

Blue Cross Blue Shield of Delaware
Affiliation Financial Pro Formas
March 14, 2011

EXHIBIT 9

(Revised)

REDACTED

Overview

On August 20, 2010, Blue Cross Blue Shield of Delaware (BCBSD) announced it had signed an affiliation agreement with Pennsylvania-based Highmark Inc. (Highmark) that will position BCBSD to remain a strong local leader in the health care marketplace. This announcement was the culmination of a four-year corporate strategic planning process for BCBSD.

The affiliation will allow BCBSD to retain its not-for-profit status, enhance operations, maintain financial stability and continue to provide the high level of local services that its customers and providers have come to expect. This relationship will afford both companies greater economies of scale and the ability to streamline operations, while maintaining their strong local presence and focus on community support. Specifically, an affiliation with Highmark will allow BCBSD to make investments in business processes, human capital and information technology on a more cost effective basis than by purchasing these services on a stand-alone basis. Additionally, the affiliation will enable BCBSD to implement, more timely and effectively, the significant changes that are required as a result of the health care reform legislation.

The accompanying pro forma statutory financial statements were prepared under two different scenarios:

- Affiliation Basis Scenario – Assumes that the BCBSD/Highmark affiliation will be approved effective July 1, 2011.
- Stand Alone Scenario – Assumes that BCBSD will continue to remain independent.

The specific assumptions utilized in preparing the pro formas are outlined in the attached notes. BCBSD has not completed the work necessary to fully analyze the reform impacts to BCBSD or its market, and as such, we do not represent to have captured all market impacts within the pro formas related to health care reform. While there are some differences in the projected cost of care and premiums between the two pro formas, the primary difference consists of the cost and timeline for BCBSD to obtain needed capability enhancements and how those costs are funded. As a result, the projected risk-based capital varies significantly between the two scenarios.

The Affiliation Basis pro forma assumes that the affiliation becomes effective July 1, 2011 and that Highmark and BCBSD begin the work necessary to complete the migration to Highmark's technology platforms and other capabilities immediately thereafter. The migration is projected to be completed by December 31, 2012. The projected five year capital costs under this scenario are approximately \$51 million. By December 31, 2015, BCBSD's risk-based capital ratio is projected to be consistent with today's current level. The scenario assumes that BCBSD will be allocated costs annually by Highmark for management services and information technology and that these costs will be more than offset by savings obtained from the integration of various corporate functions, operational efficiencies and the ability to take advantage of Highmark's scale and more favorable vendor contract terms. The parties have established various affiliation teams consisting of representatives from both companies and the teams will be working over the next several months to develop recommendations regarding integration and the future end state for each major function.

The Stand Alone Basis pro forma assumes that BCBSD will implement the various capability enhancements recommended by Deloitte in a study performed in 2008 and recently updated. Given BCBSD's relatively small size and the significant investments required, it is anticipated that it will take BCBSD approximately five years to complete the implementation of the capability enhancements. The projected five year capital costs under this

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scenario are approximately \$130 million – a \$79 million increase over the Affiliation Basis scenario. The Stand Alone Basis pro forma also assumes that BCBSD will need to recoup a portion of its capital costs through higher premium increases than under the Affiliation Basis scenario beginning in 2014. Even with the slightly higher premium increases, BCBSD's risk-based capital ratio is projected to decline [REDACTED].

The significant savings (\$79 million) in capital costs as a result of obtaining the needed capability enhancements through the affiliation will have a very positive impact on BCBSD's reserves, risk-based capital and overall financial condition. Additionally, an affiliation with Highmark will enable BCBSD to bring enhanced capabilities to the marketplace much sooner than on an independent basis and will provide BCBSD with the resources and expertise necessary to reposition the Company to respond to the massive changes required as a result of health care reform. Finally, BCBSD's customers will benefit from the affiliation in the form of lower projected premium increases than would have otherwise occurred on a Stand Alone Basis.

Blue Cross Blue Shield of Delaware
Pro Forma Income Statements - Statutory Basis

March 14, 2011

(Amounts in Thousands)

Affiliation Basis	2010	2011	2012	2013	2014	2015
Member months	1,336	1,351	1,347	1,344	1,344	1,344
Premiums earned	\$ 496,722	\$ 537,466	\$ 564,316	\$ 589,835	\$ 616,772	\$ 646,586
Claims incurred	422,631	463,982	487,115	509,136	532,582	558,485
General and administrative						
SG&A expenses						
Self funded and other fees						
Capability enhancement expense	-	697	2,327	13,993	13,297	11,667
Total general and administrative	67,972	75,007	75,479	87,186	88,992	89,917
Total claims cost and expenses	490,603	538,989	562,594	596,322	621,574	648,402
Underwriting gain (loss)	6,119	(1,523)	1,722	(6,487)	(4,802)	(1,816)
Investment income, net	10,000	8,168	7,704	7,767	8,380	9,037
Income (loss) before income taxes	16,119	6,645	9,426	1,280	3,578	7,221
Provision (benefit) for income taxes	3,224	1,329	1,886	256	716	1,444
Net income	\$ 12,895	\$ 5,316	\$ 7,540	\$ 1,024	\$ 2,862	\$ 5,777

Stand Alone Basis	2010	2011	2012	2013	2014	2015
Member months	1,336	1,351	1,347	1,344	1,344	1,344
Premiums earned	\$ 496,722	\$ 537,466	\$ 564,316	\$ 592,699	\$ 632,361	\$ 663,546
Claims incurred	422,631	463,982	487,115	511,552	534,942	560,731
General and administrative						
SG&A expenses						
Self funded and other fees						
Capability enhancement expense	-	697	4,493	8,368	27,963	30,500
Total general and administrative	67,972	72,852	79,235	87,061	112,211	121,298
Total claims cost and expenses	490,603	536,834	566,350	598,613	647,153	682,029
Underwriting gain (loss)	6,119	632	(2,034)	(5,914)	(14,792)	(18,483)
Investment income, net	10,000	7,857	6,954	6,281	6,059	6,414
Income (loss) before income taxes	16,119	8,489	4,920	367	(8,733)	(12,069)
Provision (benefit) for income taxes	3,224	1,698	984	73	(1,747)	(2,414)
Net income (loss)	\$ 12,895	\$ 6,791	\$ 3,936	\$ 294	\$ (6,986)	\$ (9,655)

Blue Cross Blue Shield of Delaware
Pro Forma Income Statements - Statutory Basis

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(Amounts in Thousands)

Affiliation Fav/(Unfav.) to Stand Alone	2010	2011	2012	2013	2014	2015
Member months	-	-	-	-	-	-
Premiums earned	\$ -	\$ -	\$ -	\$ (2,864)	\$ (15,589)	\$ (16,960)
Claims incurred	-	-	-	2,416	2,360	2,246
General and administrative						
SG&A expenses						
Self funded and other fees						
Capability enhancement expense	-	-	2,166	(5,625)	14,666	18,833
Total general and administrative	-	(2,155)	3,756	(125)	23,219	31,381
Total claims cost and expenses	-	(2,155)	3,756	2,291	25,579	33,627
Underwriting gain (loss)	-	(2,155)	3,756	(573)	9,990	16,667
Investment income, net	-	311	750	1,486	2,321	2,623
Income (loss) before income taxes	-	(1,844)	4,506	913	12,311	19,290
Provision (benefit) for income taxes	-	369	(902)	(183)	(2,463)	(3,858)
Net income (loss)	\$ -	\$ (1,475)	\$ 3,604	\$ 730	\$ 9,848	\$ 15,432

**Blue Cross Blue Shield of Delaware
Pro Forma Balance Sheets - Statutory Basis**

March 14, 2011

(Amounts in Thousands)

Affiliation Basis	2010	2011	2012	2013	2014	2015
Cash & short-term Investments	\$ 15,408	\$ 18,087	\$ 20,408	\$ 21,729	\$ 23,049	\$ 24,370
Investments	231,522	218,203	204,998	221,861	239,935	259,403
Uncollected premiums	16,424	17,297	18,122	18,876	19,666	20,550
Amounts receivable from uninsured plans	14,146	14,853	15,596	16,376	17,195	18,054
Property and equipment, net	4,946	4,751	4,383	4,917	5,487	2,000
Other	13,614	13,614	13,614	13,613	13,613	13,614
Total admitted assets	\$ 296,060	\$ 286,805	\$ 277,121	\$ 297,372	\$ 318,945	\$ 337,991

Unpaid claims & claim adjustment expense	\$ 35,798	\$ 38,510	\$ 40,431	\$ 42,258	\$ 44,204	\$ 46,354
Accounts payable	37,882	38,449	39,509	40,589	41,673	42,740
Premiums received in advance	16,841	10,810	11,326	11,797	12,291	12,843
Other liabilities	40,667	40,667	39,740	38,814	37,888	36,961
Capital & surplus	164,872	158,369	146,115	163,914	182,889	199,093
Total liabilities, capital & surplus	\$ 296,060	\$ 286,805	\$ 277,121	\$ 297,372	\$ 318,945	\$ 337,991

Risk-Based Capital %

Stand Alone Basis	2010	2011	2012	2013	2014	2015
Cash & short-term Investments	\$ 15,408	\$ 18,087	\$ 20,408	\$ 21,729	\$ 23,049	\$ 24,370
Investments	231,522	200,417	179,969	161,972	167,297	182,237
Uncollected premiums	16,424	17,297	18,122	18,990	20,290	21,228
Amounts receivable from uninsured plans	14,146	14,853	15,596	16,376	17,195	18,054
Property and equipment, net	4,946	4,202	3,616	3,081	3,283	3,775
Other	13,614	13,613	13,613	13,613	13,613	13,615
Total admitted assets	\$ 296,060	\$ 268,469	\$ 251,324	\$ 235,761	\$ 244,727	\$ 263,279

Unpaid claims & claim adjustment expense	\$ 35,798	\$ 38,510	\$ 40,431	\$ 42,459	\$ 44,400	\$ 46,541
Accounts payable	37,882	38,449	39,509	40,589	41,673	42,740
Premiums received in advance	16,841	10,810	11,326	11,869	12,681	13,267
Other liabilities	40,667	40,667	39,740	38,814	37,887	36,961
Capital & surplus	164,872	140,033	120,318	102,030	108,086	123,770
Total liabilities, capital & surplus	\$ 296,060	\$ 268,469	\$ 251,324	\$ 235,761	\$ 244,727	\$ 263,279

Risk-Based Capital %

Affiliation Fav/(Unfav.) to Stand Alone	2010	2011	2012	2013	2014	2015
Cash & short-term Investments	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	\$ (0)
Investments	-	17,786	25,029	59,889	72,638	77,166
Uncollected premiums	-	-	-	(114)	(624)	(678)
Amounts receivable from uninsured plans	-	-	-	-	-	-
Property and equipment, net	-	549	767	1,836	2,204	(1,775)
Other	-	1	1	-	-	(1)
Total admitted assets	\$ -	\$ 18,336	\$ 25,797	\$ 61,611	\$ 74,218	\$ 74,712

Unpaid claims & claim adjustment expense	\$ -	\$ -	\$ -	\$ (201)	\$ (196)	\$ (187)
Accounts payable	-	-	-	-	-	-
Premiums received in advance	-	-	-	(72)	(390)	(424)
Other liabilities	-	-	-	-	1	-
Capital & surplus	-	18,336	25,797	61,884	74,803	75,323
Total liabilities, capital & surplus	\$ -	\$ 18,336	\$ 25,797	\$ 61,611	\$ 74,218	\$ 74,712

Risk-Based Capital %

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General Comments and Assumptions

Pro Forma Versions

Pro forma financial statements were developed based on a successful affiliation effective July 1, 2011 (“Affiliation Basis” scenario) and on the assumption that BCBSD remains independent, referred to as the “Stand Alone” scenario.

Use of Estimates

The pro forma statements are based on estimates and assumptions developed by management based on factors currently known but involve significant risk and uncertainties. Actual results could materially differ from the enclosed pro forma statements due to factors outside the control of management. These factors include but are not limited to federal and state laws and regulations, changes in economic and business conditions, competitor strategies and products, as well as customer needs.

Products & Services - The pro forma financial statements reflect BCBSD’s existing products and services.

Health Care Reform

The following high-level assumptions were made with respect to Health Care Reform:

- The pro forma assumes that health care reform will not have a significant effect on enrollment through 2015, [REDACTED].
- It is assumed BCBSD will comply with the minimum Medical Loss Ratios reflected in the legislation (80% for individual and small group, 85% for large group)

Capital Expenditures

Capital expenditures for each version of the pro forma include the 2011 capital expenditures approved by the BCBSD Board of Directors, annual routine capital expenditures of \$2 million and capability enhancements, developed separately for each version as follows:

- Affiliation Version - The capability enhancements were developed by Highmark.
- Stand Alone Version - This version incorporates capability enhancements recommended by Deloitte based on a study performed in 2008. Deloitte has provided a recent update that incorporates estimates for ICD-10 and Health Care Reform.

The total capital expenditures, as defined above, include the following amounts in each scenario (\$ in thousands):

	2011	2012	2013	2014	2015	Total
Affiliation Basis	\$ 18,000	\$ 27,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 51,000
Stand Alone Basis	37,262	32,805	30,662	19,371	9,900	130,000
Affil. Favorable to Stand Alone	\$ 19,262	\$ 5,805	\$ 28,662	\$ 17,371	\$ 7,900	\$ 79,000

Income Taxes

The pro forma assumes the following with respect to income taxes or payments made in lieu of income taxes:

- BCBSD will maintain its Section 833 status, thereby maintaining its effective tax rate of 20%, and
- BCBSD will accrue and make payments to the Delaware Community Foundation in lieu of state income taxes.

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Financial Statement Assumptions –Statements of Income (Statutory Basis)

Member Months

Enrollment for 2011 was developed based on assumptions regarding new sales, terminations and in-force changes by market segment. For 2012 and 2013, enrollment is assumed [REDACTED]. For 2014 and 2015, overall enrollment was assumed [REDACTED].

No differences exist in the member months between the Affiliation Basis and Stand Alone Basis pro forma financial statements.

Premiums Earned

The premium forecast is based on the aforementioned membership assumptions and premium yield developed on a pMpm (per member per month) basis. Premium pMpm's for 2011 were developed based on discrete models for individual market segments, products and/or group experience which were adjusted for anticipated rate increases and anticipated benefit plan changes. Premium yields for both versions of the pro forma statements for 2012 through 2015 were developed based on 2011 and incorporate changes in premium yield by market segment that range between [REDACTED]. In addition, in 2014 the Stand Alone pro formas incorporate additional rate increases to recoup a portion of the cost of capital expenditures, to the extent allowed under the minimum loss ratios established within health care reform. In the Affiliation Basis pro formas projected rate changes in 2013 and beyond will be favorably impacted by projected pharmacy contract savings that will be passed on to BCBSD members. The projected premiums in the Affiliation Basis pro formas in 2014 and 2015 are nearly 3% lower than in the Stand Alone scenario for the reasons noted above.

Claims Incurred

The claims incurred (medical expense) forecast is based on the aforementioned enrollment and medical expense assumptions developed on a pMpm basis. Medical expense pMpm's for 2011 were developed utilizing discrete models based on a combination of market segment, product and/or group experience, adjusted for anticipated medical expense trends and employer group benefit changes. Medical expense pMpm's for 2012 through 2015 were developed based on 2011 and incorporated pMpm increases each year by market segment that range from [REDACTED]. Beginning in 2013, the Affiliation Basis pro forma medical expense reflects [REDACTED].

Selling, General & Administrative Expenses

Selling general & administrative expenses are composed of broker commissions, G&A expenses and community related expenses. The basic assumptions are as follows:

- Broker Commissions - Broker commissions for 2011 represent existing commission arrangements that are essentially based on a percentage of premiums. [REDACTED]. No differences exist between the Stand Alone and Affiliation pro forma financial statements.
- General & Administrative (G&A) - G&A for 2011 is based on a discrete budget, adjusted by scenario as noted below. The Forecast for 2012 through 2015 is based on an increase of [REDACTED] per year in ongoing expenses and the estimated cost of internal preparation for reform (exclusive of related depreciation expenses, which are reflected in the "Capability enhancement expense" line item). The Stand Alone Basis pro formas reflect annual costs for maintenance and support of the capital expenditures included in that

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scenario, as estimated by Deloitte. The Affiliation Basis pro forma financial statements include one-time costs associated with the affiliation and the annual cost to BCBSD for services provided by Highmark, which include the ongoing maintenance and support of all information technology, an estimate of BCBSD's share of the cost of future technology investments and management services. Operating synergies from the relationship with Highmark more than offset the annual cost of Highmark services. As a result of the synergies, the G&A expenses are lower in the Affiliation Basis pro formas than in the Stand Alone scenario.

- Community Related Expense - The annual forecast amounts represent the combination of amounts due to the Delaware Community Foundation in lieu of state income taxes and other budgeted community contributions of [REDACTED].

Self Funded and Other Fees

Self funded and BlueCard host fees were developed for 2011 based on discrete estimates. [REDACTED]. No differences exist between the Stand Alone and Affiliation pro forma financial statements.

Capability Enhancements

Capability enhancement expenses represent depreciation expense associated with the capital investments noted on page six of this document.

Investment Income

Investment income was calculated based on a yield of [REDACTED], which was used for both the Stand Alone and Affiliation Basis pro forma financial statements. The variance in investment income between both versions is due to the difference in funds available for investment, as a result of the higher level of capital investments necessary in the Stand Alone version of the pro forma financial statements.

Financial Statement Assumptions – Balance Sheets (Statutory Basis)

The balance sheets were developed based on the statutory balance sheet as of September 30, 2010 updated with more current information and adjusted for expected changes for certain line items based on the line item's relationship to the income statement. The estimated impact of non-admitted assets for 2011 through 2015 was based on maintaining the same level of non-admitted assets, with the exception of non-admitted assets related to property and equipment. For property and equipment, non-admitted assets were adjusted annually to reflect the impact of capital expenditures and depreciation.

Risk-Based Capital (RBC)

RBC was estimated based on the projected statutory capital and surplus and an estimate of the authorized control level (ACL). The ACL for 2010 was based on the ACL reported in the BCBSD annual statement as of December 31, 2009. The ACL was increased [REDACTED] annually as an estimate of the impact of growth in underwriting risk.