

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

|  |   |                                       |
|--|---|---------------------------------------|
| In Re:                                   | : | Pursuant to Sections 1401, 1402       |
|  | : | and 1403 of the Insurance Holding     |
| Application of Thomas Jefferson          | : | Companies Act, Article XIV of the     |
| University in Support of the Request for | : | Insurance Company Law of 1921, Act    |
| Approval to Acquire Control of Health    | : | of May 17, 1921, P. L. 682, <u>as</u> |
| Partners Plans, Inc.                     | : | <u>amended</u> , 40 P.S. §§991.1401,  |
|  | : | 991.1402 and 991.1403                 |
|  | : |                                       |
|  | : | Order No. ID-RC-20-03                 |

DECISION AND ORDER

AND NOW, on this 10<sup>th</sup> day of March, 2020, Jessica K. Altman, 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**

Identity of PA Domestic Insurer

1. Health Partners Plans, Inc. (“HPP”) is a non-profit corporation organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania.
2. HPP has been licensed in the Commonwealth of Pennsylvania since November of 1994 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”).

### Identity of Applicant

3. Thomas Jefferson University (“Applicant”) is a Pennsylvania non-profit, non-member corporation with its principal place of business in Philadelphia, Pennsylvania.
4. Aria Health System (“AHS”) is a Pennsylvania non-profit corporation with its principal place of business in Philadelphia, Pennsylvania. Applicant is the sole member of AHS.
5. Aria Health is a Pennsylvania non-profit corporation with its principal place of business in Philadelphia, Pennsylvania. AHS is the sole member of Aria Health.

### **Acquisition Filing**

6. 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.
7. On September 30, 2019, 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 HPP.
8. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

### **Department Procedures**

9. On October 12, 2019, 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”).
10. The Department received no comments regarding the Application during the Comment Period.

### **Description of the Proposed Acquisition**

11. As described in the Application, on January 19, 2016, Applicant entered into a System Integration Agreement with AHS pursuant to which (i) Applicant would become the sole member of AHS and (ii) the Applicant’s Board of Trustees would be reconstituted to include ten (10) AHS designees (collectively, the “Aria Transaction”).

12. As described in the Application, on January 19, 2016, HPP had six (6) members each equally holding a 16.7% voting membership interest in HPP and the right to appoint one of nine directors to the HPP board of directors (representing approximately an 11% voting interest on the HPP board of directors). Aria Health was one of the six (6) members of HPP.
13. As described in the Application, on July 1, 2016, the Aria Transaction closed and Applicant became the sole member and ultimate controlling person of AHS, and thus Applicant owned, indirectly, Aria Health's 16.7% voting membership interest in HPP.
14. Applicant did not file for and receive Department approval prior to closing on the Aria Transaction.
15. As described in the Application, on January 11, 2018, two (2) of the six (6) HPP members were sold. Because the two (2) members no longer qualified as members of HPP as required by its bylaws, both were removed as members of HPP leaving HPP with four (4) members. The size of HPP's board of directors was reduced from nine (9) to seven (7).
16. As described in the Application, on and after January 11, 2018, each of the remaining four (4) member of HPP, including Aria Health and indirectly Applicant, owned, and owns today, a 25% voting membership interest in HPP and had, and has today, the right to one (1) of seven (7) seats on the HPP board of directors (representing approximately a 14.3% voting interest on the HPP board of directors).
17. As described in the Application, Applicant currently indirectly controls 25% of the voting membership interest in HPP.

#### **Standards for Review**

18. 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.
19. An application for a change in control must be approved unless the Department finds any one of certain enumerated conditions to be present.

#### 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 insurer 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. HPP has at all times from July 1, 2016 to present maintained a minimum net worth required of an HMO.

#### Competitive Impact

23. The acquisition of control of a domestic insurer is subject to review and analysis under Section 1402(f)(1)(ii) of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein, as per 40 P.S. §991.1402(f)(1)(ii) (the “competitive standard”).
24. In applying the competitive standard, the informational requirements of Section 1403(c)(2) and the standards of Section 1403(d)(2) are applicable.
25. The proposed acquisition of control qualifies for the exemptions set forth in Section 1403(b)(2)(v)(A)-(C) of the Insurance Holding Companies Act for all lines of business as contained in the annual statement required to be filed by insurers licensed to do business in this Commonwealth.
26. The acquisition of control of HPP will not lessen competition or tend to create a monopoly in the Commonwealth because there is no increase in market shares as a result of the Aria Transaction.

#### Financial Condition of Applicant

27. 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).
28. The Department has reviewed the financial information submitted by Applicant.
29. The Department does not find that the financial condition of Applicant is such that it might jeopardize the financial stability of HPP or prejudice the interests of policyholders.

#### Plans for the Acquired Insurer

30. 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.

31. In particular, the Department reviewed the plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, to determine whether it is:
  - a) Unfair or unreasonable;
  - b) Fails to confer a benefit upon policyholders; or
  - c) Not in the public interest.
32. As stated in the Application, since January 19, 2016, Applicant has not had any plans or proposals to cause HPP to declare an extraordinary dividend, liquidate HPP, sell HPP's assets to or merge it with any other persons, or to make any other change to HPP's business operations or corporate structure.
33. As stated in the Application, after July 1, 2016, Applicant has not made any changes in the board of directors or management of HPP other than to replace Aria Health's designee to HPP's board of directors in May of 2017.
34. There is no basis in the record from which it may be concluded that the plans or proposals which the acquiring party has for the insurer are unfair or unreasonable or fails to confer a benefit upon policyholders or are not in the public interest.

#### Management

35. 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.
36. Biographical affidavits for the Board of Trustees and executive officers of the Applicant were reviewed by the Department.
37. The Department is satisfied that the persons who would control the operations of HPP have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

#### Hazardous or Prejudicial to Insurance Buying Public

38. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.

39. There is no indication that the projected future business of Applicant would impose a financial burden upon policyholders.
40. Likewise, there is no indication that the transaction will result in the company being in impaired financial condition.
41. Nor is there a threat regarding the ability of policyholders to enforce their insurance contracts.
42. There is insufficient evidence in the record from which it may be concluded that the acquisition will likely be hazardous or prejudicial to the insurance buying public.

#### Compliance with the Pennsylvania Laws

43. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the transaction to determine whether the merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A.
44. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
45. 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 HPP.
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;
  - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,
  - 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 HPP.
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.

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402  
: and 1403 of the Insurance Holding  
Application of Thomas Jefferson : Companies Act, Article XIV of the  
University in Support of the Request for : Insurance Company Law of 1921, Act  
Approval to Acquire Control of Health : of May 17, 1921, P. L. 682, as  
Partners Plans, Inc. : amended, 40 P.S. §§991.1401,  
: 991.1402 and 991.1403  
: :  
: Order No. ID-RC-20-03

ORDER

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

The application of Thomas Jefferson University ("Applicant") in support of the request for approval to acquire control of Health Partners Plans, Inc. ("HPP") as set forth in the application, is hereby approved, subject to this Order and the following conditions:

1. Applicant shall make required filings and obtain required approvals from the Pennsylvania Insurance Department ("Department") for transactions under the jurisdiction of the Department which require notice to or prior approval of the Department.
2. Applicant shall provide to the Department a list of closing documents within five (5) days from the date of this Order 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 this Order.
3. For a period of six (6) months after the effective date of this Order, Applicant shall not take affirmative action to reduce the number of employees of HPP principally located in Pennsylvania, without application to and the prior written approval of the Department.
4. For a period of two (2) years after the effective date of this Order, Applicant shall provide written notice to the Department of any planned or proposed reductions in staff that would affect more than ten percent (10%) of the employees of HPP principally

located in Pennsylvania as of, or within six (6) months prior to, the effective date of this Order. For purposes of this condition, as of any date, the ten percent (10%) threshold shall be determined based upon a rolling twelve (12) month period. Such notice, which shall specify the reasons for the reduction in force and include information regarding planned or proposed severance pay and relocation opportunity arrangements, shall be filed with the Department at least ninety (90) days prior to any such planned or proposed reductions.

5. For a period of two (2) years after the effective date of this Order, Applicant shall not close or cease actively doing business from:

- a) The corporate office of HPP, located in Philadelphia, Pennsylvania; or
- b) Any other office located in Pennsylvania,

in each case without application to and the prior written approval of the Department.

6. For three (3) years following the effective date of this Order, HPP will be prohibited from declaring or paying any dividends, returns of capital or any other type of distributions, without the prior approval of the Commissioner, unless said distribution has been approved by the Department as a transaction between affiliates filed under 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.

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.



  
\_\_\_\_\_  
Jessica K. Altman  
Insurance Commissioner  
Commonwealth of Pennsylvania