



DATE: November 25, 2024  
TO: Amy J. Malm  
Mark McNabb  
FROM: Christopher Martin  
SUBJECT: Form A - Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer

**Filing Contact(s)**

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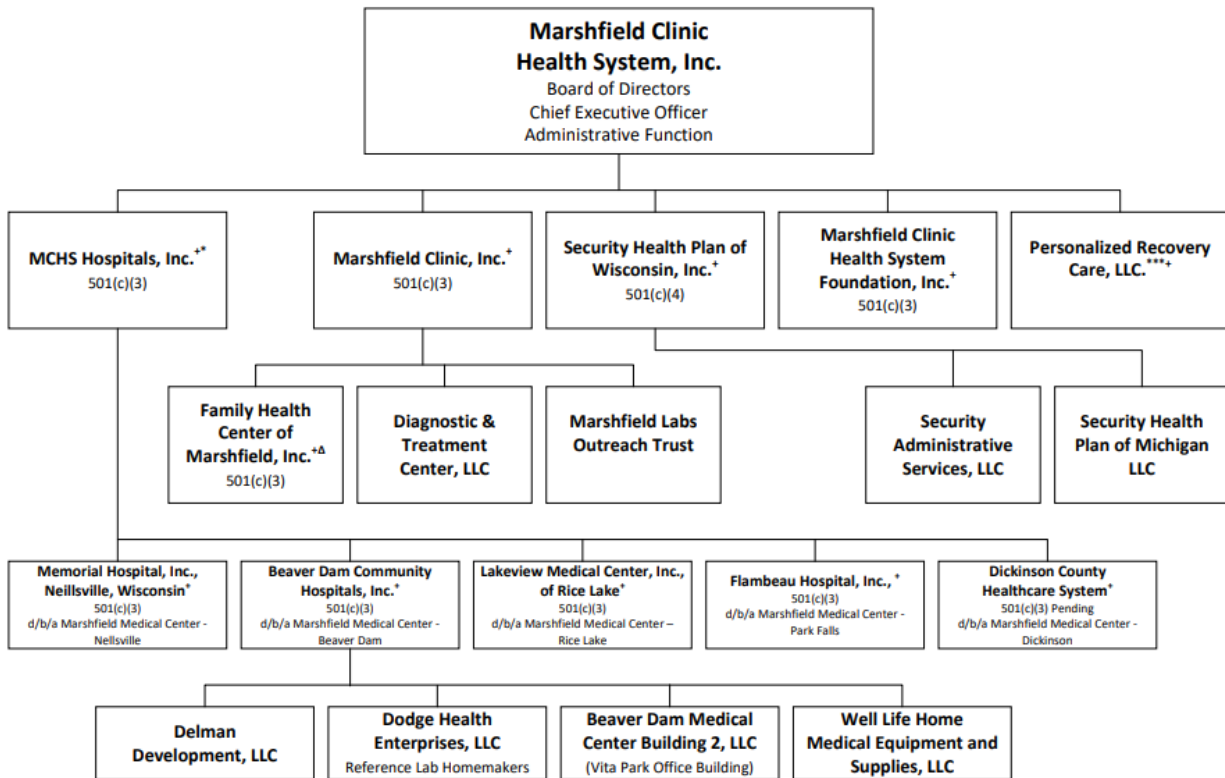
**Exhibit(s)**

<b><u>Exhibit:</u></b>	<b><u>Description:</u></b>
Ex. 1	Redacted Definitive Agreement dated as of September 13, 2024 by and between Sanford and MCHS
Ex. 2	Pre-Acquisition Organizational Chart for the Company and its Affiliates
Ex. 3	Pre-Acquisition Organizational Chart for the Applicant and its Affiliates
Ex. 4	Pro Forma Post-Acquisition Organizational Chart for the Applicant and its Affiliates
Ex. 5	List of the Trustees and Executive Officers of the Company Post Acquisition
Ex. 6	List of the Directors and Executive Officers of the Company Post Acquisition
Ex. 7	Proposed Amended and Restated Bylaws of the Company
Ex. 8	Audited Financial Statements of Sanford for the Five Fiscal Years Ended December 31, 2019 Through 2023
Ex. 9	Quarterly Financial Statements of Sanford as of and for the Six Months Ended June 30, 2024
Ex. 10	Consent to Jurisdiction
Ex. 11	Unredacted Definitive Agreement dated as of September 13, 2024 by and among Sanford and MCHS
Ex. 12	Biographical Affidavits for the Trustees and Executive Officers of the Applicant
Ex. 13	Biographical Affidavits for the Directors and Executive Officers of the Company Post-Acquisition

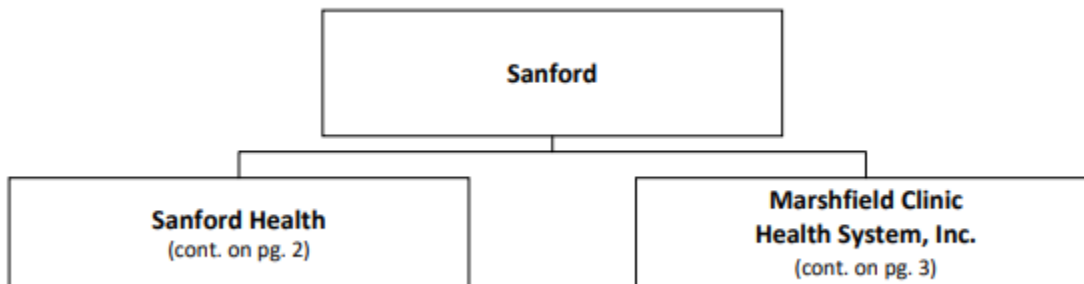
**Executive Summary**

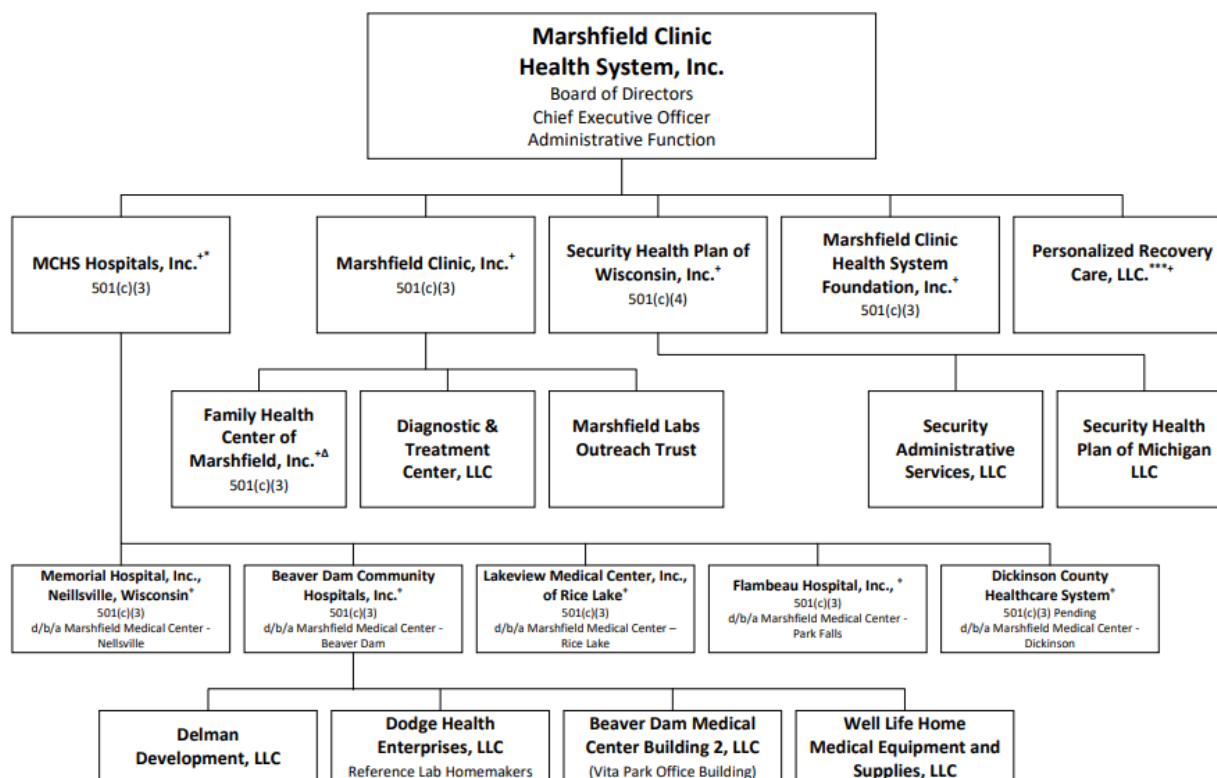
On September 17, 2024, Sanford (the “Applicant”), a North Dakota nonprofit corporation, filed a Form A filing in the matter of the acquisition of control of Security Health Plan of Wisconsin, Inc. (SHP, the “Domestic Insurer”). Pursuant to the Affiliation Agreement dated September 13, 2024, by and between Sanford and Marshfield Clinic Health System, Inc. (MCHS), Sanford will become the sole member of MCHS. SHP, as a subsidiary of MCHS, would therefore be controlled by Sanford as of the effective date of the transaction.

**Organizational Chart Before Proposed Transaction:**



**Organizational Chart After Proposed Transaction:**





Note: OCI has only included the post acquisition organizational chart for entities in the direct chain of control of the domestic insurer in the recommendation memo. The complete post acquisition organizational chart can be found as a separate exhibit on the transaction website.

## Identity and Background of the Domestic Insurer(s)

### Identity of the Domestic Insurer(s):

**Security Health Plan of Wisconsin, Inc.**  
1515 North Saint Joseph Avenue  
Marshfield, WI 54449

### Background of the Domestic Insurer(s):

**Security Health Plan of Wisconsin, Inc.**  
SHP is a Wisconsin domestic non-stock service insurance corporation located in Marshfield, WI. The company is organized under chapter 613, Wis. Stat., and is licensed as an HMO. The company writes health coverage in the individual and group markets, Medicare supplement plans, Medicaid managed care plans, and Medicare Advantage HMO plans in Wisconsin only.

## Identity and Background of the Applicant(s)

### Identity of the Applicant(s):

**Sanford**  
2301 E. 60<sup>th</sup> St. N.  
Sioux Falls, SD 57104

## **Background of the Applicant(s):**

### **Sanford**

Sanford is a North Dakota nonprofit corporation health system headquartered in Sioux Falls, South Dakota. The health system includes 48 medical centers, 211 clinic locations, 160 senior living centers, and 2900 physicians and advanced practice providers. Sanford currently controls Sanford Health Plan, Security Health Plan of Minnesota, and 65% of Good Samaritan Insurance Plan of Nebraska, Inc.

## **Executive Officers and Trustees of Sanford**

<b><u>Name</u></b>	<b><u>Title</u></b>
Neil Gulsvig*	Trustee
Lauris Molbert*	Trustee, Chair
Andy North*	Trustee, Secretary
Brent Teiken*	Trustee
Bill Gassen*	Trustee
Kevin Schieffer*	Trustee
Wes Engbrecht*	Trustee
Manie Herrmann*	Trustee, Vice Chair
Mark Lundeen, MD*	Trustee
Dana Dykhouse*	Trustee
David Shulkin, MD*	Trustee
Stephanie Herseth Sandlin*	Trustee
Matt Hocks*	Chief Operating Officer
Nick Olson*	Chief Financial Officer
Maureen McCausland*	Trustee
Tom Wenzel*	Trustee
George Brown*	Trustee, Treasurer
Kevin Schieffer*	Trustee

## **Proposed MCHS Delegated Board**

<b><u>Name</u></b>	<b><u>Title</u></b>
Thomas Evert*	Director
Terry Frankland*	Director
Colleen Hoerneman*	Director
Richard Leinenkugel*	Director
Matthew Oelstrom, M.D.*	Director
Elvis Peter, M.D.*	Director
Bill Sennholz*	Director
Tom Still*	Director
Richard Wicka*	Director
Christopher Adler, M.D.*	Director
Barbara Boyer, M.D.*	Director
David Junker, M.D.*	Director
Sanjay Kumar, M.D.*	Director
Jessica Wernberg, M.D.*	Director
Katherine Winiarczyk, M.D.*	Director
Everett Newcomb III*	Director
Andrew Daniels*	Director
Brian Hoerneman, M.D.*	Director, President/CEO of the MCHS Region
Samantha Klebe, M.D.*	Director, Chief Physician of the MCHS Region
Matt Hocks*	Director, EVP and COO of Sanford, Sanford Corporate Designee

Open seat

Director, Chief Medical Officer of the MCHS Region

**Proposed Executive Officers and Directors of SHP**

<b><u>Name</u></b>	<b><u>Title</u></b>
Thomas Evert*	Director, Treasurer
Terry Frankland*	Director, Chair
Brian Hoerneman, M.D.*	Director
Mary Jo Johnson*	Director
Samantha Klebe, M.D.*	Director
Matthew Oelstrom, M.D.*	Director
Elvis Peter, M.D.*	Director
Bill Sennholz*	Director
Josh Pauli*	Director
Tommy Ibrahim, M.D.*	Director
Steve Watkins*	Director, Secretary
Michael Wagner*	Director
DeAnna Calson Zink*	Director
Nathan Peterson*	Director, Vice Chair
Nwoarh Ayogu*	Director
Josh Crabtree, M.D.*	Director
Krista Hogle*	Chief Executive Officer
David Nyman*	Chief Operating Officer
Chris Buel*	Chief Financial Officer and Vice President of Finance
Scott Westphal*	Director of Actuarial & Risk Adjustment Services
Lisa Boero*	Chief Legal Compliance Officer
Jennifer Shermo*	Chief Growth Officer

Note: \* following an individual's name indicates that the biographical affidavit was provided for the individual and there are no outstanding significant concerns after OCI review.

Effective 1/1/25, Jim Cain will be replaced by Kevin Schieffer. A biographical affidavit was not reviewed for Jim Cain.

**Nature, Source, and Consideration**

Pursuant to the affiliation agreement, Sanford will acquire control of MCHS by becoming the sole corporate member of MCHS. Through Sanford's control of MCHS as the sole corporate member, they will obtain control of SHP. As this transaction is an affiliation between two nonprofit health systems, there is no consideration being transferred.

Note that as nonprofits the parties involved do not have voting securities. The Applicant stated in the Form A that there has not been any recent purchase of beneficial ownership or membership in the Domestic Insurer in the past 12 months and there have been no other recommendations to obtain membership interest in the past 12 months.

**Future Plans**

Sanford states in the Form A that they have no plans to declare an extraordinary dividend, liquidate the Domestic Insurers, sell the Domestic Insurers assets, or merge it with any person or to make any other material changes in the Domestic Insurers' business operations, corporate structure, or management, other than those discussed in the Form A or in the ordinary course of business.

The Applicant has requested to make some changes to the confidential business plan as part of the transaction. The confidential business plan and confidential financial projections were reviewed by OCI as part of the Form A. The Applicant also provided a copy of the amended and restated bylaws which were reviewed by OCI as part of the Form A. No concerns were raised during OCI's review of the changes and documents.

## Financial Highlights

### Highlighted Financial Data of the Applicant(s):

Financial Highlights (in thousands)	Consolidated Financial Statements				
	2023	2022	2021	2020	2019
Total Assets	7,399,831	7,058,683	7,432,181	6,982,573	6,577,649
Total Liabilities	2,785,307	2,929,169	3,123,045	2,922,701	2,858,364
Total Net Assets	4,614,524	4,129,514	4,309,136	4,059,872	3,719,285
Total Revenue	7,225,937	7,085,377	7,138,743	6,654,113	6,213,902
Excess of Revenues over Expenses Attributable to Controlling Interest	494,813	(153,238)	242,264	337,877	928,677
Net Cash Provided by Operations	485,356	196,859	643,708	602,596	406,469

### Financial Projections of the Domestic Insurer(s):

The financial projections of the Domestic Insurer(s) are confidential. OCI reviews these projections as part of the Form A review process.

## Review Standard(s)

This filing was made pursuant to s. 617.21(1), Wis. Stat. and s. Ins 40.02, Wis. Adm. Code. In order to evaluate the acquisition of control, through the effect of the affiliation agreement, OCI utilized the five-part test in s. 611.72(3)(am), Wis. Stat. and s. Ins 40.02, Wis. Adm. Code. OCI further reviewed the requirements of s. 617.21(1), Wis. Stat. related to the transaction and the affiliation.

Wisconsin Statute s. 611.72(3)(am) creates a five-part test for the Commissioner to use when evaluating the merger or acquisition of a domestic stock insurance company. It reads, in relevant part:

**(am)** The commissioner shall approve the plan if the commissioner finds...that it would not violate the law or be contrary to the interests of the insureds of any participating domestic corporation or of the Wisconsin insureds of any participating nondomestic corporation and that:

1. After the change of control, the domestic stock insurance corporation or any domestic stock insurance corporation controlled by the insurance holding corporation 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;
2. The effect of the merger or other acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in this state;
3. The financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic stock insurance corporation or its parent insurance holding corporation, or prejudice the interests of its Wisconsin policyholders;
4. The plans or proposals which the acquiring party has to liquidate the domestic stock insurance corporation or its parent insurance holding corporation, sell its assets, merge it with any person or make any other material change in its business or corporate structure or management, are fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest; and

5. The competence and integrity of those persons who would control the operation of the domestic stock insurance corporation or its parent insurance holding corporation are such that it would be in the interest of the policyholders of the corporation and of the public to permit the merger or acquisition of control.

These five requirements are analyzed below.

**s. 611.72(3)(am)1:** After reviewing the documents provided by the Applicant in their Form A filing, OCI Staff believes that the Applicant is able to satisfy s. 611.72(3)(am)1. In reaching this decision, OCI staff has relied heavily on the proposed business plan and financial projections.

**s. 611.72(3)(am)2:** OCI's determined that a Form E analysis was not necessary. OCI's examination of the potential competitive effects concluded that approving the acquisition would not violate the competitive standards set forth in s. Ins 40.025(4), Wis. Adm. Code.

**s. 611.72(3)(am)3:** Paragraph three requires that the financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic insurance corporation or its parent insurance corporation, or prejudice the interest of its Wisconsin policyholders. After reviewing the documents provided by the Applicants, the concern that affiliated non-insurance operations would jeopardize the financial condition is deemed minimal. OCI, however, will monitor compliance with s. 611.72(3)(am)3, Wis. Stat., going forward.

**s. 611.72(3)(am)4:** Paragraph four requires that the post-transaction plans to change the business structure be "fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest." The Form A filing notes that the Applicants have no current plans or proposals to declare any extraordinary dividend, to liquidate the Domestic Insurer, or to sell the assets of the Domestic Insurer. As noted in the Future Plans section above, the Applicant plans to make significant changes to the operations of the Domestic Insurer. The plans appear to be fair and reasonable and compliance with s. 611.72(3)(am)4, Wis. Stat., is expected.

**s. 611.72(3)(am)5:** Paragraph 5 requires that OCI review the Biographical Affidavits of the proposed officers and directors of the Applicants. This review did not raise significant concerns.

OCI then reviewed the requirements of s. 617.21(1), Wis. Stat.

#### **617.21 Transactions with affiliates.**

(1) General requirements. Except as provided under s. 617.11 (2), neither an insurer authorized to do business in this state nor an affiliate of the insurer may enter into a transaction between the insurer and affiliate unless all of the following apply:

(a) The transaction at the time it is entered into is reasonable and fair to the interests of the insurer.

(b) The books, accounts and records of each party to the transaction are kept in a manner that clearly and accurately discloses the nature and details of the transaction and in accordance with generally accepted accounting principles permits ascertainment of charges relating to the transaction.

(c) The insurer's surplus following any dividends or distributions to shareholders or a person having control of the insurer is reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

(cm) Any cost-sharing services or management agreements involved in the transaction include such provisions as the commissioner requires by rule.

(d) The transaction complies with any other standard that the commissioner prescribes by rule.

After review of the transaction by OCI, it was determined that the requirements of s. 617.21(1), Wis. Stat. were met.

<b>Recommendation</b>
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The Acquisition of Control in the above-referenced Form A filing will not violate the law or be contrary to the interests of the insureds, and it does not meet any of the disqualifying criteria outlined in s. 611.72 (3) or s. 617.21(1), Wis. Stat. Therefore, the transaction should be approved.