

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of Anthem, Inc. in Support : Companies Act, Article XIV of the
of the Request for Approval to Acquire : Insurance Company Law of 1921, Act
Control of Beacon Health Options of : 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-19-12

DECISION AND ORDER

AND NOW, on this 25th day of September, 2019, 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. Beacon Health Options of Pennsylvania, Inc. (“Beacon”) is a risk-assuming preferred provider organization that is not a licensed insurer (“RANLI PPO”) organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Chesapeake, Virginia.
2. Beacon Health Options, Inc. is a Virginia corporation. Beacon is a direct wholly-owned subsidiary of Beacon Health Options, Inc.
3. FHC Health Systems, Inc. is a Virginia corporation. Beacon Health Options, Inc. is a direct wholly-owned subsidiary of FHC Health Systems, Inc.

4. Beacon Health Vista Parent, Inc. is a Delaware corporation. FHC Health Systems, Inc. is a direct wholly-owned subsidiary of Beacon Health Vista Parent, Inc.
5. Beacon Health Options Holdco, Inc. (“OptionCo”) is a Delaware corporation. Beacon Health Vista Parent, Inc. is a direct wholly-owned subsidiary of OptionCo.
6. BVO Holdings, LLC (“Company”) is a Delaware limited liability company. OptionCo is a direct wholly-owned subsidiary of Company.

Identity of Applicant

7. Anthem, Inc. (“Anthem”) is an Indiana corporation with its principal place of business in Indianapolis, Indiana. The stock of Anthem is publicly traded on the New York Stock Exchange. No person controls 10% or more of the voting securities of Anthem.
8. Buffalo Company Merger Sub, LLC (“Company Merger Sub”) is a newly-formed Delaware limited liability company. Company Merger Sub is a direct wholly-owned subsidiary of Anthem.
9. Buffalo OptionCo Merger Sub, Inc. (“OptionCo Merger Sub”) is a newly-formed Delaware corporation. OptionCo Merger Sub is a direct wholly-owned subsidiary of Company Merger Sub.

Acquisition Filing

10. 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.
11. On June 28, 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 Anthem for approval to acquire control of Beacon.
12. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

13. On July 13, 2019, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Anthem 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”).

14. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

15. As described in the Application, on June 4, 2019, Anthem, Company, OptionCo, Company Merger Sub and OptionCo Merger Sub and Beacon Equityholder Representative, LLC, entered into an Agreement and Plan of Merger (“the Merger Agreement”).
16. As described in the Application and pursuant to the Merger Agreement, Anthem will acquire indirect control of Beacon upon the closing of the following transactions contemplated by the Merger Agreement (collectively, the “Merger”):
 - a) Company Merger Sub will merge with and into Company, the separate existence of Company Merger Sub will cease, and Company will continue as the surviving entity. The limited liability operating agreement of Company shall be amended and restated in its entirety to name Anthem as the sole member of Company.
 - b) OptionCo Merger Sub will merge with and into OptionCo, the separate corporate existence of OptionCo Merger Sub shall cease, and OptionCo will continue as the surviving corporation as a direct wholly-owned subsidiary of Company.
17. As described in the Application and pursuant to the Merger Agreement, Anthem will pay the merger consideration with cash on hand to the holders of the limited liability company units of Company outstanding immediately prior to the Merger and, if any, to the holders of the shares of common stock of OptionCo outstanding immediately prior to the Merger.
18. As described in the Application and subsequent to the Merger, Anthem would indirectly control 100% of the issued and outstanding stock of Beacon.
19. As described in the Application, Anthem would become the sole ultimate controlling person of Beacon as a result of the Merger.

Standards for Review

20. 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.

21. 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

22. 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.
23. Specifically, the Department reviews whether the domestic insurer would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed after the acquisition.
24. Section 152.9 of Title 31 of the Pennsylvania Code requires a RANLI PPO to maintain assets in excess of liabilities by at least the minimum capital and surplus required as a stock casualty insurer with accident and health powers under Section 206 of the Insurance Company Law (40 P.S. §386).
25. Under Section 206 of the Insurance Company Law (40 P.S. §386), Beacon is required to maintain a minimum net worth of \$1,125,000 to maintain licensure as a RANLI PPO.
26. Upon completion of the transaction, Beacon will have a net worth in an amount that will satisfy the statutory minimum required of a RANLI PPO.

Competitive Impact

27. 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”).
28. In applying the competitive standard, the informational requirements of Section 1403(c)(2) and the standards of Section 1403(d)(2) are applicable.
29. 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.
30. The acquisition of control of Beacon will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of those insurance company subsidiaries of Anthem licensed to transact the business of insurance in Pennsylvania and the market shares of the insurance company subsidiaries of Company licensed to

transact the business of insurance in Pennsylvania, as stated in the Application, do not exceed the market share levels established in Section 1403 of the Insurance Holding Companies Act.

Financial Condition of Applicant

31. 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).
32. The Department has reviewed the financial information submitted by Anthem.
33. The Department does not find that the financial condition of Anthem is such that it might jeopardize the financial stability of Beacon or prejudice the interests of policyholders.

Plans for the Acquired Insurer

34. 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.
35. 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.
36. As stated in the Application, Anthem has no present plans to cause Beacon to declare any extraordinary dividend, to liquidate Beacon, to sell or pledge Beacon's stock or any of its assets, or to merge or consolidate it with any person or persons. There also are presently no plans to make any other material change in Beacon's business operations, corporate structure or management.
37. As stated in the Application, Anthem anticipates no changes in Beacon's board of directors or executive officers immediately following the Merger.

38. As stated in the Application, the board of directors of OptionCo Merger Sub will replace the board of directors of OptionCo post-merger.
39. 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

40. 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.
41. Biographical affidavits for the board of directors and executive officers of Anthem were reviewed by the Department.
42. The Department is satisfied that the persons who would control the operations of Beacon 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

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 evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.
44. There is no indication that the projected future business of Anthem would impose a financial burden upon policyholders.
45. Likewise, there is no indication that the transaction would result in the company being in impaired financial condition.
46. Nor is there a threat regarding the ability of policyholders to enforce their insurance contracts.
47. 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

48. 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.

49. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
50. 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 Beacon.
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 Beacon.
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 No. ID-RC-19-12

ORDER

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

The application of Anthem, Inc. ("Anthem") in support of the request for approval to acquire control of Beacon Health Options of Pennsylvania, Inc. ("Beacon") as set forth in the application, is hereby approved, subject to this Order and the following conditions:

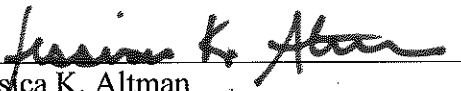
1. Anthem shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.
2. For a period of six (6) months after the effective date of the subject transaction, Anthem shall not take affirmative action to reduce the number of employees of Beacon principally located in Pennsylvania, without application to and the prior written approval of the Department.
3. For a period of two (2) years after the effective date of the subject transaction, Anthem 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 Beacon principally located in Pennsylvania as of, or within six (6) months prior to, the effective date of the subject transaction. 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 as least ninety (90) days prior to any such planned or proposed reductions.

4. For a period of two (2) years after the effective date of the subject transaction, Applicants shall not close or cease actively doing business from:
- a) The corporate office of Beacon, located in Seven Fields, Pennsylvania; or
 - b) Any other office located in Pennsylvania,

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

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

