

BEFORE THE ACTING INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of HealthSpring, Inc. in : Companies Act, Article XIV of the
Support of the Request for Approval to : Insurance Company Law of 1921, Act
Acquire Control of Bravo Health : of May 17, 1921, P. L. 682, as
Pennsylvania, Inc. : amended, 40 P.S. §§991.1401,
: 991.1402 and 991.1403
:
: Order No. ID-RC-10-29

DECISION AND ORDER

AND NOW, on this 10th day of November, 2010, Robert L. Pratter, Acting Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

1. Bravo Health Pennsylvania, Inc. (“Bravo HMO”) is a for-profit corporation organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania.
2. Bravo HMO has been licensed in the Commonwealth of Pennsylvania since November of 2002 to operate a health maintenance organization (“HMO”) pursuant to the Health Maintenance Organization Act, Act of December 29, 1972, P.L. 1701, as amended, December 19, 1980, P.L. 1300, 40 P.S. §§1551-1567 (“Health Maintenance Organization Act”).
3. Bravo Health, Inc. (“BHI”) is an insurance holding company organized under the laws of the State of Delaware with its principal place of business located in Baltimore,

Maryland. Bravo HMO is a wholly-owned subsidiary of BHI.

4. BHI Acquisition Corporation (“Merger Sub”) is a newly-formed corporation organized under the laws of the State of Delaware with its principal place of business located in Nashville, Tennessee.
5. NewQuest, LLC is an insurance holding company organized under the laws of the State of Texas with its principal place of business located in Nashville, Tennessee. Merger Sub is a wholly-owned subsidiary of NewQuest, LLC.
6. HealthSpring, Inc. (“Applicant”) is a business corporation organized under the laws of the State of Delaware with its principal place of business located in Nashville, Tennessee. NewQuest, LLC is a wholly-owned subsidiary of Applicant.
7. The stock of Applicant is traded on the New York Stock Exchange. No person owns 10% or more of the voting securities of Applicant.

Acquisition Filing

8. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
9. On September 3, 2010, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from Applicant for approval to acquire control of Bravo HMO.
10. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

11. On September 18, 2010, the Department published notice in the Pennsylvania Bulletin that the Application was submitted by Applicant and such notice invited

interested persons to submit comments to the Department regarding the Application for 30 days following the date of the publication (“Comment Period”).

12. During the Comment Period, the Department received one (1) comment from interested persons. The comment letter was submitted by the Pennsylvania Podiatric Medical Association (“Association”).
13. The comment letter was forwarded to Applicant for response.
14. The Department reviewed and considered, in its analysis of the Application, the comment letter from Association as well as Applicant’s response to the letter.
15. Association stated that it was filing a “conditional objection” and did not raise objections under the statutory standards of Section 1402 of the Insurance Holding Companies Act or the Form A requirements. Specifically, Association asserted that the current reimbursement systems of Bravo HMO that will be continued by Bravo HMO after the acquisition violate the Social Security Act and regulations thereunder.

Description of the Proposed Acquisition

16. As described in the Application, on August 26, 2010, BHI and Applicant, among others, entered into an Agreement and Plan of Merger (“Agreement”).
17. As described in the Agreement:
 - a) Merger Sub will be merged with and into BHI with each share of Merger Sub issued and outstanding to NewQuest, LLC immediately prior to the effective date of the merger being converted into one share of BHI on the effective date,
 - b) all shareholders of BHI immediately prior to the effective date of the merger shall be converted into the right to receive cash, and
 - c) BHI will become a wholly-owned subsidiary of NewQuest, LLC.
18. As described in the Application HealthSpring, Inc. would become the ultimate controlling person of Bravo HMO.

Standards for Review

19. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.

Licensing Requirements

20. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic HMO being acquired.
21. The minimum net worth required of an HMO is set out in Section 301.121 of Title 31 of the Pennsylvania Code (31 Pa. Code §301.121).
22. As described in the Application, upon completion of the transaction, Bravo HMO will continue to have a net worth in an amount sufficient to satisfy the minimum net worth requirement for a licensed HMO.

Competitive Impact

23. The acquisition of control of Bravo HMO is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
24. The acquisition of control of Bravo HMO will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of Applicant, as stated in its Application, does not exceed the market share levels established in Section 1403 of the Insurance Holding Companies Act.

Financial Condition of Applicant

25. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring person(s).
26. The Department has reviewed the annual financial statement submitted by Applicant as of December 31, 2009.
27. The financial condition of Applicant will not pose any impediments to the change in control nor jeopardize the financial condition of Bravo HMO.

Plans for the Acquired Insurer

28. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer.
29. As stated in the Application, Applicant has no future plans or proposals to liquidate Bravo HMO, to sell its assets, to merge or consolidate it with any person or persons, or to make any other material change in its business operations or corporate structure or management.
30. As stated in the Application, Bravo HMO's providers, members and other clients will be unaffected by the change of control as benefit, products, contracting strategy and operations will continue as currently in place.
31. As stated in the Application, Applicant intends to have Bravo HMO continue to function primarily as a Medicare Advantage Health Plan pursuant to contracts with the Centers for Medicare and Medicaid Services.

Management

32. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurer.
33. Biographical affidavits for all directors and executive officers of Applicant were reviewed by the Department.
34. The Department is satisfied that the persons who would control the operations of Bravo HMO have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
35. 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. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the change in control of Bravo HMO.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
 - a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which they are presently licensed;
 - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
 - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
 - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurers and not in the public interest;
 - e) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control; or,
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
 - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of Bravo HMO.
4. Association's "conditional objection" does not raise issues under the prescribed standards of Section 1402 of the Insurance Holding Companies Act, and this Decision

and Order does not constitute a determination with respect to the alleged violations of the Social Security Act and regulations thereunder.

5. 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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:
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ORDER

Upon consideration of the foregoing, the Acting Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of HealthSpring, Inc. in support of the request for approval to acquire control of Bravo Health Pennsylvania, Inc. as set forth in the Application, is hereby approved, subject to this Order and the following condition:

HealthSpring, Inc. shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.

This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation. This one year limitation does not apply to any conditions prescribed by the Department in the Order.

Robert L. Pratter
Acting Insurance Commissioner
Commonwealth of Pennsylvania