

Testimony of
Joseph W. Marshall, III

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Statement of Joseph W. "Chip" Marshall, III
Chairman and CEO, Temple University Health System Before the United States Senate
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Pennsylvania

Good morning Senator Specter, Senator Casey and Members of the Judiciary Committee. I am Chip Marshall, Chairman and CEO of the Temple University Health System. On behalf of all of our employees, physicians and patients, thank you for the opportunity to testify today on the Highmark/Independence Blue Cross Merger - a matter of significance to the Temple University Health System, the southeast Pennsylvania region and the entire Commonwealth.

At the outset, let me share with you some background on the Temple University Health System, whose hospitals have steadfastly provided their communities with compassionate, high-quality care for more than 150 years. The Temple University Health System is comprised of five hospitals, including Temple University Hospital, Temple University Children's Medical Center, the Temple- Episcopal Campus, Jeanes Hospital and Northeastern Hospital.

Last year, we handled more than a quarter-million emergency department visits; 60 thousand inpatient visits; a half-million outpatient visits; and 6 thousand births.

Temple University Hospital and Temple Children's serve as the chief clinical training sites for the Temple University School of Medicine. Together, these hospitals are the region's only Level I Trauma Center for adults, children and burn victims.

Our Health System family also includes the Temple Transport Team, our state-of-the-art ground transport unit that provides rapid transport from central Pennsylvania to the New Jersey coast. Temple Physicians, our network of community based doctor's offices, serves Philadelphia, Bucks, and Montgomery counties.

When I joined the Health System as CEO, I set forth the goal to become a high quality, regional healthcare provider. We are entirely committed to excellence, as evidenced by our continued investment in our professional workforce, facility improvements and advanced medical technologies.

It is with this background that I offer my views on the proposed merger of Highmark and Independence Blue Cross. As both an IBC network provider and as a purchaser of its insurance product for an eight thousand-employee health system, thank you for bringing national focus to this important matter affecting competition and choice in the Pennsylvania insurance market.

I realize that at this early stage, we do not have sufficient information to make firm declarations or recommendations. Over the next several months, however, hospitals, physicians, consumers, employers and other stakeholders will closely monitor merger developments. As they do, it will become clear that the benefits promised by Highmark and IBC will not be self-executing by these plans. Benefits of a consolidated plan will be achieved only with strong efforts of all stakeholders in the healthcare industry. If done right, the combination of Highmark and IBC could offer opportunities for efficiencies in the insurance market and a deeper commitment to the social mission of these plans.

Ultimately, the issue is whether stakeholders in the healthcare delivery system will benefit from or be disadvantaged by a combination of Highmark and IBC. To help resolve this, I believe it imperative that several questions be explored.

First and foremost, how would a consolidation of Highmark and IBC affect access to care? If hospitals and physicians are not compensated fairly for their services, or they are closed out of provider networks, then the supply of vital services will be restricted at the expense of those who need care.

Second, would a consolidation of Highmark and IBC damage or destroy the social missions of these plans? In eastern Pennsylvania, IBC is an important part of the community, and is highly valued for its corporate leadership and financial support of many worthy causes. Temple Health System, for example, has enjoyed working with IBC in our joint roles with the Philadelphia Chamber, Select Philadelphia, and the CEO Council for Growth, as well as many outreach activities designed to improve the health status of our communities. We hope this civic partnership will be preserved. In western Pennsylvania, stakeholders will have their own questions as to how a merger would be managed with high expectations from a strong Philadelphia area market.

Third, how do we balance the benefits of price competition with the financial and social burdens imposed on hospitals, which are required to provide 24-hour access to all who present to their emergency rooms?

Fourth, how will financial benefits that accrue to a combined Highmark/IBC plan be shared with patients, hospitals, physicians and the communities they serve? Will employers and consumers benefit from lower costs and improved products that might be offered by a stronger, more efficient and effective company?

Finally, what impact would a consolidation have on an already fragile healthcare system? As we consider this issue, we must be vigilant in balancing the competing interests of hospitals, physicians, insurers, employers, consumers and patients. A market change of this magnitude must fortify, not weaken, Pennsylvania's healthcare delivery system. A consolidated company must be steadfastly dedicated to working with providers to ensure their continued ability to offer quality care to our patients: for it is the patients around whom we are all centered.

In closing, let me emphasize that the standard economic competitive analysis might not be entirely sufficient in considering the impact of a consolidated Highmark and IBC. In southeast

Pennsylvania, IBC has sizeable market share. However, our complex healthcare market virtually precludes the ability of providers to sell their services directly to consumers. Because insurers are a necessary component of the delivery system, we want them to be efficient and effective.

On that note, we must keep in mind that with time, Pennsylvania's health system requirements will change. What is efficient and effective today, did not apply 10 years ago, and will change over the next 10 years. Pennsylvania's population is aging, and cutting-edge technologies are creating new opportunities to live at both ends of the human life cycle. As consumer demand for advanced care increases, profit margins are threatened by the increased cost of providing that care. Rather than fight change, stakeholders must work together to ensure that change is geared toward stabilizing our healthcare delivery system.

Again, it appears too early to take a position for or against the proposed consolidation. We would not want to oppose a merger simply because of possible downsides. If carefully executed, with constructive involvement from hospitals, physicians, employers, consumers, and other stakeholders, a consolidation could provide opportunity to stabilize Pennsylvania's healthcare system, preserve the economic stability of its businesses, and ensure access to care for all its citizens. We at Temple Health System are committed to working with all stakeholders on this important issue.

Again, thank you Senators for your leadership on this issue and for allowing me to testify today.