

August 15, 2008

Coalition members of WashCAN/ HCAN
C/o Tim Lennon
220 S. River St, Suite 202
Seattle, WA 98108

Dear Mr. Lennon,

Thank you for providing us with an opportunity to respond to your concerns. I think we can agree that the health care system is broken, as evidenced by the rising costs of care and the uninsured. At Regence, we are committed to being part of the solution to the problems that plague our broken health care system. We appreciate your advocacy of these same issues and for helping focus public attention on ways to solve the challenges we face together.

The questions you recently provided to us cover a broad range of business practices, product information and claims data. The majority of this information is publicly available. A wide array of product and financial information can be found on our Web site (Regence.com) and/or through documentation we file with the Washington State Office of the Insurance Commissioner. The OIC has an extensive library of documents available on its Web site (insurance.wa.gov) that will answer many of the questions you posed.

However, some of the information you requested is confidential, either because it is protected by federal privacy laws (HIPAA) or because it is proprietary information.

It's important to understand that the underlying costs of health care drive up premiums for everyone. The increasing use of medical services, advancements in medical technology, rising prescription drug costs, an increase in chronic disease, more than 50 health insurance mandates in Washington state, and the aging of our population all contribute to continually increasing medical costs.

In light of these increasing costs, as a not-for-profit company we are committed to putting people before profits. In fact, over the past dozen years we have paid out more money in claims than we have collected in premiums, while serving our individual members.

We have no shareholders to pay. Most of every premium dollar is paid out for medical care, prescriptions, services and equipment for our members. The rest is invested in ways that benefit our members (including technology and tools that hold down costs, keeping members healthy for the long-term) and our communities (including our partnerships with Washington Boys & Girls Clubs and the Inland Northwest Chapter of the American Red Cross).

Regence also pays taxes. In 2007, Regence BlueShield paid more than \$70 million in federal, state and local taxes.

In order to be good stewards of our members' resources, it is critical for us to have stable reserves. We are responsible for the health care claims of more than 1.2 million residents of Washington. Our reserves are a safety net for our members, a rainy-day fund against economic uncertainties that could threaten the company's ability to pay claims in catastrophes like a pandemic or natural disaster. And, that financial stability is one of the reasons that we have been able to serve Washingtonians for nearly a century.

Regence accepts thousands of applicants for Individual insurance each year. State law requires that all but the highest risk eight percent of applicants be accepted in the individual market, a more stringent standard than virtually any other state's. The highest risk applicants are referred to the Washington Health Insurance Pool (WSHIP). Regence, along with other insurers, subsidizes this pool – investing money so that those in need can obtain insurance, even if they do not qualify for private insurance. Since 1999 Regence has paid over \$50 million dollars to subsidize the medical care of our most ill citizens covered by the Washington State Health Insurance Pool.

As one of the state's largest not-for-profit insurers, Regence is on the side of affordable health care for all. This is why we are collaborating with all stakeholders in health care system, regionally and nationally, to address the root causes of rising medical costs and to create an equitable, affordable and sustainable health care system for all.

I encourage you to find out more about Regence and the ways we are working to eliminate the tyranny of waste within health care.

Sincerely,

Jonathan Hensley
President
Regence BlueShield