmark, BCBSD will have access to expanded product offerings, and enhanced capabilities and resources

for our customers, providers and brokers. The affiliation will also allow BCBSD to become more cost effective through shared investment in systems and capabilities, and continue as a significant local employer, a good corporate citizen and strong contributor to Delaware's economy.