

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	:	Holding Companies Act, Article
Cross 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 the Holding Company	:	P.L. 682, <u>as amended</u> , 40 P.S.
System that Includes Vista Health	:	§§991.1401, 991.1402, and
Plan, Inc.	:	991.1403
	:	
	:	Order No. ID-RC-04-09

DECISION AND ORDER

AND NOW, on this 20th day of May, 2004, 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 Parties

1. Vista Health Plan, Inc. (“Vista Health”) is a health maintenance organization (“HMO”) organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania.
2. Keystone Health Plan East, Inc. (“Keystone Health”) is an HMO organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania.
3. Independence Blue Cross (“IBC”) is a hospital plan corporation organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania.

4. Vista Health is a direct wholly-owned subsidiary of IBC.
5. Keystone Health is an indirect wholly-owned subsidiary of IBC.
6. IBC is the sole ultimate controlling person of Vista Health and Keystone Health.

Filing of the Request

7. On April 30, 2004, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from IBC for approval to effectuate a corporate restructuring that would result in a change of direct control of Vista Health within its holding company system.
8. 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 HMOs must be filed with the Department for approval or disapproval.
9. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
10. 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 HMO, or
 - b) is otherwise not comprehended within the purposes of the section.

The Transaction

11. As described in the Request, IBC proposes to transfer all of the issued and outstanding common stock of Vista Health to Keystone Health.
12. As described in the Request, Vista Health would become a direct wholly-owned subsidiary of Keystone Health.
13. As described in the Request, IBC would remain the sole ultimate controlling person of Vista Health following the transfer.
14. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the control of a domestic HMO.

15. 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 HMO if, after consummation thereof, the acquiring person would be in control of the domestic HMO.
2. The Request was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
3. The acquisition of common stock by Keystone Health as proposed in the Request is not being contemplated to change or influence the ultimate control of Vista Health, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
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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Plan, Inc.	:	991.1403
	:	
	:	Order No. ID-RC-04-09

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 request for exemption from the requirements of 40 P.S. §991.1402(b) by Independence Blue Cross for the restructuring of the holding company system that includes Vista Health Plan, Inc., as set forth in the Request, is hereby granted.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from the Request.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation