

PHILADELPHIA BUSINESS JOURNAL

'In this for the long haul': Highmark's Philadelphia market president details insurer's local strategy

Pittsburgh-based Highmark Blue Shield — with two Pennsylvania Department of Insurance applications filed last month and one more set for next month — is moving full steam ahead with its planned major expansion into the five-county Philadelphia region at the start of next year.

"We are on track," said Dan Tropeano, who [joined Highmark earlier this year](#) as segment president for southeastern Pennsylvania. "We wholly anticipate being sales-ready and providing individual, small and large group [health insurance] on Jan. 1, 2024."

Highmark is awaiting approval on its proposed products and pricing for the individual and small group health insurance plans. Tropeano said the company plans to submit in July its proposals for large group fully insured and self-insured products for the five-county region. Highmark is targeting 2025 for introducing Medicare Advantage, Medicaid/Medicare dual eligible plans here.

Under its proposed timeline, Tropeano said the company expects to be in the market with quotes for the individual and small business markets on Aug. 1, and for the large group market in the fall.

Last week, Highmark announced it had [reached a network provider agreement with Penn Medicine](#) — its second deal with a Philadelphia-based health system. The company [signed its first network provider deal with Temple University Health](#) in mid-May.

The insurer is in talks with with other large systems and expects to have "a majority of those in place in due course," Tropeano said.

"Everybody's been welcoming not only the providers, not only the health systems, but the brokers and consultants we deal with and other business leaders in the community have all been very excited and very receptive," he said. "And I think that's the real difference of being a Blue. We're going to be Blue-branded. We're Blue Shield, and I think that has created a big excitement — having another Blue in the market, having another significant competitor, and having someone who is local. We're a Pennsylvania company."

Independence Blue Cross is the Philadelphia region's largest health insurer with 3.5 million commercial, Medicare and Medicaid members in southeastern Pennsylvania.

Tropeano, a Villanova graduate, is familiar with the Philadelphia health insurance market having previously served nearly five years as CEO of UnitedHealthcare of Pennsylvania and Delaware.

Highmark already has more than 100 employees at its existing Blue Bell office at 518 E. Township Line Road, and expects to add another 40 to 60 staff members at that location over the next three to five years.

Tropeano said Highmark has a 10-year plan for building its membership in the Philadelphia region, which will begin with getting through the regulatory process and building brand recognition. He declined to provide a specific number for that plan and would **only say, "a lot... We are in this for the long haul."**

"We will be taking the approach that a Blue does when entering a market, which is being more ingrained locally in the communities," Tropeano said. "We'll be sponsoring events and involved in events in the community, and we've joined the Chamber of Commerce [for Greater Philadelphia], where I hope to be active on the board in the future."

Tropeano said Highmark brings a different perspective to hospital negotiations than other health insurers serving southeastern Pennsylvania in that its parent company, Highmark Health, also operates a health system: the 14-hospital Allegheny Health Network in western Pennsylvania.

"We are more than familiar with the [difficulties health systems are having] around fixed costs, employee costs, increasing volumes," he said. "That is a big differentiator for us. We're able to sit across the table from them, understand what their pain points are, understand potentially what needs to be done to remediate some of those challenges."

Highmark and its affiliates operate health insurance plans in Pennsylvania, Delaware, and West Virginia that serve more than 5.3 million members, including 3.7 million in Pennsylvania. It already has a presence in southeastern Pennsylvania, where it is the statewide Blue Shield organization covering physician services. Highmark also offers health coverage through its portfolio of businesses that include United Concordia Dental and HM Insurance Group, a federal employee health insurance program.

During the first quarter of 2023, Highmark post net income of \$227 million, swinging from a \$150 million net loss in the prior-year quarter due largely to losses on investments. Revenue for the quarter rose to \$6.7 billion, up from \$6.4 billion in the same period a year ago.

Last year, the Blue Cross Blue Shield Association reached a \$2.67 billion settlement agreement to an antitrust lawsuit that included two provisions designed to increase competition among Blue insurers. One provision dropped rules that limit Blue insurers from competing for business from large national employers in regions covered by different Blue plans. The settlement also did away with a rule that restricted the amount of revenue a Blue licensee could generate from its non-Blue brands.

Individual Blue insurance companies, however, still hold exclusive rights to the Blue Cross and Blue Shield name with specific geographic territories — meaning at most two Blue plans could compete in one market.

More than a decade ago, Highmark and Independence Blue Cross, which have a long-term partnership involving certain products and back-office operational support, explored a merger. They [called off the deal in 2009](#) after the Pennsylvania Department of Insurance said it would only approve the deal if the combined company operated under either Pittsburgh-based **Highmark's** Blue Shield label or Philadelphia-based **IBC's Blue Cross trademark** to enhance competition.

Highmark is already familiar with competing with a Blue Cross plan in Pennsylvania, having done so with Harrisburg-based Capital Blue Cross for more than a decade. Additionally, in 2016, Highmark merged with Blue Cross of Northeastern Pennsylvania, extending the Highmark Blue Cross Blue Shield brand to northeastern and north central Pennsylvania. Highmark recently passed the million member mark in central Pennsylvania and is now that region's largest health insurer.

"We're friendly competitors [with Independence Blue Cross] and I think that is a good way to define our relationship going forward now and into the future," said Tropeano, adding certain business relationships the two companies have will be "unwinded" over the months ahead.

When asked by the Business Journal earlier this year about Highmark's planned push into southeastern Pennsylvania, Independence Blue Cross said it welcomed "healthy" competition.

"Our focus on and commitment to this community are deep-rooted and exhibited through programs, services, and our social mission," Independence Blue Cross said in a statement. "No one knows our region better or could serve it with more commitment. We deliver innovative and competitively priced health care products and services; pioneer new ways to reward doctors, hospitals, and other health care professionals for coordinated, quality care; and support programs and events that promote wellness."