

In Re:

In the Matter of the Conversion of BCBS

*Transcript of Public Hearing
February 12, 2013*

LESOFSKI COURT REPORTING & VIDEO CONFERENCING

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1 BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
 2 OFFICE OF THE STATE AUDITOR
 3 STATE OF MONTANA
 4

5 IN THE MATTER OF THE CONVERSION OF)
 BLUE CROSS AND BLUE SHIELD OF)
 6 MONTANA, INC. AND ALLIANCE WITH) Case No.
 HEALTH CARE SERVICE CORPORATION,) INS-2012-238
 7)
 Applicants.)
 8

9 TRANSCRIPT OF PUBLIC HEARING

10
 11 On the 12th day of February, 2013,
 12 beginning at 9:00 a.m., a public hearing was heard
 13 at the Lewis and Clark County Courthouse at 228
 14 Broadway, Helena, Montana, before W. William
 15 Leaphart, Hearings Officer.
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A P P E A R A N C E S :

APPEARING ON BEHALF OF THE COMMISSIONER
OF SECURITIES AND INSURANCE:

NICK MAZANEC
JESSE LASLOVICH

APPEARING ON BEHALF OF THE ATTORNEY GENERAL
OF THE STATE OF MONTANA:

KELLEY HUBBARD

APPEARING ON BEHALF OF BLUE CROSS BLUE SHIELD
OF MONTANA, INC. AND HEALTH CARE SERVICE
CORPORATION:

JACQUELINE T. LENMARK
HELEN WITT

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The following testimony was taken:

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HEARINGS OFFICER LEAPHART: It's 9:00 so let's get started. My name is Bill Leaphart, I am the Hearings Officer in this matter and this is the time and the place set for the public hearing on Blue Cross Blue Shield of Montana's application for a conversion transaction/alliance with the HCSC. The hearing is conducted before the Commissioner of Securities and Insurance and the Montana State Auditor's Office.

I will conduct the hearing and then once all of the evidence and testimony is in I will make proposed findings of fact and conclusions of law addressing the question of whether or not the proposed transaction meets various statutory criteria, including whether the transaction would be in the public interest. The Auditor, Commissioner and the Attorney General will then review my proposed findings of fact and conclusions of law and make the final decision.

Participants should be aware that today's

1 hearing is the first of what will potentially
2 be a three-hearing process. In today's hearing
3 we will receive any comments from members of
4 the public who are here and who wish to make a
5 comment on the proposed conversion alliance.
6 We will then recess this hearing, leaving the
7 record open, and reconvene for a further
8 hearing on March 12th, 2013, at which time we
9 will have opening statements from the parties
10 and accept testimony into evidence from the
11 parties. I'm told that that hearing will be
12 held in the Montana Supreme Court Chambers out
13 in the Justice Building at the state campus.
14 Rooms have been set aside I believe for three
15 days there.

16 Members of the public have their choice of
17 presenting their comments today or if they
18 would rather wait until the March 12th hearing
19 they may do so then. If you wait until
20 March 12th you would perhaps have the benefit
21 of looking at prefiled testimony or if you
22 choose sitting in the hearing and listening
23 first-hand to the presentation of evidence and
24 testimony.

25 These first two hearings are focused

1 solely on the question of whether or not the
2 transaction is in the public's interest. There
3 will be a third hearing only if the application
4 is approved and the third hearing would address
5 the question of how the money generated from
6 the transaction would be distributed. That
7 hearing will not be scheduled until such time
8 as a decision is made on the initial
9 application.

10 The governing statutes in Montana provide
11 that in presenting public comment members of
12 the public have the option of whether or not to
13 submit to cross-examination. If you do not
14 choose to submit to cross-examination your
15 testimony can not be used by me, the
16 Commissioner or the Attorney General in making
17 their respective decisions. If you do submit
18 to cross-examination then your testimony can be
19 used in the decision making process.

20 So with that in mind, once I ask counsel
21 to introduce themselves I would ask members of
22 the public, first of all, make sure that you've
23 signed in on the sign-up sheet out in front of
24 the door and then if you choose to make comment
25 today feel free to do so and if you would, let

1 us know whether or not you choose to submit to
2 cross-examination. If you do not wish to
3 submit you're free to stand at the podium over
4 here and give your testimony. On the other
5 hand, if you're open to taking cross-
6 examination we would ask that you sit up in the
7 witness stand.

8 So with that I would ask counsel to
9 introduce themselves and indicate who it is
10 they're representing. Nick?

11 MR. MAZANEC: Your Honor, my name is Nick
12 Mazanec, I represent the Office of the
13 Commissioner of Securities and Insurance.

14 MS. HUBBARD: My name is Kelley Hubbard
15 and I represent the Attorney General of the
16 State of Montana.

17 MR. LASLOVICH: Good morning, Judge.
18 Jesse Laslovich, along with Mr. Mazanec on
19 behalf of the Commissioner.

20 MS. LENMARK: Jacqueline Lenmark, Your
21 Honor, with the law firm of Keller, Reynolds,
22 Drake, Johnson & Gillespie here in Helena
23 representing Blue Cross Blue Shield of Montana
24 and Health Care Service Corporation. And I
25 also am assisted in that representation by

1 Helen Witt, who is a member of the Kirkland &
2 Ellis firm from Chicago and is representing the
3 applicants as pro hac vice.

4 MS. WITT: Health Care Service
5 Corporation.

6 HEARINGS OFFICER LEAPHART: Thank you.
7 With that I would ask if there is anybody in
8 the audience who is here as a member of the
9 public and who would like to give comment
10 today. Yes, sir?

11 MR. MILBURN: Thank you.

12 HEARINGS OFFICER LEAPHART: If you would
13 state your name, please.

14 MR. MILBURN: Yes, Mike Milburn,
15 M-i-l-b-u-r-n. Thank you. I am a past member
16 of the House of Representatives, served as
17 speaker my last term, which was the last
18 session, and served on the Business and Labor
19 Committee where we did deal with insurance
20 issues and had dealings with some of these fine
21 people here.

22 So I would like to give my testimony in
23 support of this alliance. It is difficult when
24 we have Blue Cross Blue Shield of Montana that
25 we've been very proud of, very possessive of, I

1 think being forced because of the changing
2 times to find an alliance because of rising
3 health care costs, because of our rising
4 insurance costs. It's a necessity of these
5 times to look for something that will give the
6 citizens of Montana, our families, our
7 businesses a more competitive rate.

8 With HCSC they have found that, found a
9 very reputable company to partner with, and
10 even though it is difficult to see this happen
11 in our state it's one of those things that
12 comes with the modernization of our world and
13 that is we have to a lot of times grow into
14 bigger companies that can provide us better
15 products more efficiently and at less cost.
16 It's like our little grocery store on the
17 corner, neighborhood grocery store, when we see
18 that close because everybody's going to these
19 bigger stores that are providing that same time
20 of service.

21 But the good thing about this is that it's
22 different, and that is we get the best of both
23 worlds. We get them combining with a reputable
24 company that's going to provide us with this
25 more competitive service and we get to keep

1 Blue Cross Blue Shield in Montana. They have
2 promised us, the employees, the leadership, and
3 expanding also possibly to 100 new members.

4 So we're going to get that more
5 competitive cost for our families that's going
6 to improve our economy, we're going to get to
7 keep Blue Cross Blue Shield and its fine
8 people, we're going to get to grow and it's
9 going to provide better peace of mind I think
10 to the members of, our insurance members, more
11 competitive rates and really a fine and proven
12 track record. So thank you.

13 And I also would like to, if I could, we
14 have the Chamber of Commerce, the CEO of the
15 Chamber of Commerce from Great Falls that could
16 not make it but I do have a letter I would like
17 to read; it's short. If that would be okay.

18 HEARINGS OFFICER LEAPHART: That's fine.
19 Go ahead.

20 MR. MILBURN: Thank you. It's from the
21 CEO, Steve Malicott. It says "Dear
22 Commissioner" --

23 HEARINGS OFFICER LEAPHART: Would you
24 spell that, please?

25 MR. MILBURN: Yes. I'm sorry. It's

1 M-a-l-i-c-o-t-t.

2 "Dear Commissioner Lindeen and Attorney
3 General Tim Fox: As the CEO of the Great Falls
4 Area Chamber of Commerce I take seriously any
5 proposal that deems to expand job growth in our
6 region. The intended alliance between Blue
7 Cross Blue Shield of Montana and the Health
8 Care Service Corporation is a perfect example
9 of the types of opportunities that will take
10 our economy to the next level.

11 Currently Blue Cross Blue Shield of
12 Montana employs around 500 workers in the
13 state, mostly in Helena. Recently HCSC
14 announced it is looking at Great Falls to house
15 a new customer service center. The customer
16 service center could create 100 new job
17 openings in our area. In a state like Montana
18 100 jobs is nothing to scoff at. Instead, we
19 need to make sure that we are doing everything
20 we can to capture this great opportunity.

21 I commend HCSC for not only committing to
22 keep BCBS, Blue Cross Blue Shield of Montana's
23 current leadership and employees but also
24 expanding their operations with preliminary
25 plans for a new customer service center here in

1 Great Falls. If their actions prove a real
2 investment in the future of our local and state
3 economies, by diversifying our job market we
4 can give the people of Montana a greater sense
5 of security for those rocky times that might
6 lie ahead.

7 In the interest of business and consumers
8 in the Great Falls area, I fully support the
9 proposed alliance between Blue Cross Blue
10 Shield of Montana and HCSC. Sincerely, Steve
11 Malicott."

12 Thank you.

13 HEARINGS OFFICER LEAPHART: Thank you,
14 Mr. Milburn.

15 Any other members of the public that would
16 like to make a comment?

17 MR. WARDEN: Your Honor, my name is Bill
18 Warden. I have a letter from John Goodnow, the
19 CEO of Benefis Health Systems that I'd like to
20 read if that would be all right.

21 HEARINGS OFFICER LEAPHART: That would be
22 fine and first if you would spell those names
23 for us.

24 MR. WARDEN: Okay. My name is Warden,
25 W-a-r-d-e-n, Bill, and this letter is from John

1 Goodnow, G-o-o-d-n-o-w.

2 HEARINGS OFFICER LEAPHART: You may
3 proceed.

4 MR. WARDEN: Benefis Health Systems is
5 supportive of the merger of Blue Cross Blue
6 Shield of Montana and the Health Care Service
7 Corporation. We feel with the numerous current
8 and yet-to-come changes in the U.S. health care
9 insurance and delivery, Blue Cross Blue Shield
10 of Montana's decision to become part of HCSC
11 makes good strategic sense. As we understand
12 the merger plan, Blue Cross Blue Shield of
13 Montana will continue to exist and provide jobs
14 in Montana, including Great Falls. Further,
15 the foundation that will be established will be
16 a real positive for Montana. Merging into HCSC
17 will enable Blue Cross Blue Shield of Montana
18 to better serve Montanans in a more cost
19 effective manner. Thank you. Jon Goodnow, CEO
20 of Benefis Health System."

21 HEARINGS OFFICER LEAPHART: Thank you,
22 Mr. Warden.

23 Any other members of the public that would
24 like to present comment?

25 MR. FOSTER: Good morning, Your Honor.

1 Mike Foster representing the Catholic Hospitals
2 of Montana. That's F-o-s-t-e-r. And our five
3 Catholic hospitals are St. Vincent Health Care
4 in Billings, St. Patrick Hospital in Missoula,
5 St. James Health Care in Butte, Holy Rosary
6 Health Care in Miles City and St. Joseph
7 Medical Center in Polson.

8 And we strongly support this merger for
9 the reasons that have been stated and I won't
10 be repetitive because it is a progression
11 thing, that eventually a business has to grow
12 in a way that may make Montanans feel
13 uncomfortable at first until we learn the
14 benefits of why this is in the public interest.
15 And our hospitals have examined this and
16 believe that it truly is in the public interest
17 and would hope that you would support it.
18 Thank you.

19 HEARINGS OFFICER LEAPHART: Thank you,
20 Mr. Foster.

21 Any other comments from the public?

22 MR. BROWN: Good morning, Your Honor.
23 Webb Brown with the Montana Chamber of Commerce
24 and we do support the alliance as well. I
25 think folks may have seen a press release that

1 we put out recently announcing our support of
2 the proposal and I think again for reasons that
3 have been already stated as well, the
4 administrative costs being able to expand that
5 to a much greater customer base as well as it's
6 an important factor, we know that technology is
7 increasingly important and we know it's
8 increasingly expensive as well and to be able
9 to tap into what's already been done is an
10 important factor. We're also in consideration
11 of jobs that are already existing in Montana
12 and the potential for new jobs that could be
13 brought into the state, as well supportive of
14 it.

15 A little other piece that I wanted to
16 inject, we do a poll of the Montana voters,
17 like the Montana voters every year. This is
18 not a members of the businesses of the chamber,
19 it is voters all across Montana. We
20 specifically asked the question that Blue Cross
21 Blue Shield of Montana may form a new alliance
22 and plans to merge potentially with Health Care
23 Service Corporation. Would you say your
24 reaction to this alliance of potentially
25 providing better customer service and be more

1 efficient, would your overall reactions to this
2 be favorable, somewhat favorable, neutral,
3 unfavorable or very unfavorable. Very
4 favorable 23 percent, somewhat favorable 29
5 percent, neutral 34, somewhat unfavorable 9
6 percent and very unfavorable 5 percent. So a
7 total favorable is 52 over 14 unfavorable from
8 the perspective of just, again, a very basic
9 proposal out in front of Montanans what do you
10 think of this; positive support from the start.
11 So we think as more is known about this
12 proposal and what it can bring to Montana we
13 think that will increase those margins and
14 people will support this as well. So we
15 appreciate the opportunity to come before you.

16 HEARINGS OFFICER LEAPHART: Thank you. We
17 should take a poll on what people think of your
18 tie.

19 MR. BROWN: Thank you, Your Honor.

20 HEARINGS OFFICER LEAPHART: Any other
21 members of the public?

22 MR. BENNER: I'm Ron Benner, B-e-n-n-e-r,
23 and I'm here representing the Montana
24 Optometric Association as a provider.

25 A few comments about this merger is that

1 as a provider and a representative of a group
2 we don't feel and I don't feel that there is
3 any problem with this merger, in fact, we're
4 looking forward to it. The opportunity to
5 continue to provide our patients in Montana eye
6 health and quality vision care is of high
7 priority to both groups. And talking with the
8 Blues and their current leadership we've been
9 reassured that there shouldn't be any changes
10 within our structure or their structure and our
11 continued cooperation.

12 Our goals are the same as theirs, we want
13 to provide quality access, quality care and
14 quality outcomes to the patients in Montana and
15 we see this merger as a positive and have no
16 problems with it whatsoever.

17 Thank you.

18 HEARINGS OFFICER LEAPHART: Thank you.
19 Other members of the public?

20 MS. BACH: Good morning. I'm Jolene Bach,
21 vice-president of Great Falls Development
22 Authority, B-a-c-h. We represent 13
23 counties --

24 HEARINGS OFFICER LEAPHART: If you would
25 give us the spelling of your name, please.

1 MS. BACH: Bach, B-a-c-h.

2 HEARINGS OFFICER LEAPHART: Okay. I'm
3 sorry.

4 MS. BACH: Great Falls Development
5 Authority. We represent a 13 county region in
6 north central Montana and we and our board of
7 directors are in favor of this alliance because
8 we see it as a positive move that's going to
9 benefit the public by increasing
10 competitiveness and the affordable insurance
11 offerings for Montanans. Thank you.

12 HEARINGS OFFICER LEAPHART: Thank you.
13 Other comments from the public? No other
14 comments?

15 All right, that being the case, this
16 hearing will be at recess until March 12th,
17 2013 at the Supreme Court Chambers in the
18 Justice Building, at which time we will
19 reconvene. The parties will be given the
20 opportunity to make opening statements, they
21 will present evidence as well as testimony and
22 the public will be given further opportunity to
23 comment.

24 Mr. Laslovich?

25 MR. LASLOVICH: Your Honor, I just want to

1 clarify that the individuals who spoke are not
2 willing to subject themselves to
3 cross-examination.

4 HEARINGS OFFICER LEAPHART: Correct me if
5 I'm wrong but it's the understanding of the
6 Hearings Examiner that those individuals that
7 offer public comment did so with the
8 understanding they would not be subjected to
9 cross-examination and with the understanding
10 that that will be the case their comments are
11 noted in the record but that neither I, nor the
12 Commissioner, nor the Attorney General will be
13 able to rely on those comments in making our
14 decisions. Okay?

15 All right, with that we will be in recess.

16 (The hearing was concluded at
17 9:20 a.m.)

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C E R T I F I C A T E

I, LISA R. LESOFSKI, Registered
Professional Reporter do hereby certify:

That the proceedings were taken before me
at the time and place herein named, that the
proceedings were reported by me and that the
foregoing -18- pages contain a true record of the
proceedings to the best of my ability.

Dated this 12th day of February, 2013.

/s/ _____
Lisa R. Lesofski