

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

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| IN RE: | : | Pursuant to the Health Maintenance |
| | : | Organization Act, Act of December |
| The Request of Avalon Health, Ltd. | : | 29, 1972, P.L. 1701, No. 364, <u>as</u> |
| for Approval to Surrender its | : | <u>amended</u> , December 19, 1980, P.L. |
| Certificate of Authority to Operate as | : | 1300, No. 234, 40 P.S. §§1551 |
| a Health Maintenance Organization | : | through 1567 |
| | : | |
| | : | Order Number ID-RC-08-18 |

DECISION AND ORDER

AND NOW, on this 12th day of November, 2008, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Health Maintenance Organization Act, and in consideration of the documents, representations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

1. Avalon Health, Ltd. (“Avalon”) is a Health Maintenance Organization (“HMO”) organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania.
2. Capital Blue Cross (“Parent”) is a Pennsylvania nonprofit health plan corporation which operates a hospital plan under Article A, Health Plan Corporations, Part III, Special Provisions Relating to Particular Classes of Insurers, 40 P.S. §§6101 et seq. and §§6301 et seq. (“Health Plan Corporations Act,” or “HPCA”). Parent’s principal place of business is in Harrisburg, Pennsylvania. Parent directly holds 100% of the issued and outstanding capital stock of Avalon.
3. On October 30, 2008, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received a request (which, together with all material received subsequently, is hereinafter referenced as “Request”) from

Avalon to voluntarily surrender its Certificate of Authority to operate as a domestic HMO in this Commonwealth.

4. On October 3, 1997, Avalon was issued a Certificate of Authority by this Department and the Department of Health pursuant to the Health Maintenance Organization Act of December 29, 1972, P.L. 1701, No. 364, as amended (40 P.S. §1551, et seq.) to operate as an HMO in the Commonwealth of Pennsylvania.
5. As stated in the Request, Avalon has no members.
6. As stated in the Request, Avalon has no known claims liabilities.
7. As stated in the Request, Avalon has adequate assets to cover its liabilities.
8. As stated in the Request, the purpose of this transaction is to surrender the authority to operate an HMO.
9. Avalon has provided documentation that its Board of Directors has resolved to surrender its Certificate of Authority to act as an HMO in the Commonwealth of Pennsylvania.
10. Avalon has provided documentation that the sole shareholder has resolved to surrender the Avalon Certificate of Authority to act as an HMO in the Commonwealth of Pennsylvania.
11. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Inasmuch as there are no remaining claims related to the HMO operations of Avalon, adequate provisions have been made for payment of member claims.
2. Inasmuch as Avalon will be a going concern, the Department's approval of the Request will have no impact on any creditors of Avalon.
3. Based on all the information and analyses received and the Department's independent review, the Request is reasonable and in accordance with law.
4. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the Request for the voluntary surrender of the Certificate of Authority as filed on October 30, 2008, by Avalon Health, Ltd. (“Avalon”), subject to the following conditions:

1. Avalon shall not engage in the business of providing a Health Maintenance Organization, or any other insurance company business, in the Commonwealth of Pennsylvania or in any other jurisdiction, without the prior approval of the Pennsylvania Insurance Department.
2. Avalon shall return its Certificate of Authority to the Insurance Department within one year of the date of this Order.
3. The surrender shall be effective upon receipt of the Certificate of Authority by the Insurance Department.
4. Should Avalon, as a continuing business corporation, determine that it would like to engage at some time in the future in the business of providing a Health Maintenance Organization or any other insurance company business, it will

be necessary to file a new application for an appropriate certificate of authority.

This Order is effective immediately.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Commonwealth of Pennsylvania