



October, 12, 2012

BY HAND DELIVERY
BY US MAIL

John S. Isherwood
Chairman of the Board
West Penn Allegheny Health System
30 Isabella St., Suite 300
Pittsburgh, PA 15212

Dear Jack:

Highmark continues to be committed to an affiliation with WPAHS and for many months has been seeking to obtain the necessary approvals from the Pennsylvania Insurance Department (PID) and other regulators so that it can consummate this affiliation. Highmark has already funded more than \$200 million of its commitment to WPAHS under our Affiliation Agreement. It also has provided an additional \$33 in funding to WPAHS which it was not required to fund, as well as expending an enormous amount of time, energy, and resources to help ensure that WPAHS can be a strong competitor in the marketplace for many years to come. We embrace the vision of a well-managed clinically driven regional health care system with the outstanding physicians and nurses of WPAHS at its core.

Your decision to claim that Highmark breached the Affiliation Agreement came as a surprise and great disappointment to us, especially in light of the above noted commitments our company has made, and the commitments we stand ready to perform under the Affiliation Agreement. Your Board, for reasons we do not understand, appears to have completely misconstrued the presentation we made on September 27. What we intended and presented was a plea and a plan to jointly approach your major creditors about a debt restructuring. The proposals we discussed would fully protect the pensions of all WPAHS employees. That you would not agree to this eminently reasonable approach to attempt to assure PID approval – as well as the long-term survival of WPAHS -- shocked us. To be clear, Highmark never left the discussions. WPAHS left the discussions when, without warning, it delivered a letter to our offices on September 28, 2012 claiming an incurable breach. Such claim has no basis in reality.

You also made it clear in the press briefing that followed and in comments that preceded these public communications that you intend to pursue a transaction with another party, and that you believe that Highmark's entire pre-closing funding now belongs to WPAHS. In light of these statements, Highmark had no choice but to file a lawsuit for injunctive relief against WPAHS.

Because we at Highmark still believe that an affiliation between us can help create a viable alternative for high quality medical care in the Pittsburgh region that would serve the larger community, we would like to see WPAHS return to discussions. It is essential that such discussions address WPAHS's continued weak financial condition and result in a plan that will meet with approval by our regulators and enable us to proceed with our envisioned affiliation.

Corporate Offices

1000 Penn Plaza, Suite 1000 • Pittsburgh, PA 15222 • 412.381.1000

We have had conversations with you in the past few days in which you have indicated that you are unwilling to drop your claim of a breach. This is unfortunate. We urge you to disavow this claim so that we can dismiss our lawsuit and take the steps necessary to move forward with our affiliation.

We remain concerned about the finances of WPAHS, and about your refusal to work collaboratively with us to address this issue so that PID approval can be secured and a financially strong healthcare organization can be created. We appreciate the deep commitment that the physicians, nurses, and other employees of WPAHS have made to the care of so many people in this region. We urge you to consider these commitments, the welfare of so many careers, and the welfare of the many patients we all serve.

We look forward to your response, and sincerely hope that you will move forward with us to take responsible actions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Robert Baum'.

J. Robert Baum, Ph.D.
Chairman of the Board

A handwritten signature in blue ink, appearing to read 'William Winkenwerder, Jr.'.

William Winkenwerder, Jr., MD, MBA
President and CEO