

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 Increase its Percentage of : of May 17, 1921, P. L. 682, as  
Control of Health Partners Plans, Inc. : amended, 40 P.S. §§991.1401,  
 : 991.1402 and 991.1403  
 :  
 : Order No. ID-RC-21-14

DECISION AND ORDER

AND NOW, on this 27th day of October, 2021, 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”).

3. HPP currently has the following four members, each holding a 25% voting membership interest in HPP and each holding the right to appoint one of seven directors to HPP's board of directors:
  - a) Jefferson Health-Northeast, the sole member of which is Jefferson Health-Northeast System ("JHS") and Thomas Jefferson University is the sole member of JHS;
  - b) Albert Einstein Medical Center ("EMC"), the sole member of which is Albert Einstein Healthcare Network ("Einstein"), and Thomas Jefferson University is the sole member of Einstein;
  - c) Episcopal Hospital ("Episcopal"), the sole member of which is Temple University Health System, Inc. ("Temple"); and
  - d) Temple University Hospital, Inc. ("TUH"), the sole member of which is Temple.

#### Identity of Applicant

4. Thomas Jefferson University ("Applicant") is a Pennsylvania non-profit, non-member corporation with its principal place of business in Philadelphia, Pennsylvania.
5. On May 7, 2021, the Department issued Order ID-RC-21-09 approving a transaction whereby Applicant would become the sole member of Einstein (the "Einstein Transaction") resulting in Applicant's indirect ownership interest in HPP increasing to 50%. The transaction was consummated on October 4.

#### **Acquisition Filing**

6. 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 changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
7. On May 5, 2021, the Pennsylvania Insurance Department ("Department") received an application (which together with all material received subsequently is hereinafter referenced as "Application") from Applicant for approval to increase its percentage of control of HPP.
8. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

## **Department Procedures**

9. On May 22, 2021, 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 December 16, 2019, Applicant entered into a Membership Interest Purchase Agreement (“MIPA”), by and among Episcopal, TUH, Temple University of the Commonwealth System of Higher Education, Temple, Jefferson Health-Northeast, and Applicant pursuant to which Episcopal and TUH agreed to sell their respective interests in HPP to Jefferson Health-Northeast, and the MIPA was subsequently amended to add HPP as a party (collectively, the “Temple Transaction”).
12. As described in the Application, if the proposed Temple Transaction closes, HPP would be an indirect wholly-owned subsidiary of Applicant.

## **Standards for Review**

13. 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.
14. 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

15. 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.
16. 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).
17. Upon completion of the Acquisition, HPP will have the minimum net worth required of an HMO.

### Competitive Impact

18. 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”).
19. In applying the competitive standard, the informational requirements of Section 1403(c)(2) and the standards of Section 1403(d)(2) are applicable.
20. 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.
21. 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 Temple Transaction.

### Financial Condition of Applicant

22. 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).
23. The Department has reviewed the financial information submitted by Applicant.
24. 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

25. 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.
26. 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.
27. As stated in the Application, Applicant has no 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 or management other than the resignation of the two directors appointed by Temple.
28. 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

29. 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.
30. Biographical affidavits for the Board of Trustees and executive officers of the Applicant were reviewed by the Department.
31. 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

32. 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.
33. There is no indication that the projected future business of Applicant would impose a financial burden upon policyholders.
34. Likewise, there is no indication that the transaction will result in the company being in impaired financial condition.
35. Nor is there a threat regarding the ability of policyholders to enforce their insurance contracts.

36. 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

37. 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.
38. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
39. 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.

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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 increase its percentage of 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 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 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.
3. For a period of two (2) years after the effective date of the subject transaction, 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 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 at 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, 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.
5. For a period of three (3) years after the effective date of the subject transaction, HPP shall not voluntarily withdraw any certificate of authority to engage in the insurance business in the Commonwealth of Pennsylvania without the prior written approval of the Department.
6. For a period of three (3) year after the effective date of the subject transaction, HPP shall not attempt to redomesticate to another jurisdiction without the prior written approval of the Department.
7. For three (3) years following the effective date of the subject transaction, 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.



  
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Jessica K. Altman  
Insurance Commissioner  
Commonwealth of Pennsylvania