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IBC, Highmark expect a long review of merger plan

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by [John George](#)

Staff Writer

Independence Blue Cross and Highmark won't predict when their merger could be completed because of the lengthy series of regulatory hurdles that must be cleared.

The regulatory agencies have plenty of experience with such deals. During the past decade the number of Blue Cross plans across the country has shrunk from 110 to 30.

The plan to combine IBC and Highmark -- the two Pennsylvania health insurance giants -- must be reviewed and approved by the state Department of Insurance, the state Attorney General's Office, the Federal Trade Commission and U.S. Department of Justice.

The U.S. Senate Judiciary Committee has scheduled the first public hearing on the merger for April 9 at the National Constitution Center in Philadelphia.

In addition, the merger will require the approval of the insurance departments in 17 other states where the two companies do business: New Jersey, Delaware, Alabama, Arizona, California, Florida, Georgia, Illinois, Kentucky, Maryland, Michigan, New York, Ohio, South Carolina, Texas, Vermont and West Virginia.

The national Blue Cross and Blue Shield Association, based in Chicago, must give its stamp of approval to the deal.

The state legislators and Gov. Ed Rendell will also likely weigh in on the proposal.

"Our highest priority is to see that consumers would be protected in this type of transaction," said Randy Rohrbaugh, Pennsylvania's acting insurance commissioner.

"As soon as any filings are presented to us," Rohrbaugh said, "the public portion of those filings



Joseph A. Frick, of Independence Blue Cross, is moving ahead with merger plans as scrutiny begins.

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will be made publicly available -- but we have not received any filings related to this transaction as of yet."

IBC officials expect to begin filing documents with all the pertinent agencies before the month is out.

Rohrbaugh said to make the review process "as transparent as possible," the Insurance Department expects to hold informational hearings in different regions of the state. "We do believe that public input would be a necessary and integral part of our evaluation process," he said.

According to Rohrbaugh, current state law limits the scope of the department's authority to review transactions such as the one proposed by IBC and Highmark. In a typical insurance company transaction, he explained, the department would look at specific standards related to solvency, business plans and management, plus the impact the transaction would have on competition and the consumer. Under current law, Pennsylvania's Blue Cross plans are among those exempted from those standards of review.

Rohrbaugh said the governor strongly supports the passage of House Bill 112 and Senate Bill 550, which would extend oversight to the Blue Cross plans.

House Bill 112 was referred to the appropriations committee on March 12. The committee has not taken any action on the proposed legislation. Senate Bill 550 was approved last week on the same day Highmark and IBC approved their merger.

State Sen. Donald White, R-Indiana County, chairman of the Senate banking and insurance committee, said his panel wants to hold public hearings to study the merger proposal.

"We are talking about the potential joining of the largest health-care insurance company in western Pennsylvania with that of the largest insurer in southeastern Pennsylvania, which raises a number of very serious questions," said White, the prime sponsor of Senate Bill 550.

"Primarily, we have to be concerned that this merger could create a single, multibillion-dollar mega-entity which, would crush what little competition remains in Pennsylvania's health-care insurance market," he said

Both Joseph A. Frick, the CEO of IBC, and Highmark CEO Kenneth Melani support the proposed legislation in the House and Senate.

"Health care is on the minds of all Americans," Frick said. "It's a complex issue. It's an issue we are all working hard at, and we expect hearings, and we expect to be there to tell our story and to convey the extraordinary and compelling benefits of this business combination."

The touted benefits include holding administrative fees flat for two years, resulting in customer savings of \$300 million over two years; improving the management of prescription drug costs to save an estimated \$280 million over six years; and providing \$650 million in additional funding for subsidized health-coverage programs aimed at the uninsured and underinsured.


Highmark and IBC have no plans to sit passively on the sidelines while their proposal is under review.

"While that process is going on," Frick said, "both of our companies will be putting together a

progressive and far-reaching integration plan so that the day this combination is approved, we can begin immediately to deliver the economic benefits to our customers and communities."

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