



**WILCOX & FETZER LTD.**

**In The Matter Of:**

**Before the Insurance Commissioner of the  
State of Delaware**

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**Proposed Affiliation of BCBSD, Inc with Highmark Inc**

**Docket # 1509-10**

**May 17, 2011**

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BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF DELAWARE

In Re: )  
)  
THE PROPOSED AFFILIATION OF) Docket No. 1509-10  
BCBSD, INC., DOING BUSINESS)  
AS BLUE CROSS BLUE SHIELD )  
OF DELAWARE, WITH HIGHMARK )  
INC. )

TRANSCRIPT OF PUBLIC INFORMATION SESSION

Delaware Department of Insurance  
841 Silver Lake Boulevard  
Dover, Delaware 19904  
May 17, 2011  
6:30 p.m.

HEARD BEFORE: GENE REED, Deputy Insurance  
Commissioner

APPEARANCES:

- MICHAEL HOUGHTON, ESQ. - Counsel to the  
Department of Insurance
- LINDA SIZEMORE - Department of Insurance
- JOHN TINSLEY - Department of Insurance
- MARTIN ALDERSON SMITH - The Blackstone Group
- LORIE HARRISON - Department of Insurance
- TIMOTHY J. CONSTANTINE - BCBS Delaware
- MICHAEL G. WARFEL - Highmark Inc.

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1                   DEPUTY COMMISSIONER REED: Good  
2 evening. We're going to go ahead and get  
3 started. Welcome to the May 17th Delaware  
4 Insurance Department's public information session  
5 on the proposed affiliation between Blue Cross  
6 Blue Shield of Delaware and Highmark.

7                   My name is Gene Reed. I am the  
8 Deputy Insurance Commissioner of the State of  
9 Delaware. The final adjudicator in this matter  
10 is the Commissioner, Karen Weldin Stewart, who  
11 will make the ultimate decision to approve or  
12 disapprove the proposed affiliation.

13                   To my immediate right is John  
14 Tinsley, Special Deputy for Examination. And to  
15 his right, Linda Sizemore, Director of Company  
16 Regulation.

17                   To my left is Mike Houghton, counsel  
18 to the Delaware Department of Insurance, and  
19 Martin Alderson Smith, financial advisor to the  
20 Delaware Department of Insurance.

21                   Blue Cross Blue Shield of Delaware,  
22 which we will call BCBSD, and Highmark, submitted  
23 a filing pursuant to the requirements of Chapter  
24 50 of Title 18, the Delaware Insurance Company

1 Registration Act, and the Department's  
2 administrative regulation pertaining to the  
3 registration of insurance holding companies.

4 The Department has been examining  
5 and reviewing the filing, and will continue to do  
6 so in the coming weeks and months. The purpose  
7 of today's session is not to reach a decision on  
8 the proposed affiliation. The purpose of today's  
9 session is for the Department of Insurance to  
10 receive comments from the public to aid the  
11 Department in ultimately reaching a decision on  
12 the proposed affiliation.

13 In reaching its decision, the  
14 Department will pay particular attention to the  
15 public's comments about the proposed affiliation,  
16 including the comments presented here tonight.

17 The entire record concerning the  
18 proposed affiliation, including the transcript of  
19 tonight's session, will be reviewed by the  
20 Department before the Department reaches any  
21 final conclusions.

22 The publicly-available portion of  
23 the record has been and will continue to be  
24 available on the Department's internet website

1 and at the Department's offices in Dover and  
2 Wilmington.

3 If you do not have internet access,  
4 you may inspect the files at the Department's  
5 offices and request copies. You may also submit  
6 a request for copies of a particular document by  
7 fax or e-mail.

8 In addition, there is an index of  
9 all the documents which are contained in the  
10 public files. Copies of the public file index  
11 are available for inspection in the back of the  
12 room. The public file index is also available on  
13 the Department's website, at  
14 [www.delawareinsurance.gov](http://www.delawareinsurance.gov).

15 Given the significance of this  
16 proposed affiliation to the Delaware public, and  
17 as is common for such significant transactions,  
18 the Department has hired outside legal advisors,  
19 the law firm of Morris, Nichols, Arsht & Tunnell,  
20 LLP, and outside financial advisors, the advisory  
21 firm the Blackstone Group.

22 Mike Houghton of Morris Nichols will  
23 now introduce himself, and then Martin Alderson  
24 Smith of Blackstone will introduce himself.

1 MR. HOUGHTON: Thank you, Deputy  
2 Commissioner. My name is Mike Houghton. I am  
3 special counsel to the Department of Insurance,  
4 and a partner at the Wilmington law firm of  
5 Morris, Nichols, Arsht & Tunnell. I'd like to  
6 welcome everyone here this evening.

7 Morris Nichols is a Delaware law  
8 firm in Wilmington. We have previously  
9 represented the Department of Insurance on  
10 applications of the same type as that proposed by  
11 this affiliation between Blue Cross Blue Shield  
12 and Highmark.

13 Our job is to assist the Department  
14 with its review, including by providing legal  
15 advice to the Department about the substantive  
16 and procedural aspects of the review. We will  
17 also be involved in the public hearing before the  
18 hearing officer appointed in this matter, the  
19 Honorable Battle Robinson.

20 I'll discuss the public hearing in a  
21 moment. First I want to put this public  
22 information session in perspective relative to  
23 the other aspects of review involved in this  
24 proposed affiliation.

1                   As the Deputy Commissioner has  
2                   stated, the purpose of today's session is not to  
3                   reach a final decision on the proposed  
4                   affiliation. The Department is in the midst of  
5                   its review and analysis of the proposed  
6                   affiliation, and will continue its review and  
7                   analysis until it is satisfied that it can reach  
8                   a decision regarding the proposed affiliation,  
9                   including whether any additional conditions or  
10                  additional requirements will be placed on the  
11                  applicants by the Department.

12                  There are certain criteria that are  
13                  set forth in the Delaware Insurance Code that  
14                  provide the basis for the Department's review of  
15                  the proposed affiliation. They are:

16                  A, whether BCBSD will be able to  
17                  satisfy the requirements for the issuance of a  
18                  license to write the lines of insurance for which  
19                  it presently is licensed.

20                  B, whether the effect of the  
21                  proposed affiliation would be substantially to  
22                  lessen competition in insurance in Delaware, or  
23                  tend to create a monopoly therein.

24                  C, whether Highmark's financial

1 condition is such as might jeopardize the  
2 financial stability of the insurer or prejudice  
3 the interest of its policyholders.

4 D, whether the plans or proposals  
5 which Highmark has for BCBSD to make any material  
6 changes in its business or corporate structure or  
7 management are unfair and unreasonable to  
8 policyholders of BCBSD, and not in the public  
9 interest.

10 E, the competence, experience,  
11 integrity of those persons who would control the  
12 operation of the affiliated entity are such that  
13 it would not be in the interest of policyholders  
14 of the insurer and of the public to permit the  
15 proposed affiliation.

16 Or F, whether the proposed  
17 affiliation is likely to be hazardous or  
18 prejudicial to the insurance-buying public.

19 After the Department is finished  
20 with its review and analysis, there will be a  
21 public hearing held before the Honorable Battle  
22 Robinson, who is the Department of Insurance  
23 hearing officer for this proposed affiliation.

24 The public hearing will be held at a

1 time to be determined. The parties presenting  
2 testimony and evidence at the public hearing  
3 before Hearing Officer Robinson will include the  
4 Department of Insurance, the applicants, BCBSD  
5 and Highmark, as well as the Department of  
6 Justice, which is a party to this proceeding.  
7 And the Delaware Department of Justice does have  
8 representatives present tonight at this hearing,  
9 at this public information session.

10 At the public hearing, which will be  
11 held, as I noted, at a time to be determined,  
12 Judge Robinson will listen to testimony, will  
13 review the documentary evidence, and  
14 subsequently, will issue a decision on the  
15 proposed affiliation.

16 The Commissioner will then review  
17 Judge Robinson's decision, and then give the  
18 ultimate approval or disapproval of the proposed  
19 affiliation.

20 This is a description of Morris  
21 Nichols' role, and where the Department is in the  
22 process of its review. And with that, I'll turn  
23 it over to my friend Martin.

24 MR. ALDERSON: Thank you very much

1 indeed, Mike. Good evening, ladies and  
2 gentlemen. My name is Martin Alderson Smith.  
3 I'm employed by the Blackstone Group, which is a  
4 leading investment banking firm, primarily  
5 engaged in financial advisory services and in  
6 principal investments. I work in Blackstone's  
7 corporate advisory services group, and my title  
8 is senior managing director.

9 Blackstone has been retained by the  
10 Delaware Insurance Department to conduct an  
11 independent review of specific financial aspects  
12 of the proposed affiliation between Blue Cross  
13 Blue Shield of Delaware and Highmark.

14 Blackstone's work will be based on  
15 all the information provided to the Department,  
16 and will include reviewing financial and other  
17 information submitted by the applicants, talking  
18 with various market participants, including  
19 providers, competitors, clients, and brokers,  
20 assessing the potential impact on competition in  
21 the state of Delaware, and reviewing any public  
22 comments received by the Department.

23 This information includes all  
24 information provided by both BCBSD and by

1 Highmark, as well as any public comments  
2 submitted to the Department. Blackstone will  
3 ultimately provide a report for use by the  
4 Department in connection with the Department's  
5 review and analysis.

6 Blackstone has significant  
7 experience advising State insurance regulators on  
8 various life and health insurance transactions.  
9 In some of those instances, Blackstone has  
10 recommended approving the proposed transaction.  
11 In other instances, Blackstone has recommended  
12 denying the proposed transaction.

13 Thank you again for your attendance  
14 this evening. We look forward to your comments.  
15 And now I'll turn it over to the Deputy  
16 Commissioner.

17 DEPUTY COMMISSIONER REED: Thank  
18 you, Mike and Martin. Today's session, as you  
19 can see, is being transcribed by a court  
20 reporter. The Department will make a copy of the  
21 transcript available on its internet website.  
22 You may download a copy of the transcript from  
23 the Department's website.

24 If you do not have internet access,

1           you may view the transcript at the Department's  
2           offices in Dover and Wilmington. Please call to  
3           schedule an appointment before visiting the  
4           Department's offices. You may also request a  
5           copy of the transcript by fax or by e-mail.

6                       As explained earlier, the purpose of  
7           this evening's session is to provide a public  
8           forum for anyone to give information and  
9           comments, to ask questions about the proposed  
10          affiliation between Blue Cross Blue Shield of  
11          Delaware and Highmark.

12                      Please address your comments to this  
13          topic only. We ask that you please be as concise  
14          as possible. If you are speaking, we ask that  
15          you include your name on the list of speakers  
16          that is available at the registration table  
17          within the first 30 minutes of the session.

18                      I hope you have all signed up, and  
19          have already indicated that you wish to speak.  
20          If you have not yet signed in or indicated that  
21          you wish to speak, I ask that you please go to  
22          the registration table and sign in at this time.

23                      We ask that you also indicate if you  
24          are speaking on your own behalf, if you are

1 speaking in any type of representative capacity,  
2 and what your relationship, if any, to Blue Cross  
3 Blue Shield of Delaware or Highmark is. For  
4 example, if you are a policyholder or subscriber  
5 of Blue Cross Blue Shield of Delaware or  
6 Highmark.

7 Because of the informal nature of  
8 today's session, there will be no sworn  
9 testimony. Cross-examination or other  
10 questioning of speakers or other representatives  
11 of the party will not be permitted.

12 However, you may pose questions to  
13 the applicants during your oral comments, or in  
14 writing on the 5 by 7 cards available at the  
15 registration table. Please pass the cards to the  
16 end of the row, and they will be collected during  
17 the breaks and at the conclusion of this  
18 evening's session.

19 Following today's session, the  
20 Department will require Blue Cross Blue Shield of  
21 Delaware and Highmark to respond in writing to  
22 all questions raised by the Department and the  
23 public during the session, and will make the  
24 responses available on its internet website at

1           www.delawareinsurance.gov.

2                         Please limit your remarks to five  
3 minutes. Once all speakers have given their  
4 comments, the Department will allow speakers to  
5 present additional comments. If your remarks  
6 cannot be fully presented in your initial  
7 five-minute time slot, if we have time, you may  
8 be able to present further remarks at the end of  
9 this evening's session.

10                        Before the public comment session  
11 begins, both Blue Cross Blue Shield of Delaware  
12 and Highmark have sent representatives to  
13 contribute to this evening's public information  
14 session.

15                        Timothy Constantine of Blue Cross  
16 Blue Shield of Delaware, chief executive officer,  
17 is here representing Blue Cross Blue Shield of  
18 Delaware. And Michael Warfel, vice president of  
19 government affairs for Highmark, is here  
20 representing Highmark.

21                        Both Mr. Constantine and Mr. Warfel  
22 will be making statements this evening. Their  
23 statements are intended to give an overview of  
24 the transaction, as well as to provide rationale

1 from their respective organizations and  
2 stockholders, and to preface the public comment  
3 session.

4 Mr. Constantine and Mr. Warfel will  
5 speak for approximately 15 minutes each. Their  
6 statements will be recorded by the court  
7 reporter, and will be posted on the Department's  
8 website.

9 Neither Mr. Constantine or  
10 Mr. Warfel will make statements beyond these  
11 initial remarks, and they will not give verbal  
12 responses to individuals during the public  
13 comment session. Responses to individual  
14 statements and questions from the public will be  
15 given in written form and posted on the  
16 Department's website.

17 Mr. Constantine will be speaking  
18 first, followed by Mr. Warfel. So, we'll begin.

19 MR. CONSTANTINE: Good evening, and  
20 welcome, everybody. Thank you, Deputy  
21 Commissioner Reed. My name is Tim Constantine,  
22 and I'm president and chief executive officer of  
23 Blue Cross Blue Shield of Delaware. With me  
24 tonight is Mike Warfel, the vice president of

1 government affairs of Highmark.

2 We welcome the opportunity to  
3 discuss why this partnership between Blue Cross  
4 Blue Shield of Delaware and Highmark is good for  
5 Delaware, how it will benefit our subscribers,  
6 the communities in which we operate, and the  
7 people of Delaware.

8 For the sake of simplicity, Mike and  
9 I will use the name Blue Cross during our  
10 presentation to mean Blue Cross Blue Shield of  
11 Delaware.

12 We recognize that these public  
13 information sessions are one stage of a  
14 comprehensive review process by the Delaware  
15 Insurance Department, and we believe that our  
16 presentation today, combined with the large  
17 volume of information we have already submitted  
18 to the Department, will clearly demonstrate that  
19 this transaction is in Delaware's best interests.

20 Tonight we will cover a number of  
21 topics, focusing on how the proposed transaction  
22 will benefit the people of Delaware. We will  
23 discuss our companies, their missions, and the  
24 forces in the healthcare industry that are

1 driving change.

2 We will explain why Blue Cross at  
3 this moment needs a strong partner to maintain  
4 its strong Delaware presence. And I will also  
5 talk about why Highmark is the right partner for  
6 us.

7 As this review process moves  
8 forward, we look forward to hearing from many  
9 Delawareans, including those from local  
10 businesses, civic and community organizations,  
11 consumers, and healthcare providers.

12 To set the stage for my comments, I  
13 would like to turn the discussion over to Mike.

14 MR. WARFEL: Thank you, Tim, and  
15 good evening, everyone. As already stated, I'm  
16 Mike Warfel, Highmark's vice president of  
17 government affairs.

18 One reason we're here tonight is to  
19 discuss the sea of changes taking place in our  
20 healthcare system nationally and locally, and how  
21 these changes create a need for this alliance.

22 Before doing that, I'd like to tell  
23 you about Highmark. We have a very proud  
24 tradition. For nearly 75 years, we've operated

1 as a not-for-profit corporation with a  
2 long-standing commitment to the communities in  
3 Pennsylvania, and more recently, West Virginia.

4 As part of our long-standing  
5 mission, we have provide insurance programs to  
6 every segment of the population. We've also  
7 subsidized many of these insurance programs to  
8 hold down the cost of health insurance for those  
9 most in need, including seniors, children, and  
10 those with limited economic means who don't  
11 qualify for government programs and don't have  
12 health insurance through an employer.

13 In addition to developing and  
14 supporting these insurance programs, we have  
15 provided a tremendous amount of support to the  
16 community through grants and other forms of  
17 giving. These monies are primarily used by  
18 community health and human services organizations  
19 to help address pressing human needs, including  
20 free health, dental, and vision screenings for  
21 those in need, childhood obesity, and  
22 immunization clinics.

23 In 2010, we contributed \$175 million  
24 for programs in support of our corporate mission.

1 Here are some examples that we take great pride  
2 in. Highmark has created and continues to carry  
3 out many programs to make a difference in the  
4 lives of children and their families.

5 In 1985, Highmark's predecessor  
6 companies, Blue Cross of Western Pennsylvania and  
7 Pennsylvania Blue Shield, launched the Caring  
8 Program for Children, to provide primary  
9 healthcare benefits to children of unemployed and  
10 working poor families.

11 The government-sponsored Children's  
12 Health Insurance Program, widely known as CHIP,  
13 was modeled after the Caring Program that was  
14 developed in Pennsylvania.

15 In addition, during the past five  
16 years, we contributed \$100 million to hundreds of  
17 schools and community organizations to address  
18 five critical children's health issues,  
19 including: Nutrition, physical activity,  
20 grieving, self-esteem, and bullying, called  
21 Highmark Healthy High Five. This program has  
22 helped to promote life long healthy habits in  
23 children ages 6 to 18.

24 To fully quantify Highmark's

1 community commitment, we have contributed nearly  
2 \$900 million for community-related activities  
3 from 2005 through the end of last year.

4 Improving the health and wellness of  
5 people in our community is one important part of  
6 our heritage. We also have a tradition of  
7 supporting the economy of local communities and  
8 states that we serve, and where our employees  
9 live and work.

10 Our presence generates billions of  
11 dollars for the economies of Pennsylvania and  
12 West Virginia. For example, we buy most of our  
13 goods and services from local companies. By  
14 doing so, we support and help create additional  
15 jobs in the community, and help boost local and  
16 State revenues.

17 Our role as an economic engine has  
18 helped spur job growth. Since 1996, as our  
19 business has grown, we have added nearly 10,000  
20 new jobs. We now have nearly 20,000 employees.

21 And although we are a not-for-profit  
22 company, we also pay taxes. From 2005 through  
23 the end of last year, Highmark paid more than \$1  
24 billion in Federal, State, and local taxes,

1 including property taxes.

2 So, as you can see, we have a long  
3 history centered on making our communities  
4 better, and we are committed to maintaining that  
5 focus.

6 We also want to work closely with  
7 other Blue Cross and Blue Shield companies, like  
8 Blue Cross here in Delaware, that share certain  
9 core values: Remaining a not-for-profit  
10 corporation, with a commitment to meeting the  
11 healthcare needs and supporting the economy of  
12 the local communities. This is one reason why we  
13 believe this affiliation is a good fit for both  
14 Blue Cross and Highmark, as well as the state of  
15 Delaware.

16 But this partnership is not about  
17 yesterday or today. It's really about the  
18 future. It's about how Highmark and Blue Cross  
19 can operate effectively in the future, while  
20 benefitting Blue Cross employees, members,  
21 healthcare providers, and the people of Delaware.

22 To sustain our proud past well into  
23 the future, Highmark and Blue Cross must confront  
24 and adapt to a rapidly changing and very

1 challenging environment.

2 The healthcare system today appears  
3 to be at a crossroads. We all know that the most  
4 important issue in healthcare is the growth of  
5 medical costs, which is the primary driver of  
6 higher health insurance premiums.

7 Our customers expect health  
8 insurance companies to act decisively on their  
9 behalf to hold down medical cost increases. But  
10 because of the ever-rising cost of medical care,  
11 fewer businesses today, especially smaller  
12 businesses, can afford to provide employee  
13 healthcare benefits.

14 Access to health insurance is  
15 another major issue. The rising cost of  
16 healthcare, combined with the ripple effects of  
17 the recession, has increased the number of people  
18 without health insurance. While the Federal  
19 healthcare reform law over time will help expand  
20 coverage to more Americans, reform only  
21 marginally addressed the cost dilemma.

22 We are also seeing rising concerns  
23 about the quality of healthcare, including  
24 differences in the way healthcare is delivered

1 from community to community, and patient safety  
2 in healthcare institutions.

3 Despite the highest per capita  
4 spending in the world, there is a widespread  
5 belief that Americans do not receive the value we  
6 should for our healthcare dollars.

7 At the same time, consumers are  
8 taking a more active role in all aspects of  
9 healthcare. Because they are more responsible  
10 for their costs, consumers are seeking more  
11 information about the cost and quality of care  
12 across providers, and are taking a more active  
13 role in their personal health.

14 These market dynamics are driving  
15 changes in the way healthcare is delivered and  
16 paid for, and health insurers must move quickly  
17 to stay a step ahead of the shifting marketplace.

18 Highmark views change as a  
19 springboard for innovation, developing new ways  
20 to personalize products and services. In the  
21 future, one size fits all health insurance  
22 products won't meet the needs of demanding  
23 consumers.

24 In the past two years, Highmark has

1 opened a number of health insurance retail  
2 stores, where people can walk in, talk to a  
3 representative, and get answers to questions  
4 about health insurance options.

5 This retail marketing approach will  
6 prepare Highmark for the introduction in 2014 of  
7 purchasing exchanges, which will allow  
8 individuals and small business to compare and buy  
9 health insurance products based on price and  
10 other important factors.

11 I mention the retail stores because  
12 they are one of the many new capabilities that  
13 health insurance companies must have in place to  
14 meet consumer demand and compete in the  
15 healthcare marketplace of tomorrow.

16 Health insurers must also invest in  
17 employer health and wellness programs, programs  
18 to help people with chronic medical conditions,  
19 and new information technologies to simplify  
20 business transactions with their customers,  
21 physicians, and hospitals, just to name a few.

22 In addition, Highmark offers a  
23 variety of online tools to help our members be  
24 more actively engaged in their healthcare, manage

1           it smartly and achieve life-long good health.  
2           These services allow members to compare health  
3           plan options and choose the one that meets their  
4           own needs, and to compare the cost of medical  
5           services, so they can make informed healthcare  
6           decisions.

7                           Although there are many  
8           uncertainties about healthcare delivery and  
9           financing, one thing is certain: To compete  
10          vigorously in the changing healthcare landscape,  
11          organizations must have the financial resources  
12          to fund expensive infrastructure improvements,  
13          develop an array of new products and services,  
14          and provide extensive web-based member services.

15                          Small and large health insurers  
16          alike must not only invest the capital wisely,  
17          but also must avoid duplicate spending. Every  
18          dollar spent on duplicate investments adds to the  
19          cost of health insurance and brings little  
20          additional value to subscribers.

21                          Our business alliance will give Blue  
22          Cross access to a wide range of Highmark  
23          resources and services to help upgrade technology  
24          and information systems, add new products, better

1 serve the people of Delaware, and avoid some of  
2 the duplicate spending on infrastructure  
3 improvements that would only add more cost to  
4 Delaware's healthcare system.

5 In addition to the need for  
6 significant capital to meet growing customer  
7 demands, health insurers are being challenged to  
8 operate more efficiently. Scale has become  
9 increasingly important to achieve greater  
10 efficiency and lower administrative costs.

11 Healthcare suppliers and service  
12 companies in radiology, laboratory services, and  
13 durable medical equipment are operating more as  
14 multi market companies, to help ensure a steady  
15 flow of capital, and to gain greater operating  
16 efficiencies. As a result, the scale of  
17 competition in healthcare is moving from a local  
18 to a regional and national basis.

19 The health insurance industry has  
20 also evolved. Over the past 25 years, many  
21 for-profit insurance companies have joined  
22 together to create larger companies. This gives  
23 them scale to operate more efficiently by  
24 spreading fixed operating costs over a larger

1 membership base and accumulating capital to make  
2 the necessary investments in health information  
3 technology, and new products and services.

4 The national Blue Cross and Blue  
5 Shield system has also undergone similar change.  
6 In 1980, there were 115 Blue Cross and Blue  
7 Shield companies, each doing their own thing.  
8 Each invested in new technologies, each invested  
9 in new products and services. It was a very  
10 inefficient model.

11 Today there are 39 independent Blue  
12 Cross and Blue Shield companies, and our system  
13 operates more efficiently. In fact, more than  
14 100 million Americans now carry a Blue Cross and  
15 Blue Shield card, compared to approximately 60  
16 million subscribers in the 1980s.

17 The operating efficiencies achieved  
18 over the last 30 years have contributed to this  
19 growth. But the growing scale and capital  
20 accumulation of the much larger national  
21 for-profit companies is again making it more  
22 difficult for not-for-profit Blue Cross and Blue  
23 Shield plans to remain competitive. This is  
24 especially true for smaller unaffiliated

1 companies, such as Blue Cross here in Delaware.

2 Highmark has a reliable track record  
3 of establishing strong working relationships with  
4 other Blue Cross and Blue Shield companies to  
5 help them maintain a local presence, streamline  
6 operations, and provide better service to  
7 customers.

8 In some cases, we process claims,  
9 provide an information technology platform, or  
10 provide other administrative services for other  
11 Blue Cross and Blue Shield companies, such as in  
12 Louisiana, Tennessee, Florida, and northeastern  
13 Pennsylvania.

14 The proposed alliance with Delaware  
15 Blue Cross most closely resembles our current  
16 relationship with Highmark West Virginia, which  
17 dates back to 1999. Highmark has built a legacy  
18 of investing to support the economy in West  
19 Virginia, and the local communities we serve  
20 there.

21 For example, over the past five  
22 years, Highmark has generated more than \$106  
23 million in economic impact for the Parkersburg,  
24 West Virginia, region, by creating 300 jobs,

1           paying annual employee wages of more than \$9  
2           million, and paying more than \$1 million in  
3           business and occupational taxes.

4                        In addition, the development of a  
5           \$26 million Highmark West Virginia headquarters  
6           building in downtown Parkersburg has spurred  
7           development in the area.

8                        Our experience in West Virginia and  
9           elsewhere demonstrates that we have the  
10          commitment, resources, and experience to partner  
11          successfully with other not-for-profit companies,  
12          to achieve greater operating efficiencies, such  
13          as lowering the unit price to process a single  
14          healthcare claim, and expand new business  
15          opportunities for local Blue Cross companies.

16                       It also shows we are serious and  
17          steadfast about our philosophy and values  
18          supporting local communities.

19                       In summary, we believe the  
20          affiliation will be a win/win for Highmark and  
21          Blue Cross, and most importantly, for the people  
22          of Delaware.

23                       Through this alliance, Highmark will  
24          support Blue Cross's mission of helping make sure

1 that healthcare services are accessible for  
2 Delaware citizens and strengthening the Delaware  
3 economy.

4 In short, these two companies are a  
5 good match. By harnessing the resources and  
6 strengths of both companies, we can jointly build  
7 upon Blue Cross's strong customer and provider  
8 relationships, and better serve Delaware  
9 customers, healthcare providers, and the  
10 community at large.

11 With that, I'll turn it back to Tim  
12 for additional comments.

13 MR. CONSTANTINE: Thanks, Mike. As  
14 Mike noted, our industry is experiencing a period  
15 of rapid change. I am convinced that through  
16 this relationship with Highmark, we can build  
17 upon our 75 years of success and ensure that we  
18 continue as the State's premier health benefits  
19 company.

20 What do we consider to be the  
21 important attributes that make Blue Cross  
22 different from our competitors? First and  
23 foremost, we are and will continue to be a  
24 not-for-profit company headquartered in Delaware.

1                   We also want to preserve the health  
2                   and vitality of our communities. That means  
3                   continuing to provide grants to community  
4                   organizations to help increase access to  
5                   healthcare for Delaware's uninsured and  
6                   underserved, reduce health disparities in  
7                   minority communities, and support programs to  
8                   recruit and train new healthcare professionals.

9                   Since 2007, Blue Cross has provided  
10                  nearly \$8 million in direct support to our  
11                  community, through grants, sponsorships, and  
12                  donations.

13                  And of course, we want to continue  
14                  to be an important economic engine for Delaware,  
15                  by maintaining substantial employment levels in  
16                  this state.

17                  These attributes represent the core  
18                  of Blue Cross, but the overriding question for us  
19                  is, how can we maintain our focus in these areas  
20                  and remain a financially sound company, when the  
21                  healthcare environment poses a real threat to the  
22                  future of small, independent companies like ours.

23                  Our board of directors and  
24                  management team studied this question extensively

1 for several years. We hired outside experts to  
2 help us evaluate our business capabilities in  
3 light of the changes taking place in healthcare,  
4 and we looked at every aspect of our business and  
5 asked the tough questions. Do we have the  
6 resources to acquire leading edge technologies?  
7 Will we have the resources to acquire or develop  
8 new products and services that the marketplace is  
9 asking for?

10 Will we have the large sums of  
11 capital needed to meet new and expensive Federal  
12 requirements? Can we grow membership on our own  
13 to create the scale to lower our administrative  
14 costs?

15 Similar to most companies over the  
16 last few years, we have had to make some very  
17 difficult decisions. For example, our workforce  
18 has 100 fewer employees today than we had at the  
19 end of 2007.

20 We also looked at the competition we  
21 face in Delaware. Our competitors here are all  
22 large national companies that have grown through  
23 acquisitions and consolidations. Even the  
24 smallest of our major competitors is still more

1 than 12 times larger than Blue Cross.

2 Adding to these challenges are  
3 substantial infrastructure investments to comply  
4 with new government mandates. For example,  
5 effective in October, 2013, all health plans will  
6 be required to implement a new set of  
7 standardized codes to ensure more efficient  
8 processing of healthcare claims and transactions  
9 throughout the United States.

10 This conversion process alone will  
11 require significant amount of time and effort,  
12 and will require a massive capital expenditure if  
13 we remain independent. To give you an idea of  
14 the magnitude, this change will increase the  
15 number of procedure codes that are billed, that  
16 are needed, from 3000 to 87,000.

17 Compounding these challenges is the  
18 healthcare reform law. Its impact on health  
19 insurers is only beginning to be felt, and we  
20 won't know the full scope of changes for health  
21 insurers and the associated capital costs until  
22 the Federal government issues more details about  
23 the provisions of the law.

24 At a minimum, we know all health

1 insurers will have to redesign products to comply  
2 with the law, completely overhaul the way  
3 products are distributed as the new purchasing  
4 exchanges are introduced, develop new methods for  
5 setting prices for products, and change methods  
6 of paying doctors and hospitals to encourage more  
7 effective and lower cost care.

8 We all know that there will be a  
9 host of new reporting and other administrative  
10 requirements that small health insurers will find  
11 inordinately difficult to meet on their own. All  
12 of these changes will require huge capital  
13 investments.

14 After weighing all of these factors,  
15 we concluded that it was in Blue Cross' best  
16 long-term interest to form a partnership with a  
17 larger company, so we can continue our successful  
18 75-year track record of serving our customers.

19 On our own, it would be difficult to  
20 achieve the operating efficiencies of our much  
21 larger competitors. On our own, we would lack  
22 the capital and resources to comply with costly  
23 government mandates and the new reform law's  
24 requirements.

1                   On our own, we could not continue to  
2 thrive as a company and develop new products and  
3 services needed to meet shifting consumer  
4 demands. And perhaps most significantly,  
5 remaining a stand-alone company will cost our  
6 customers more money.

7                   Customer premiums are estimated to  
8 be 3 percent higher if we do not affiliate with  
9 Highmark, because of the projected capital  
10 spending necessary to remain competitive.

11                   On the other hand, with Highmark as  
12 a partner, we will save an estimated \$79 million  
13 in capital costs over five years. Our customers  
14 will benefit because of lower projected premium  
15 increases than would have occurred if we remained  
16 on our own.

17                   Our past experience has also taught  
18 us the advantage of a partnership, compared to  
19 being on our own. During our past affiliation  
20 with Care First Blue Cross Blue Shield that ended  
21 in 2006, we increased our membership, grew  
22 employment, controlled our administrative costs  
23 better than we could as a stand-alone company,  
24 improved our customer service, and strengthened

1           our financial position.

2                         Since then, our ability to grow our  
3           business, control administrative costs, and  
4           compete against better financed and much larger  
5           insurers in Delaware has been impacted.

6                         And although we are a financially  
7           sound company today, as Mike noted earlier, this  
8           alliance is about the future, and ensuring that  
9           we continue as the State's premier health  
10          benefits company.

11                        For all these reasons, we decided  
12          that now was the right time to form a strategic  
13          partnership. After careful deliberation, we  
14          selected Highmark, a not-for-profit Blue Cross  
15          and Blue Shield company, as our proposed  
16          affiliation partner.

17                        Why Highmark? Because an  
18          affiliation with Highmark offers the best  
19          opportunity for Blue Cross to remain a strong,  
20          not-for-profit Delaware company, with a community  
21          focus across the state, and able to compete  
22          effectively in the Delaware health insurance  
23          market over the long term.

24                        Highmark will also help us expand

1 access to healthcare services for Delaware  
2 citizens and bolster the Delaware economy.

3 There are other reasons we selected  
4 Highmark. It has a good track record of  
5 successful working relationships and affiliations  
6 with other Blue Cross and Blue Shield companies.

7 As an example, we have researched  
8 and visited Highmark's West Virginia affiliate.  
9 As a result of the affiliation with Highmark, the  
10 West Virginia plan operates more efficiently,  
11 maximizes the use of information technology, is  
12 financially more stable, offers more products and  
13 services to meet the needs of West Virginians,  
14 and has increased its employee workforce.

15 This experience, and the  
16 testimonials shared, offer reassurance that  
17 Highmark will bring similar benefits to Delaware.

18 Highmark also brings advanced  
19 technology and support tools and resources that  
20 will vastly improve our ability to serve Delaware  
21 subscribers, employers, brokers, and agents,  
22 physicians and hospitals.

23 For example, there's a real push in  
24 healthcare today to make information readily

1 available to healthcare providers and subscribers  
2 on a real-time basis. Highmark has developed  
3 real-time transaction tools that let patients  
4 know their actual out-of-pocket healthcare costs  
5 tied to their benefits when they schedule or  
6 receive healthcare services. This takes away the  
7 guesswork from patients about the costs of their  
8 medical treatment.

9 In addition, the real-time's claim  
10 processing tool simplifies administration and  
11 eliminate much of the paperwork for physicians  
12 and other healthcare providers. More medical  
13 claims are able to be processed without manual  
14 intervention.

15 Delaware physicians and hospitals  
16 will be able to determine a patient's financial  
17 obligation when a service is rendered, and  
18 providers submitting real-time claims will also  
19 be reimbursed much faster than in the past.

20 With the help of Highmark's  
21 technology, Delaware providers will also obtain  
22 information in real-time about the status of  
23 claims and our medical policies, and can conduct  
24 many business transactions with us much faster.

1                   These improvements will help control  
2                   administrative expenses for Blue Cross and  
3                   physician offices, while allowing physicians to  
4                   focus more of their time on patient care.

5                   As Mike mentioned earlier today, the  
6                   major issue in healthcare today is the rising  
7                   cost of medical services. Delaware employers are  
8                   choosing employee health benefits today based on  
9                   whether a health insurer can help control their  
10                  employee healthcare costs.

11                  When I meet with Delaware employers  
12                  on healthcare issues, one of the first things  
13                  they want to know is how can we help control the  
14                  growth of their employee healthcare costs and  
15                  foster a healthy, more productive workforce.

16                  Through this affiliation, we will be  
17                  in a much better position to offer more solutions  
18                  for local employers. For example, Highmark  
19                  offers information reporting and analytical  
20                  tools, plus medical management programs and  
21                  services to support individual employers.

22                  Armed with these tools, we will be  
23                  able to better -- we will be better able to  
24                  identify the underlying drivers of higher

1 employee medical costs on an employer by employer  
2 basis, and then tailor solutions, such as health  
3 promotion, wellness, or chronic disease  
4 management programs, to help improve employee  
5 health and reduce employee absenteeism.

6 In addition, we anticipate that  
7 Highmark's broad mix of health insurance and  
8 other employee benefit programs will create  
9 additional growth opportunities for us in  
10 Delaware.

11 For example, Highmark offers dental  
12 insurance, vision programs, reinsurance products,  
13 as well as broad health insurance programs geared  
14 for seniors, individuals, and other segments of  
15 the community.

16 By combining these complementary  
17 products with our current health insurance  
18 products, we could potentially serve a larger  
19 portion of the Delaware population, particularly  
20 those in the individual and senior segments.

21 I want to be very clear on this  
22 point: The partnership is about much more than  
23 using Highmark's technology platform and systems  
24 capabilities to help us streamline operations and

1 better control administrative costs. This is  
2 about having a trustworthy partner to help us  
3 achieve a better future for Delaware, and bring  
4 additional value to all industry stockholders in  
5 this state.

6 We believe this affiliation will  
7 help us achieve many goals. It will bring to  
8 Delaware diversified and innovative products and  
9 services, and a sophisticated centralized  
10 resource team for some of the most critical  
11 health insurance functions, such as developing  
12 new products, identifying new business and sales  
13 opportunities, conducting market research, and  
14 managing medical and pharmacy costs for our  
15 customers.

16 It will also bring Highmark's  
17 experience and expertise with implementing new  
18 provider payment methods, such as financial  
19 incentives that link reimbursements to documented  
20 improvements in clinical care and better patient  
21 outcomes.

22 Healthcare reform is encouraging  
23 changes in provider reimbursements to encourage  
24 delivery of more cost effective care, rather than

1 simply delivering more services. With Highmark's  
2 support, we can work collaboratively with the  
3 physician and hospital community to help ensure  
4 that changes in the delivery of medical care  
5 benefit patients and providers, and I believe we  
6 can realize substantial benefits for Delawareans  
7 while preserving Blue Cross' local relationships  
8 with our customers, doctors, and hospitals.

9 One of the main reasons we selected  
10 Highmark as a partner is because they, too, value  
11 the importance of collaborative local working  
12 relationships. I want to assure you that our  
13 local relationships will be maintained. Delaware  
14 employers, physicians and hospitals will continue  
15 to interact with the Blue Cross associates with  
16 whom they have worked for many years.

17 Although we remain Delaware's market  
18 leader in health insurance, and are financially  
19 healthy now, the environmental forces that Mike  
20 and I have discussed, plus the pressures facing  
21 health insurers in the near future, dictate  
22 decisive action.

23 As a small, stand-alone company, we  
24 will lack the capital and resources to make the

1 necessary investments to meet marketplace needs  
2 and respond to healthcare reform in the years to  
3 come.

4 In conclusion, I want to emphasize  
5 that without Insurance Department approval of  
6 this partnership at this time, we run a long-term  
7 risk of steadily losing our subscribers to large  
8 for-profit health insurance companies based  
9 outside of Delaware.

10 This would threaten our ability to  
11 maintain a substantial employment level in the  
12 state and support community health and human  
13 services programs at the levels we have done for  
14 years.

15 Dr. Ken Melani, Highmark's president  
16 and chief executive officer, who will be joining  
17 me at the session in Wilmington Thursday, often  
18 says we can't have a community mission without  
19 financial stability.

20 With that stability, Blue Cross can  
21 continue to focus on our mission and community  
22 support. But these values cannot be preserved if  
23 our company is not competitive, relevant,  
24 efficient, and financially viable.

1                   And so, I believe this partnership  
2                   with Highmark must be approved to make us an even  
3                   better company, that has the human resources and  
4                   financial -- financial means to meet the  
5                   healthcare needs of Delawareans and our local  
6                   communities in the years to come.

7                   Thank you for the opportunity to  
8                   make our comments this evening.

9                   DEPUTY COMMISSIONER REED: Thank  
10                  you, Tim and Michael, for your comments this  
11                  evening.

12                  We will now proceed to public  
13                  comment on the proposed affiliation. And we will  
14                  start out by those who have signed up to speak.  
15                  We do -- I will ask that you keep your comments  
16                  to five minutes. We do have a time keeper to my  
17                  left, Lorie Harrison. And we ask that you step  
18                  up to the podium when speaking.

19                  And we will begin with Dr. Jo Ann  
20                  Fields.

21                  DR. FIELDS: Thank you, Deputy  
22                  Commissioner Reed, for letting me speak, and the  
23                  entire panel.

24                  My name is Jo Ann Fields. I'm a

1 medical doctor in Kent County. I'm a Blue Cross  
2 provider, and I'm also a Blue Cross customer in  
3 the small group market.

4 I believe that the Highmark/Blue  
5 Cross affiliation has the potential to benefit  
6 consumers in Delaware. My objective in speaking  
7 today is to say that Blue Cross customers in  
8 Delaware have a right to expect benefits from  
9 this affiliation in the form of lower health  
10 insurance rates. And we have a right to hold the  
11 Office of the Insurance Commissioner accountable  
12 for shaping this affiliation so that we see the  
13 benefit of lower health insurance rates.

14 In my opinion, the Department of  
15 Insurance should address the following issues:

16 Number 1, monitor surplus funds.  
17 Hold Blue Cross to the same standards that  
18 Pennsylvania now holds Highmark, as described in  
19 notes to Highmark's 2010 financial statements in  
20 Exhibit 11.

21 Currently, Highmark has to hold an  
22 operating surplus defined as 550 to 750 percent  
23 of the health risk/benefit ratio. If they have a  
24 surplus over 550 percent, they are not permitted

1 to include a risk and contingency factor in their  
2 filed premium rates.

3 If their ratio exceeds 750 percent,  
4 they are required to justify their surplus level,  
5 and potentially could be required to refund  
6 excess surplus funds to customers, or apply it  
7 against future rate increases.

8 I think that the same rule should  
9 apply to Blue Cross in Delaware under the  
10 affiliation.

11 Number 2, stop the entrenched  
12 pattern of shielding Blue Cross financial  
13 information and rate filings from public  
14 scrutiny. We need a more rigorous and  
15 transparent rate review process. Public scrutiny  
16 of the reasons behind rate increases can only  
17 help us all understand why our costs are going  
18 up.

19 Number 3, support Senate Bill 56,  
20 currently before the House Economics, Insurance,  
21 and Commerce Committee in the Delaware General  
22 Assembly. Senate Bill 56 requires the affiliated  
23 Highmark/Blue Cross to offer a children's health  
24 insurance program buy-in for Delaware families

1           who are over 200 percent of Federal poverty  
2           level, at affordable rates, similar to what they  
3           charge in Pennsylvania.

4                       Number 4, encourage Highmark/Blue  
5           Cross to make a competitive bid to participate in  
6           Delaware Medicaid.

7                       Number 5, work with the Delaware  
8           legislature to modify State insurance  
9           regulations, such that Delawareans can  
10          participate in a larger pool of insured people  
11          that includes customers in Delaware and  
12          Pennsylvania, and thereby gain the cost savings  
13          of a larger risk pool. This may eventually lead  
14          to a regional health insurance exchange, as  
15          defined under the new healthcare law.

16                      In return, I expect the citizens and  
17          the elected officials of Delaware to implement  
18          the new healthcare law in a way that is fair to  
19          the insurance companies and the insurance  
20          brokers. Specifically, I believe that Delaware  
21          should support the individual mandate to buy  
22          health insurance, with certain hardship  
23          exceptions.

24                      We expect Blue Cross and Highmark to

1 take all comers, regardless of preexisting  
2 condition, beginning -- and we do expect them to  
3 do that beginning in 2014. They have a right to  
4 expect that everybody is required to buy health  
5 insurance, with hardship exceptions.

6 I urge the Insurance Commissioner  
7 and the Delaware legislature to adopt  
8 legislation, effective 2014, making it illegal to  
9 deny someone for a preexisting condition, and  
10 also adopt legislation making it mandatory that  
11 every person in Delaware buy health insurance,  
12 with hardship exceptions.

13 Thank you for letting me speak.

14 DEPUTY COMMISSIONER REED: Thank  
15 you, Dr. Fields. And if I could just take a  
16 moment to make sure that I understood most of  
17 your questions. I believe most of them were  
18 actually questions of the Department procedural  
19 issues.

20 Monitor surplus funds of Blue Cross  
21 Blue Shield Delaware and Highmark, hold them to  
22 the same standards that have been implemented in  
23 Pennsylvania, in terms of ratio of surplus, as  
24 well as refunds to the policyholder if they're

1 over 750 percent.

2 Open up financial information and  
3 rate filing data to the public. Support Senate  
4 Bill 56, which is the CHIP buy-in sponsored by, I  
5 believe, Senator Blevins.

6 Have Highmark/Blue Cross Blue Shield  
7 bid for the Delaware Medicaid program, modify  
8 State insurance rates, accepting a larger risk  
9 pool, such as Pennsylvania and Delaware citizens,  
10 implement healthcare law that is fair, to mandate  
11 that people buy health insurance, and except  
12 in -- particularly in the area of hardship  
13 exceptions. And then implement the Federal  
14 guidelines, support a law that would, in essence,  
15 be in line with the Federal requirements for  
16 2014 --

17 DR. FIELDS: Yes, sir.

18 DEPUTY COMMISSIONER REED: --  
19 Patient Protection Affordable Care Act?

20 DR. FIELDS: Yes, sir.

21 DEPUTY COMMISSIONER REED: Okay.

22 Thank you for your comments.

23 DR. FIELDS: Thank you.

24 DEPUTY COMMISSIONER REED: I

1 appreciate it. Next we have Jeanine Kleimo.

2 MS. KLEIMO: Thank you, Deputy  
3 Commissioner. Good evening. My name is Jeanine  
4 Kleimo. I'm here as the chair of the Dover  
5 Interfaith Mission for Housing. This is a local  
6 nonprofit organization, an association of a  
7 number of faith communities, nearly 50 in the  
8 greater Dover area. We strive to shelter and  
9 assist homeless men.

10 This does have something to do with  
11 healthcare, in that we were one of the  
12 beneficiaries of the Blue Cross Blue Shield  
13 blueprints for the community program last year.

14 I understand that that grant program  
15 has distributed more than \$2 million to Delaware  
16 organizations since 2008, and it enabled us to,  
17 first of all, be conscious of the healthcare  
18 needs of those who are in a very serious  
19 financial situation, and to use our funds, not  
20 only to provide the basics of food and shelter to  
21 them, but to establish linkages with the medical  
22 community, to benefit homeless individuals, who  
23 often have very serious healthcare problems.

24 I hope that, it is my hope as a

1 representative of the nonprofit community locally  
2 that an effort such as this, which could create  
3 greater efficiencies between the -- with the  
4 merger of these two healthcare systems, would  
5 generate a greater ability, through those  
6 efficiencies, to provide resources to  
7 organizations such as ours, which are able to  
8 meet the needs of some of the lowest income  
9 people in our community; those who lack the  
10 ability to obtain formal health insurance, and  
11 who are often in need of the kind of preventive  
12 care and assistance that Mr. Warfel described he  
13 has been involved with, that Highmark has been  
14 involved with in some other communities.

15           So, I am hoping that the strength of  
16 such an effort will generate awareness and  
17 resources for community organizations who can  
18 partner with those of you on a professional level  
19 who are concerned about the healthcare needs of  
20 our community.

21           Thank you very much.

22           DEPUTY COMMISSIONER REED: And  
23 again, if I could --

24           MS. KLEIMO: Yes.

1 DEPUTY COMMISSIONER REED: -- just  
2 kind of summarize. It didn't appear that you had  
3 specific questions, but that you were in support  
4 of sort of community organizations working  
5 with --

6 MS. KLEIMO: That's right.

7 DEPUTY COMMISSIONER REED: -- the  
8 affiliation?

9 MS. KLEIMO: That's right. It's not  
10 a question. I'm here as a supporter of the kinds  
11 of efforts that organizations such as Blue Cross  
12 Blue Shield of Delaware have contributed to.

13 DEPUTY COMMISSIONER REED: We thank  
14 you for your comments.

15 MS. KLEIMO: Thank you very much.

16 DEPUTY COMMISSIONER REED: I do want  
17 to say that any comments that we have received in  
18 connection with tonight's meeting will be  
19 forwarded and responded to by the applicant and  
20 by the Department.

21 Also, those who did not speak today,  
22 that may have submitted comments, those will also  
23 be forwarded and responded to.

24 (Mr. Houghton and Deputy

1 Commissioner Reed conferred)

2 DEPUTY COMMISSIONER REED: Okay.

3 What we will do is we will leave the record open  
4 until 7:35, seeing that we -- let the record  
5 reflect we have no other public individuals  
6 signed up to speak right now. But we will leave  
7 the record open until 7:35. Then we will come  
8 back and reconvene, and see if we have any other  
9 members of the public here to speak.

10 And at that time, if we do not, we  
11 will adjourn. But I do want everyone to know  
12 that we do also have another hearing scheduled  
13 for Thursday night in Wilmington, where the  
14 public can provide comment.

15 Thank you. We'll take a roughly  
16 15-minute break.

17 (Recess held)

18 DEPUTY COMMISSIONER REED: Okay.

19 We're going to reconvene and go back on the  
20 record. And for the record, I would also like to  
21 introduce tonight Senator Brian Bushweller of  
22 Dover. He's Chair of the Senate Banking  
23 Committee. He is here tonight. Thank you for  
24 joining us.

1                   He had a committee meeting tonight,  
2                   and was able to get over. And we thank you for  
3                   coming over.

4                   SENATOR BUSHWELLER: I'm sorry I  
5                   missed, obviously, most of it. But what I'm  
6                   going to try to do is go up to New Castle County  
7                   on Thursday and see what I missed.

8                   DEPUTY COMMISSIONER REED: Great.  
9                   Thank you very much. Also for the record, we  
10                  have no other individuals from the public here to  
11                  speak tonight.

12                  So, having said that, we do have  
13                  another meeting Thursday night in Wilmington at  
14                  the Carvel State Office Building, and that starts  
15                  at 6:00. So anyone from the public that was not  
16                  here tonight can also join us Thursday night in  
17                  Wilmington.

18                  I want to thank everyone that was  
19                  here tonight for participating in this event, and  
20                  also, thank the speakers tonight. We really  
21                  appreciate the comments, and certainly, we are  
22                  going to review those comments as we go through  
23                  this transaction.

24                  And again, appreciate your comments,

1 both Mrs. Kleimo and Dr. Fields. Thank you very  
2 much.

3 That will conclude our evening  
4 tonight, and we are adjourned. Thank you.

5 (Hearing concluded at 7:35 p.m.)  
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I, JULIANNE LaBADIA, Registered Diplomat  
Reporter and Notary Public, do hereby certify  
that the foregoing record, pages 1 through 54  
inclusive, is a true and accurate transcript of  
my stenographic notes taken on May 17, 2011, in  
the above-captioned matter.

IN WITNESS WHEREOF, I have hereunto set my  
hand and seal this 19th day of May, 2011, at  
Wilmington.

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Julianne LaBadia, RDR, CRR

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