



CALPIRG CHILDREN NOW



December 4, 2015

Paul Markovich
President and CEO
Blue Shield of California
50 Beale Street
San Francisco, CA 94105

**RE: Funding for Blue Shield Foundation
Blue Shield-Care1st Merger**

Dear Mr. Markovich:

Representing the undersigned organizations, we write to urge Blue Shield of California to increase its contribution to the Blue Shield of California Foundation by at least \$14 million a year in addition to what Blue Shield contributed in prior years to support the state safety net and other key priorities.

We understand that you dispute the widespread and understandable expectation that the conditions imposed under the merger with Care1st requires Blue Shield to increase its Foundation contributions by an additional \$140 million over the next 10 years. But even under the most benign interpretation of intentions, we are

perplexed why Blue Shield's only commitment to the Foundation was to set a baseline of giving that is less than 50 percent of your historical norm.

Over the past year, you and others within Blue Shield have spotlighted the good work of the Foundation in both the public debate over your nonprofit status, and in the deliberations over Blue Shield's merger with Care1st. In the Department of Managed Health Care's public meeting and in the public record on the merger, you even had many of the Foundation's grant recipients testify to the Foundation's work and submit letters in support of the deal. Yet despite all your suggestions that such charitable investments would increase substantially, the actual commitment you claim to have made is much smaller, even as Blue Shield is getting significantly bigger.

Blue Shield's assertion that it should be allowed to cut its giving to the Foundation by half is even more puzzling given the issues raised about Blue Shield's nonprofit mission, its charitable trust obligations, and the company's excess reserves, some of which was used to acquire Care1st. You have repeatedly asserted that Blue Shield is committed to remaining a nonprofit entity, and the Foundation was a key component of Blue Shield's argument. Like others, we are attempting to distinguish what the implications of that nonprofit status are. The failure to supplement Blue Shield's contribution to its Foundation, and your insistence that the \$14 million is a floor on such contributions, raises serious questions about how you interpret that nonprofit mission.

We are watching Blue Shield's upcoming decision regarding its funding of the Foundation as a signal of Blue Shield's intentions on whether it complies with other conditions of the merger. We hope Blue Shield meets not just the letter but the spirit of the intended requirements in the merger and beyond.

We look forward to working with you in the year ahead.

Sincerely,

California Black Health Network
California LGBT Health and Human Services Network
California Pan-Ethnic Health Network
California Public Interest Research Group
Children Now
Congress of California Seniors
Consumers Union
Greenlining Institute
Health Access California
SEIU State Council
SEIU-UHW
Western Center on Law and Poverty