

# Health Care Insurance

**An Interview with Kenneth R. Melani, M.D.,  
President and Chief Executive Officer, Highmark Inc.**

**EDITORS' NOTE** Dr. Kenneth Melani assumed his current post in January 2003. Prior to this, Dr. Melani served as Executive Vice President of Strategic Business Development and Health Services and President of Keystone Health Plan West. Dr. Melani began his career with Highmark in 1989 as Corporate Medical Director in the Medical Affairs Department. Before joining the company, he was President and Chief Executive Officer of West Penn Cares, Inc.



Kenneth R. Melani

Prior to this, he owned a private practice in internal medicine. Dr. Melani is board certified in internal medicine (ABIM). He is Chairman of the Board of the Pittsburgh Cultural Trust and Variety, the Children's Charity of Pittsburgh. A summa cum laude graduate of Washington and Jefferson College, Dr. Melani earned a bachelor's degree in chemistry and a doctorate of medicine from the Bowman-Gray School of Medicine at Wake Forest University. He completed his residency in internal medicine at The Western Pennsylvania Hospital in 1982.

**COMPANY BRIEF** Pittsburgh-based Highmark Inc. ([www.highmark.com](http://www.highmark.com)) is one of the leading health insurers in Pennsylvania, whose mission is to provide access to affordable, quality health care. Highmark serves 4.8 million people through the company's health care benefits business, and contributes millions of dollars to help keep quality health care programs affordable and to support community-based programs that work to improve people's health. Highmark is an independent licensee of the Blue Cross and Blue Shield Association. Highmark's 19,000 employees serve more than 23 million people nationally through health, dental, vision, and life and casualty insurance products and services.

**As a result of the economic downturn, did you see a major impact on Highmark's business, and are you optimistic for growth for the brand?**

We were pleasantly surprised with the outcome for Highmark over the past two years. We've maintained our enrollment, we grew our revenue base, and our company was diversified enough in its product line and in its geography to make up for what we feared may have been a more significant downside. The only

downside for us was our investment return, which was more than made up for in our operating gain in the core businesses and our subsidiaries.

**Would you give a brief overview of your key business segments?**

Highmark is a holding company principally focused on health care insurance. So our core business is what we call health insurance, and our core markets are West Virginia and Pennsylvania and the surrounding areas.

Within that core business unit, we're in Medicaid, Medicare, and in all lines of commercial business: individual, small group, mid-size group, and large national customers. But outside the typical health plan business, Highmark also has additional health care businesses that are pretty substantial: we have a huge dental insurance company; a huge book of reinsurance; a worker's compensation business; and a vision company that sells not only vision insurance, but is a vertically integrated company that also designs and manufactures eyewear, which is distributed in 61 countries through our 550 retail stores.

**Do you feel the debate around health care reform has been constructive?**

No, we've lost focus. We started off with the cost of health care reform being the most important issue. Now the focus of health care reform is on insurance practices. We need to get back to the root cause of the problem, which is that health care is too expensive in the U.S. and, therefore, health insurance is too expensive. We need to control the rate of increase in the cost of health care before we can provide more health insurance for an increased number of people.

**How significant is the focus on community engagement at Highmark?**

It's part of our mission. As a not-for-profit, Highmark was created to serve the broader community and help them get access to health care – we make that the fabric of what we do every day. We give back to our community – not just in products and services, but also through our economic and human capital contributions. This keeps our employees highly engaged. We have one of the lower turnover rates of all the companies in our marketplace, and that's based on our culture of community and commitment.

**How much of a benefit is it that you first practiced as a physician?**

I relate back to that experience every day. I've never lost sight of what it was like to have a patient/physician interaction, and that's very helpful. When I talk to people in the provider sector, I understand the clinical language. When I talk to those supplying services, I also understand that area, having run some companies that provided services to the insurers, patients, physicians, and hospitals. I now have the insurance industry background. I've been in all three sectors of the industry and it's very helpful in making decisions that are fair and equitable. I can use my clinical knowledge to help our people think more outside the box and to put themselves in the shoes of a patient, so they can make decisions within the boundaries we have from a benefit perspective, but also from a caring perspective as it relates to the patient.

**Is there a strong public/private partnership in Pennsylvania, and have you been happy with the way business leaders have been brought into the dialogue?**

I think so. We're not perfect, but I believe we are forming better public/private partnerships in Pennsylvania. Our governor, county executive, and mayor have led a number of those. We have very difficult issues right now with the economics of the state and local governments, and the issue of how the public sector contributes back to those entities based on what it's getting in return. The economy has forced us to have more dialogue, and there have been gives and takes on both sides. Can it be better? Yes, but we've made significant progress and will continue to make more.

**When you first joined Highmark in 1989, could you have imagined that this would be a company where you would have spent so much of your career? What made it such a place?**

In 1989, I had left practice, and doing some things in the health care sector, but I wasn't sure where to go. I made a decision to come here because of the leadership and culture in the organization, and it was better than I anticipated. This organization has captured me and fulfilled my career in ways I would have never dreamt. It's given me an opportunity to grow professionally and to do what I wanted to do when I entered medicine, which is to help the community and people get health care they need. I used to do it on a one-on-one basis; here, I do it on a population basis of millions. It's very satisfying both personally and professionally. ●