

LADIES & GENTLEMEN: My name is Larry Grumet

As a long time subscriber of Highmark's products: Keystone Health Plan West HMOs for my wife and daughter (when she was insured with us), Security Blue & Freedom Blue, for myself, I am very concerned with all rate hike applications and increases filed by Highmark and its various subsidiaries.

First of all, I am not a disgruntled Highmark subscriber, as my family & I have the best health care coverages available. I am though, a disgruntled premium payer.

I currently pay \$690.00 per month for the Keystone Health Plan West HMO for my wife and \$218.00 for Freedom Blue PPO for me, almost \$11,000.00 annually.

Additionally, if I, personally, was not on Medicare, the cost would be even greater. These policies are not special, with extra coverages & benefits, just plain HMOs & PPOs. In fact, if we wanted to downgrade to lesser cost products, even within the Highmark family, my wife would have to contend with the pre-existing condition clause.

I have watched my wife & daughter's HMOs, increase their premium rates almost ever year (8 or 9 times in the past 10 years, most recently in 2005, 2006, 2007, 2008, 2009, and quite possibly 2010). While these rates are increasing, substantially outstripping the cost of inflation, Highmark is reducing the benefits: increasing co-pays for prescriptions, doctor's visits and other subscriber out-of-pocket costs.

Highmark's advertising cost must be extreme as I see advertisements everywhere: billboards, newspapers, television, I have even been told of signage in the local stadiums and sports arenas in Pittsburgh. Do they advertise in every local newspaper & television station in the state? For all I know, Highmark's advertising expenses may be larger than some small countries annual operating budget. I doubt very much that there is anyone in Pennsylvania who does not know who Highmark is. Furthermore, in 2008, Highmark spent \$65 million dollars on marketing.

A small example of this frivolous spending is the following: Recently, a Highmark/Keystone Health Plan West Individual subscriber took part in a vigil at one of our local Congressman's office. When, the Congressman's staff offered comment sheets to these people, low and behold, they came with Highmark Pens. Now, obviously, a few pens do not cost a lot of money, unless they created a million or so of them. But this is a perfect example of waste of marketing dollars in a geographical area, where Highmark is well known. If these marketing millions were not spent here, Highmark could keep our health care rates lower. I just wonder if a Highmark executive has a relative in the Public Relations or advertising industry????

JUST OPENED MY NEW MONEY MAGAZINE FOR AUGUST, 2010 AND IN IT, IS A FULL PAGE, 4 COLOR ADVERTISEMENT FOR HIGHMARK. IT IS OFFENSIVE THAT OUR PREMIUM DOLLARS PAY FOR THIS, EITHER ON A REGIONAL OR NATIONAL LEVEL.

I challenge Highmark to cease all advertising in Western Pennsylvania, as of today, until the end of 2010. If they would do that, I believe that they would save enough money to cancel the current rate hikes published 5/22/10. Additionally, If they did cease this aforementioned advertising, they would find that ongoing, they would save enough money to cancel future, planned rate hikes and not lose any market share.

While their premium rates keep going up dramatically, so do the profits and surplus of Highmark. For years 2006 & 2007 Annual Report; Highmark's net income was \$398 million dollars and \$375 million dollars respectively. The net worth (called reserves) went from \$3.6 Billion dollars to almost \$4 Billion dollars.

For 2008 & 2009: Financially, Highmark, Inc. is doing well. Their 12/31/09 annual report reflects profit (net income) of \$187 million dollars, doubling last years profits of \$94 million dollars. Their current reserves are \$4.2 billion dollars (just like some Oil, Drug, California Health Insurers, or Tobacco Companies). For the past many years, their premium revenue has exceeded their claims revenue by over a billion dollars annually. If this disparity between premium revenue and claims were smaller, I might understand the need for increases. Or if their surplus was not as large, then maybe they would need it.

In 2008 & 2009 they spent untold and unknown millions of dollars for their failed merger with Independence Blue Cross of Philadelphia. In 2009 they spent unknown amounts of money for the naming rights to a part of a new YMCA in Pittsburgh and also just opened 4 new retail outlets for their products.

On 5/22/10, a rate hike application for my wife's Keystone Health Plan West Individual HMO was noticed in the PA Bulletin, with an requested increase of 8.5%. So, to put this rate hike application in perspective, the additional, \$3.5 million dollars raised, annually by this rate hike is inconsequential to them, but not to the subscribers. My wife's premium will now exceed \$700.00 per month (if approved). As a subscriber, the bottom line is that, this product and others, are paying for issues that are not directly health care related, and we should not have to pay for them. If Highmark's Management and Board of Directors wants the corporate name on a building, or retail outlets, advertising, or mergers akin to a monopoly, let them pay for it, not us.

Furthermore, this rate hike application is just the tip of the iceberg. Highmark's various product lines will be coming to the PA Department of Insurance with rate hike applications for many more products over the next weeks and months. Furthermore, there was a recent article in the Pittsburgh Business Times reflecting 30%, 40%, 50% and 60% rate hikes on their small-business products affecting thousands upon thousands of Pennsylvania residents.

Also, Highmark, Inc. was just chosen to run the Pennsylvania Employees Benefit Trust Fund's Insurance Program and will insure an additional 140,000 lives. Furthermore an another Highmark, Inc. subsidiary, HM Insurance Group (a for-profit entity; as if Highmark's non-profit status isn't a contradiction in terms) just announced that they had agreed to acquire Mutual of Omaha's employer stop-loss division for an undisclosed amount (Highmark never discloses any amounts unless it benefits its rate hike application process).

So the bottom line is that Highmark and its various subsidiaries are expanding dramatically and using the wallets and the backs of its direct pay subscribers to do so. The \$3.5 million dollars annually, that they want from the Keystone Health Plan West, Individual HMO rate hike application is not justified by their skewed statistics.

When applying for a premium rate hike, Highmark, through the Pennsylvania Department of Insurance, only have to notify the public by a notice in the Pennsylvania Bulletin, a weekly newsletter that is available on the internet and typically only read by attorneys.

This notice is reflected once, and after 30 days, our right to public comment/protest is over. When asked of Highmark to put a notice on their billing cycle preceding said filing and before the expiring of the 30 days; Highmark chose not to. Their excuse was that the Pennsylvania law does not require that, so they will not do that.

My wife and four of our friends, who are all subscribers to this product, received their July, 2010 invoices on or about 6/1/10. These invoices were dated 5/26/10, with the payments due by 6/20/10, for the coverage period of 7/1/10-7/31/10. No where on said invoices was any information about this current rate hike application. In the middle of the invoice, there is a paragraph starting with, " Look for important information in this space on future bills. We will provide updates on your benefits etc. etc.". One would think that this rate hike application should be construed as IMPORTANT INFORMATION. Now the PA Department of Insurance received the Keystone's application on 5/6/10 (20 days prior to the invoice date, and obviously Highmark/Keystone Health Plan West knew this application was coming and this rate hike application was noticed in the 5/22/10 PA Bulletin). Obviously, they decided to keep their thousands of subscribers in the dark (at least until the 30 day comment period was over). I realize there may be no laws requiring them to denote this information on their invoice, but how about ethics, morals and integrity. This is an obvious and blatant attempt to mitigate any public comment/protest by their own subscriber base and there is no excuse for it. I am sure that the information regarding this rate hike application will be denoted on the invoices dated 6/26/10, (just as the 30 day comment period is over). When I asked Highmark why this information was not on the 5/26/10 invoice (for all their subscribers) the answer was: "it was an oversight".

Highmark should be penalized for this "oversight" and I believe two months of free health insurance for all this product's subscribers, would cover that (right???)

Lastly, A story in the 7/15/10 Pittsburgh Post-Gazette reflects that Highmark just lost a \$250 million dollar federal contract. Highmark may attempt to use this loss of gross revenue as a justification for rate increases. Highmark never started work on this contract, never hired any employees for this contract or incurred any overhead costs, of any significance. Do not let them use this as any justification for increasing rates for their millions of insureds.

The bottom line, (a phrase that embodies Highmark) is that this corporation insures over 4 million Pennsylvania residents, makes millions of dollars, has billions in reserves and constantly and consistently comes to the premium trough every year. Its time to stop it.

Larry Grumet