

## THERESA NANGLE OBERMEYER

"Preston, Gates & Ellis LLP is representing Premera Blue Cross/Blue Shield in this litigation that will effect 110,000 Alaska subscribers only. Washington State is not a party to this lawsuit in Judge Mark Rindner's State of Alaska Superior Court. To my knowledge, there has not been any publicity about this matter in Alaska media since the lawsuit was filed on August 24, 2004. It has been announced that Alaska Legislature is paying for a study about Public Employees Retirement System and Teachers Retirement System. Health insurance for State of Alaska public employees and Alaska teachers should be a major discussion in the study. 4/10/05"

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FOR IMMEDIATE RELEASE  
March 8, 2004

For further information: 278-9455

This is a brief summary of the Premera Blue Cross Blue Shield of Washington and Alaska "conversion." This non-profit medical/dental/vision/life insurance would convert to profit-making which I adamantly oppose. Alaska has 110,000 subscribers which means that probably at least one-third of Alaskans are covered by this insurance because Alaska has about 660,000 residents, i.e., possibly about 90,000 dependents of the 110,000 or about 200,000 Alaskans are effected by this "conversion." I am a dependent of my husband, Thomas Obermeyer, Attorney, along with our four children because Tom has worked at Municipal Attorney's Office for over 10 years since January 3, 1994. State of Washington has 1.2 million subscribers which is probably up to 2 million citizens with dependents in that state.

I was very offended when I read "Premera executives could gain million from stock options" Associated Press story Anchorage Daily News dated 2/20/04 on A-1 with Ann Potempa contributing to the story which had been reported the day before in Seattle Times by Kyung M. Song at [ksong@seattletimes.com](mailto:ksong@seattletimes.com) (206) 464-2423. Mine was the only name that was left out as a party in the process of conversion by Ms. Potempa in Anchorage Daily News. I asked Ms. Potempa to write a correction which was not done. I have been a party in this matter since August 25, 2003 when I filed a motion to intervene establishing my "pecuniary interests are to be directly and immediately affected by the director's order made upon the hearing." The primary decisionmakers are the Insurance Commissioners of State of Washington and Alaska. They are as follows:

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email: [conversion@oic.wa.gov](mailto:conversion@oic.wa.gov), mailing address: Office of Washington State Insurance  
Commissioner, P.O. Box 40255, Tumwater, Washington 98504, Street Address: 5000  
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Linda Hall, Director, Alaska Division of Insurance, [www.dced.state.ak.us](http://www.dced.state.ak.us),  
email: [insurance@dced.state.ak.us](mailto:insurance@dced.state.ak.us), 550 W. 7<sup>th</sup> Avenue Suite 1560, Anchorage, Alaska  
99501-0805, (907)269-7900 Phone, (907)269-7910 Fax.

The parties are as follows:

Mr. Nick Atwood, Alaska Assistant Attorney General, Alaska Department of Law, 1031  
West 4<sup>th</sup> Avenue, Suite 200, Anchorage, Alaska 99501, (907)269-5200 Phone, (907)276-8554 Fax;

Ms. Signe P. Andersen, Alaska Assistant Attorney General, Same Address, Phone, and  
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Ms. Any McCullough (Rule 43), Alaska Legal Services Attorney for Anchorage  
Neighborhood Health Center and John Garner, 1016 West 6<sup>th</sup> Avenue  
Suite 200, Anchorage, Alaska 99501, (907)272-9431 Phone, (907)279-7417 Fax;

Mr. James J. Davis, Jr., Supervising Attorney, Same Address, Phone, and Fax as above;

Mr. John Domeika, Senior Vice President and General Counsel, Premera Blue Cross,  
Mailing Address:P.O. Box 327, Seattle, Washington 98111-0327, Street Address:  
7001 220<sup>th</sup> Street, S.W., Mountlake Terrace, WA 98043, (425)918-5277 Phone  
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Ms. Jennifer M. Couglin (Mr. Robert B. Mitchell), Partner, Preston, Gates & Ellis, 420  
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Gloria G. Glover, Chief Financial Examiner, Alaska Division of Insurance, 550 West 7<sup>th</sup>  
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The timeline is as follows:

March 8, 2004 PBC's supplemental reports submitted to AK DOI

March 12, 2004 Redactions/corrections of PNC's supplemental reports

March 19, 2004 Submit AK DOI and PBC supplemental reports to Director in unredacted  
and redacted forms; redacted supplemental reports posted on AK DOI website

March 22-26, 2004 Interview of both parties' expert consultants

April 12, 2004 Filing of pre-filed direct testimony

April 28, 2004 Filing of pre-filed rebuttal testimony

May 1, 2004 Notice of Form A hearing and public hearings

June 7-11, 2004 Form A hearing and public hearings

June 25, 2004 Close of evidence; filing of proposed findings/conclusions, deadline for written public comment

July 19, 2004 Decision of Mr. Mike Kriedler, Washington Commissioner of Insurance

July 25, 2004 Decision of Ms. Linda Hall, Alaska Director of Insurance

March 8, 2004

Both Washington and Alaska insurance leaders must approve this conversion in order for it to take place. Washington State law requires that when a nonprofit company dissolves their full assets must be given to a charitable foundation to carry on the original nonprofit mission. Premera's stock plan, the so-called Mercer Report, was released February 18, 2004. If the conversion takes place, sale from the stock would endow one of the largest philanthropies ever created in State of Washington. Supposedly, independent charities would use the money to help residents of Washington and Alaska get health insurance. The Seattle Times article of February 19, 2004 states that a wide coalition of health-care providers and consumer groups, including the Washington State Medical Association and labor unions oppose this conversion.

According to the Mercer Report, Premera envisions issuing up to 30 million shares to the new foundations. That is \$750 million worth of stock at any initial offering price of \$25 a share. The foundations would sell the shares at market price over 10 years presumably to fund health-care initiatives. Premera wants to set aside up to 7% of the stock or 2.1 million shares for employee stock options and grants during the first three years after conversion. Additional stock sales would require shareholder approval; the foundations would be the majority shareholders.

The Mercer Report also reveals that Premera's executives' compensation would jump sharply following its conversion. That's largely because Premera's executives and employees will be eligible for the stock set aside for options and grants. Almost half of those shares could go the 20 highest-ranking executives. The remainder would be set aside for the rest of Premera's 3,100 employees. This Report states the Premera Chief Executive Brereton "Gubby" Barlow could have a total compensation package of \$2.24 million including salary, bonuses, and stock options following the conversion. This is 50% more than his 2002 total compensation of about \$1.5 million. The top executives' pay increases would come in the form of stock options, the worth of which would depend of the trading price at the time the stock is sold. It is pointed out that the name Premera Blue Cross Blue Shield has goodwill associated with it so speculation is that the top executives' total compensation would be increased substantially. Valuing stock option is very speculative but the Mercer consultants assume that each option would appreciate by 60% by the time the stock is sold. Their estimates are that an option with an exercised price of \$25 a share would appreciate by \$15.

Please investigate this matter and voice your opinion especially during the Public Hearings June 7-11, 2004.

*Theresa Nangle Obermayer*