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Harvard Pilgrim and Tufts Health Plan Announce Potential Merger

The state's second- and third-largest health plans, Harvard Pilgrim Health Care and Tufts Health Plan, are set to tell their employees today that they are exploring a merger that would reshape the region's health insurance landscape.

Harvard Pilgrim and Tufts are close to signing a Memorandum of Understanding (MOU) that would combine their operations in four New England states and make them a stronger competitor to the market leader, Blue Cross Blue Shield of Massachusetts.

The MOU is the first step in a long process of due diligence for both organizations to internally review the potential for a transaction before reaching a final merger decision, which is anticipated sometime in the next several months. Through this process they will seek to determine if a merger would better serve customers and hold down surging health care costs by paring administrative and technology expenses.

If the companies decide on the terms of a merger, documented by a definitive agreement, state and federal regulatory review processes would then take place in all of the states in which they both do business, which include Maine, Massachusetts, New Hampshire and Rhode Island. These reviews could take months to complete, though it is anticipated that they will be finished by the end of 2011.

The parties haven't determined the name of the new organization or how the alliance would affect Harvard Pilgrim and Tufts employees or subscribers. Until a merger is approved by state and federal authorities, the two carriers will continue with business as usual.

We will be closely following the process and keep you updated on the progress.

If you have further questions at this time, please feel free to contact Rosalyn Seale at rseale@proctorandcompany.com or Brian Donovan at bdonovan@proctorandcompany.com

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Information obtained from www.boston.com and Harvard Pilgrim Sales.