

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Independence Blue Cross	:	Holding Companies Act, Article
Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for the	:	Law of 1921, Act of May 17, 1921,
Restructuring of its Holding Company	:	P.L. 682, <u>as amended</u> , 40 P.S.
System, which includes CBHNP Services,	:	§§991.1401, 991.1402, and
Inc.	:	991.1403
	:	
	:	
	:	Order No. ID-RC-11-29

DECISION AND ORDER

AND NOW, on this 22nd day of November, 2011, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy 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 Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of the Parties

1. CBHNP Services, Inc. (“CBHNP”) is a domestic risk assuming preferred provider organization organized under the laws of Pennsylvania with its principal place of business in Harrisburg, Pennsylvania.
2. Community Behavioral Health Network of Pennsylvania (“CP”) is a domestic company organized under the laws of Pennsylvania with its principal place of

business in Harrisburg, Pennsylvania. CP currently holds 100% of the issued and outstanding stock of CBHNP.

3. AMHP Holdings Corp. (“AHC”) is a domestic company organized under the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. AHC currently holds 100% of the issued and outstanding stock of CP.
4. AmeriHealth Mercy Health Plan (“AMHP”) is a general partnership organized under the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. AMHP currently holds 100% of the issued and outstanding stock of AHC.
5. AmeriHealth Integrated Case Management, Inc. (“AICM”) is a domestic company organized under the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. AICM currently holds a 50% general partnership interest in AMHP.
6. Keystone Mercy Health Plan (“KMHP”) is a general partnership organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.
7. Keystone Benefits, Inc. (“KB”) is a domestic company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Norristown, Pennsylvania. KB currently holds a 50% general partnership interest in KMHP.
8. Keystone Health Plan East, Inc. (“KHPE”) is a domestic health maintenance organization organized under the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. KHPE currently holds 100% of the issued and outstanding stock of KB.
9. AmeriHealth HMO, Inc. (“AHMO”) is a domestic health maintenance organization organized under the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. AHMO currently holds 100% of the issued and outstanding stock of KHPE and AICM.
10. AmeriHealth Integrated Benefits, Inc. (“AIB”) is a foreign company organized under the laws of Delaware with its principal place of business in Philadelphia, Pennsylvania. AIB currently holds 100% of the issued and outstanding stock of AHMO.
11. QCC Insurance Company (“QCC”) is a domestic stock life insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.

12. AmeriHealth, Inc. (“AH”) is a domestic company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. AH currently holds 100% of the issued and outstanding stock of QCC and AIB.
13. Independence Blue Cross (“IBC”) is a domestic non-profit hospital plan corporation organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. IBC currently holds 100% of the issued and outstanding stock of AH.
14. IBC is an ultimate controlling person of CBHNP.
15. BMH SUBCO I, LLC (“BSI”) is a newly created limited liability company organized under the laws of Delaware with its principal place of business in Philadelphia, Pennsylvania.
16. BMH LLC (“BMH”) is a newly created limited liability company organized under the laws of Delaware with its principal place of business in Philadelphia, Pennsylvania. BMH currently holds 100% of the membership interests in BSI.
17. IBC MH LLC (“IMH”) is a newly created limited liability company organized under the laws of Delaware with its principal place of business in Philadelphia, Pennsylvania. IMH currently holds 100% of the membership interests in BMH.

Filing of the Application

18. On September 26, 2011, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from IBC for approval to effectuate a plan of reorganization of the holding company system that includes CBHNP.
19. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all transactions affecting the control of a domestic insurer must be filed with the Department for approval or disapproval.
20. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
21. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:

- a. does not have the effect of changing or influencing the control of a domestic insurer, or
- b. is otherwise not comprehended within the purposes of the section.

The Transaction

22. As described in the Application, KB will contribute its 50% general partnership interest in KMHP to IMH in return for a 40% ownership interest in IMH.
23. As described in the Application, AICM will contribute its 50% general partnership interest in AMHP to IMH in return for a 60% ownership interest in IMH.
24. As described in the Application, IMH will next contribute the 50% general partnership interests in KMHP and AMHP to BMH.
25. As described in the Application, BMH will next contribute the 50% general partnership interests in KMHP and AMHP to BSI.
26. As described in the Application, KB and AICM will next sell their respective ownership interests in IMH to IBC, QCC and KHPE, who will have respective ownership percentages of 53%, 23.5% and 23.5% in IMH.
27. As described in the Application, upon completion of these transactions, IBC will remain as an ultimate controlling person of CBHNP.
28. The Deputy Commissioner finds that the transactions described in the Application would not have the effect of changing or influencing the control of a domestic insurer.
29. 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 acquisition of controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
3. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The transaction is not being contemplated to change or influence the ultimate control of the Domestic Insurers, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
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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ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

An approving determination for the application of Independence Blue Cross requesting exemption from the requirements of 40 P.S. §991.1402 for the restructuring of its holding company system, which includes CBHNP Services, Inc., as set forth in the Application, is hereby granted.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner