

**BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA**

In Re:	:	Pursuant to Sections 1401, 1402
	:	and 1403 of the Insurance Holding
Application of Blue Cross Blue Shield	:	Companies Act, Article XIV of the
of Michigan Mutual Insurance	:	Insurance Company Law of 1921, Act
Company in Support of the Request	:	of May 17, 1921, P. L. 682, <u>as</u>
for Approval to Acquire Control of	:	<u>amended</u>, 40 P.S. §§ 991.1401,
Vista Health Plan, Inc.	:	991.1402 and 991.1403
	:	
	:	Order No. ID-RC-23-11

DECISION AND ORDER

AND NOW, on this 29th day of December, 2023, Michael Humphreys, 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 PA Domestic Insurers

1. Vista Health Plan, Inc. (“Vista”) is a domestic for-profit health maintenance organization organized under the laws of the Commonwealth of Pennsylvania with its statutory home office located in Philadelphia, Pennsylvania.
2. Vista Holdco, LLC (“Holdco”) is a recently formed limited liability company organized under the laws of the state of Delaware with its principal place of business in Philadelphia, Pennsylvania.
3. IBC MH LLC (“IBC MH” or Seller”) is a limited liability company organized under the laws of Delaware with its principal place of business in Philadelphia, Pennsylvania.

4. IBC MH currently owns ten common ownership units in Holdco, with such ten Units comprising all of the issued and outstanding Units of Holdco, and 100% of the issued and outstanding stock of Vista.
5. AmeriHealth, Inc. is a Pennsylvania Business Corporation that currently owns 95% of the units of IBC MH
6. Keystone Health Plan East, Inc. (“KHPE”) is a Pennsylvania Business Corporation that owns 5% of the outstanding units of IBC MH.
7. Independence Blue Cross, LLC (IBC) is a Pennsylvania limited liability Company that wholly owns KHPE.
8. AmeriHealth, Inc. is a Pennsylvania Business Corporation that directly and wholly owns IBC and 95% of the units of IBC MH.
9. Independence Health Group, Inc. (“IHG”) is a non-profit, non-member corporation organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.
10. IHG currently indirectly owns 100% of the issued and outstanding stock of IBC MH.
11. IHG is the ultimate controlling person of Vista.

Identity of Applicant

12. Blue Cross Blue Shield of Michigan Mutual Insurance Company (“BCBSM”) is a non-profit mutual disability company organized under the laws of the State of Michigan with its principal place of business in Detroit, Michigan.
13. BCBSM is overseen by a board of directors elected by its members.

Acquisition Filing

14. 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.
15. On June 8, 2023, 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 the Applicant for approval to acquire control of the Domestic Insurer.

16. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

17. On June 24, 2023, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by the Applicants and such notice invited interested persons to submit comments to the Department regarding the Application for thirty days following the date of the publications (“Comment Period”).
18. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

19. As described in the Application, IBC MH has entered into a Unit Purchase Agreement (“the Agreement”) with BCBSM.
20. As described in the Application and pursuant to the Agreement, IBC MH will contribute all of Vista’s issued and outstanding capital stock to Holdco in return for an additional 9,990 common ownership units in Holdco.
21. As described in the Application and pursuant to the Agreement, BCBSM will purchase 3,874 common ownership units of Holdco (the “Transaction”).
22. As described in the Application and pursuant to the Agreement, BCBSM will own a 38.74% indirect ownership interest in Vista.
23. As described in the Application, the proposed Acquisition is a cash transaction that is equal to the sum of 38.74% of the closing Capital and Surplus of Vista (estimated at \$380,571,600 based upon the third quarter filed financial statements) and \$38,740 in reimbursement to the Seller for the BCBSM share of the \$100,000 capital contribution provided by the Seller to Holdco.
24. As described in the Application, the ultimate indirect ownership of Vista will be divided between IHG (61.26%) and BCBSM (38.74%).

Standards for Review

25. Section 1402(f)(1) of the Insurance Holding Companies Act (40 P.S. § 991.1402(f)(1)) establishes the standards for approval of an application for a change in control of a domestic insurer.

26. 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

27. 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.
28. 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.
29. The lines of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. § 382).
30. The minimum paid up capital stock and paid in surplus required of a stock insurer for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. § 386).
31. In accordance with Section 206 of the Insurance Company Law (40 P.S. § 386), Vista is required to maintain a minimum net worth of \$1,000,000 as a health maintenance organization.
32. Upon completion of the Acquisition, Vista will have the minimum net worth to satisfy the requirements to operate as a health maintenance organization.

Competitive Impact

33. The acquisition of control of a Pennsylvania domiciled 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 of Vista would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein (40 P.S. § 991.1402(f)(1)(ii) - the “competitive standard”).
34. In applying the competitive standard, the informational requirements of Section 1403(c)(2) and the standards of Section 1403(d)(2) are applicable (40 P.S. §§ 991.1403(c)(2) and 991.1403(d)(2)).
35. BCBSM complied with the informational requirements of the Insurance Holding Companies Act by filing a pre-acquisition notification in the format required by the National Association of Insurance Commissioners.
36. The Department’s analysis of the applicable product and geographic markets, and the information submitted by BCBSM, indicate that the default product markets (annual

statement lines of business) and the default geographic market (state-wide) under Section 1403(d)(2)(iii)(B) of the Insurance Holding Companies Act do not present concern (40 P.S. § 991.1403(d)(2)(iii)(B)).

37. For all lines of business, 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 (40 P.S. § 991.1403(b)(2)(v)(A-C)).
38. Section 1403(d)(2)(iv) of the Insurance Holding Companies Act further provides that even if an acquisition is not prima facie violative of the competitive standard under Section 1403(d)(2)(i) or (ii) as described above, the requisite anti-competitive effect may be established based upon other substantial evidence. Relevant factors for making such determination include, but are not limited to, the following: market shares, volatility of ranking of market leaders, number of competitors, concentration, trend of concentration in the industry and ease of entry and exit into the market (40 P.S. § 991.1403(d)(2)(iv)).
39. Based upon the information submitted by BCBSM, the Department has found no substantial evidence of anti-competitive effect.

Financial Condition of Applicant

40. 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) (40 P.S. § 991.1402).
41. The Department has reviewed the financial information submitted by BCBSM.
42. The financial condition of BCBSM would not pose any impediments to the change in control nor jeopardize the financial condition of Vista.

Plans for the Acquired Insurers

43. 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 that the acquiring party has for the insurer (40 P.S. § 991.1402).
44. In particular, the Department reviewed the plans or proposals that the acquiring party has to liquidate the insurers, sell their assets or consolidate or merge them with any person, or to make any other material changes in their 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.

45. As stated in the Application, BCBSM has no future plans or proposals to liquidate Vista, to sell its assets, to merge or consolidate it with any person or persons or to change its corporate structure.
46. As stated in the Application, Vista's principal office at 1901 Market Street, Philadelphia, PA will not be affected.
47. As stated in the Application, Vista currently has no employees and will continue to have no employees after the Transaction.
48. As stated in the Application, BCBSM will appoint 2 members to the Holdco board of managers as of the effective date of the Transaction.
49. There is no basis in the record from which it may be concluded that the plans or proposals that the acquiring party has for the insurers are unfair or unreasonable or fail to confer a benefit upon policyholders or are not in the public interest (40 P.S. § 991.1402(f)(1)(iv)).

Management

50. 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 (40 P.S. § 991.1402(f)(1)(v)).
51. Biographical affidavits for all directors and executive officers of the BCBSM were reviewed by the Department.
52. The Department is satisfied that the persons who would control the operations of the Domestic Insurers 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

53. 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 (40 P.S. § 991.1402(f)(1)(vi)).
54. There is insufficient evidence in the record from which it may be concluded that the merger will likely be hazardous or prejudicial to the insurance buying public.

Compliance with the Pennsylvania Laws

55. 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 (40 P.S. § 991.1402(f)(1)(vii)).
56. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
57. As an ultimate controlling person, IHG will be responsible for complying with Insurance Holding Company Act filing requirements.
58. 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 the Domestic Insurers.
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 the Domestic Insurers.
- 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 Blue Cross Blue Shield : **Companies Act, Article XIV of the**
of Michigan Mutual Insurance : **Insurance Company Law of 1921, Act**
Company in Support of the Request for : **of May 17, 1921, P. L. 682, as**
Approval to Acquire Control of Vista : **amended, 40 P.S. §§ 991.1401,**
Health Plan, Inc. : **991.1402 and 991.1403**
: **Order No. ID-RC-23-11**

ORDER

AND NOW, on this 29th day of December, 2023, upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:


The application of Blue Cross Blue Shield of Michigan Mutual Insurance Company (“BCBSM”) in support of the request for approval to acquire control of Vista Health Plan, Inc. (“Vista”) as set forth in the application, is hereby approved, subject to this Order and the following conditions:

1. BCBSM shall submit to the Department a Form B Amendment filing as applicable, providing written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place and no later than 90 days after approval of this Form A filing. Further, and on or before the Form B Amendment filing, the BCBSM shall provide to the Department a list of closing documents 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 three (3) years following the effective date of the acquisition, Vista will maintain an RBC of at least 350% and Vista shall thereafter maintain an RBC of at least 325%.
3. For three (3) years following the effective date of the acquisition, Vista 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.

4. For three (3) years following the effective date of the acquisition, Vista shall not voluntarily withdraw its certificate of authority to engage in the business of insurance in the Commonwealth of Pennsylvania.
5. For three (3) years following the effective date of the acquisition, Vista shall not attempt to or actually redomesticate to another jurisdiction.
6. If the Department determines that any individual for whom the Applicants are required to submit background information is unacceptable under Pennsylvania Law, the Applicants or their representatives, and Vista shall remove the individuals in question within 30 days of notice and replace them with a person or persons acceptable to the Department or shall undertake such other corrective action as directed by the Department. Failure to act would create a financially hazardous condition to the general public and subject the company to a Summary Order pursuant to 31 Pa. Code § 160.5.

This Order is effective immediately and valid for ninety (90) days, provided no material changes are made to the transaction prior to consummation. This ninety-day limitation does not apply to any conditions prescribed by the Department in the Order.





Michael Humphreys
Insurance Commissioner
Commonwealth of Pennsylvania