



DATE: June 13, 2023

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

**Form A Filing Contact(s)**

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**Form A Exhibit(s)**

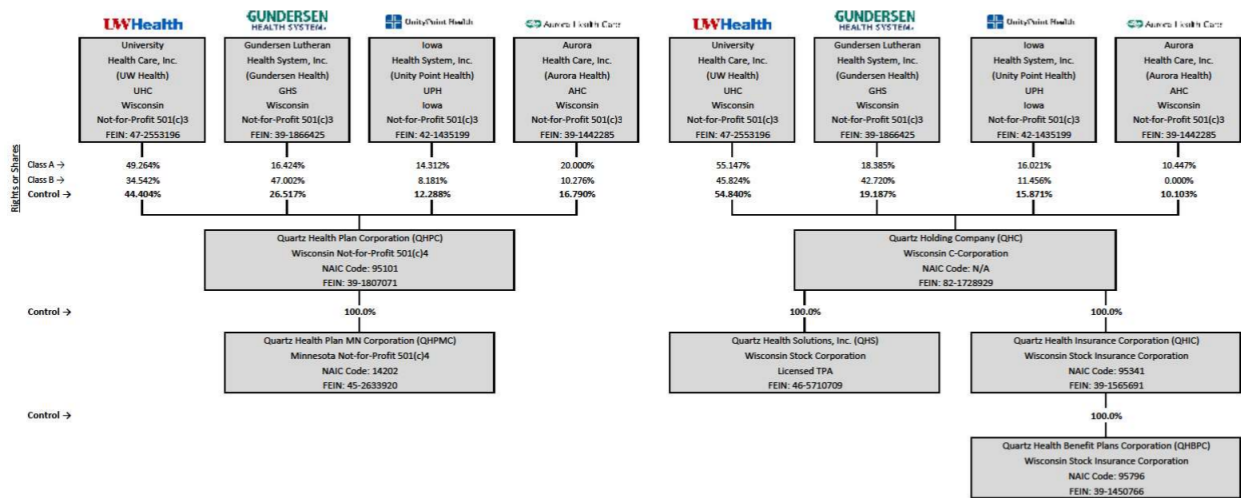
<b><u>Exhibit:</u></b>	<b><u>Description:</u></b>
Ex 1	Redacted Definitive Agreement dated as of March 30, 2023 by and among UPH and PHS
Ex 2	Unredacted Definitive Agreement dated as of March 30, 2023 by and among UPH and PHS
Ex 3	Pre-Acquisition Organizational Chart for the Companies and Their Affiliates
Ex 4	Pro Forma Post-Acquisition Organizational Chart for the Applicant
Ex 5	List of the Proposed Directors and Executive Officers of the Applicant
Ex 6	Audited Financial Statements of UPH for the Five Fiscal Years Ended December 31, 2017 Through 2021
Ex 7	Quarterly Financial Statement of UPH for Quarter Ended March 31, 2023
Ex 8	Audited Financial Statements of PHS for the Five Fiscal Years ended December 31, 2017 Through 2021
Ex 9	Quarterly Financial Statement of PHS for the Quarter Ended March 31, 2023
Ex 10	Consent to Jurisdiction
Ex 11	Biographical Affidavits for the Directors and Executive Officers of the Applicant
Ex 12	Three-Year Financial Projections of QHBPC
Ex 13	Three-Year Financial Projections of QHIC

Ex 14 Three-Year Financial Projections of QHPC

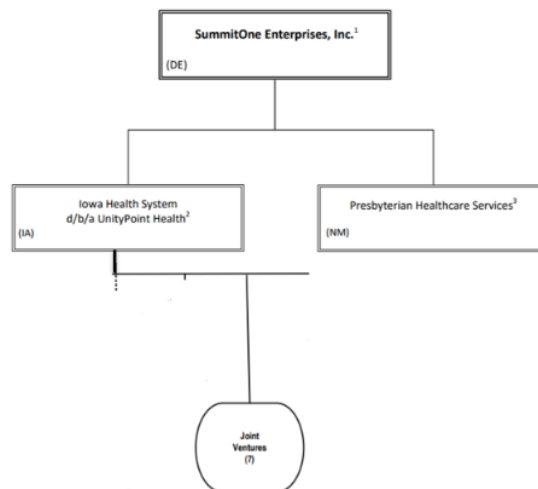
**Executive Summary**

On April 18, 2023, SummitOne Enterprises, Inc. (“SummitOne”, the “Applicant”), submitted a Form A filing in the matter of the acquisition of control of Quartz Health Plan Corporation (“QHPC”), Quartz Health Insurance Corporation (“QHIC”), and Quartz Health Benefit Plans Corporation (“QHBPC”, and together with QHPC and QHIC the “Domestic Insurers”). The acquisition of control will occur pursuant to the Definitive Agreement, dated March 30, 2023, by and between Iowa Health System d/b/a UnityPoint Health (“UPH”), and Presbyterian Healthcare Services (“PHS”). Through the Definitive Agreement, UPH and PHS will combine their respective healthcare groups by the creation of SummitOne.

**Organizational Chart Before Proposed Transaction:**



**Organizational Chart After Proposed Transaction:**



Note that the OCI has removed some companies in the organizational chart after the proposed transaction to show the control of Quartz companies on one page. The Quartz companies are included as part of the Joint Ventures of UPH. Please see the complete organizational chart for a full listing of the companies.

## **Identity and Background of the Domestic Insurers**

### **Identity of the Domestic Insurers:**

#### **Quartz Health Plan Corporation**

2650 Novation Parkway  
Fitchburg, WI 53713

#### **Quartz Health Insurance Corporation**

2650 Novation Parkway  
Fitchburg, WI 53713

#### **Quartz Health Benefit Plans Corporation**

2650 Novation Parkway  
Fitchburg, WI 53713

### **Background of the Domestic Insurers:**

#### **Quartz Health Plan Corporation**

QHPC was incorporated in 1995 and is organized under the provisions of Chapter 613 Wis. Stat. as a nonstock nonprofit HMO. The company was established to provide comprehensive health insurance for Wisconsin Insureds.

#### **Quartz Health Insurance Corporation**

QHIC is a Wisconsin corporation located in Madison, WI and is organized under the provisions of Chapter 611 Wis. Stat. QHIC operated in southern WI and Northern IL and offers Medicare Supplement products and PPO products to employer groups and individuals in the state of WI and IL.

#### **Quartz Health Benefit Plans Corporation**

QHBPC is a HMO organized for the purpose of delivering health care services to the Company's subscribers. QHBPC operates primarily in south central WI, southwestern WI, and northern IL. QHBPC offers a variety of HMO, PPO, and POS medical products to employer groups and individuals in WI and IL. The Company also offers individual plans and Medicare Supplement Plans and markets PPO and POS plans. QHBPC offers products through the health insurance exchanges established by the ACA. The provision of health care is arranged through contracts with participating hospitals and other health care providers.

## **Identity and Background of the Applicants**

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

#### **SummitOne Enterprises, Inc.**

1776 West Lakes Parkway, Suite 400  
West Des Moines, IA 50266

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

**SummitOne Enterprises, Inc.**

The Applicant is a new entity incorporated by UPH and PHS in Delaware on March 3, 2023 for the purpose of consummating the transaction. SummitOne will be the sole corporate member of each of the parties.

**Directors and Executive Officers of the Applicant**

<b><u>Name</u></b>	<b><u>Title</u></b>
Dale C. Maxwell*	Chief Executive Officer
Clay I. Holderman*	President
James S. Noble*	Chief Financial Officer
Bradley M. Brody*	Board Chair
Norman P. Becker*	Board Secretary
John C. Taets*	Director
Brenda K. Clancy*	Director
Robert K. Jefferson*	Director
Teresa L. Kline*	Director

**Executive Officers and Directors UPH**

<b><u>Name</u></b>	<b><u>Title</u></b>
Andrea White, M.D.	Director
Kyle Christianson, M.D.	Director
Sally Gray	Director, Secretary
Greg Churchill	Director
Garrett Smith	Director
Debra Johnson	Director
Jose Laracuenta	Director, Treasurer
Marie Ziegler	Director
Bill Arnold	Director
Brad Manning, M.D.	Director
Marlon Priest	Director
Scott Kizer	President

**Executive Officers and Directors QHBPC/QHIC/QHC/QHS**

<b><u>Name</u></b>	<b><u>Title</u></b>
Gerald E. Arndt*	Director
Jennifer B. Atkins*	Director
Heidi M. Eglash, JD*	Director
Susan I. Erickson*	Director
William J. Farrell*	Director
Robert W. Flannery*	Director
Carey M. Gehl*	Director
Kevin R. Hauser*	Director
Alan S. Kaplan, MD*	Director
Gerald R. Kember*	Director
Gerald P. Oetzel*	Director

John C. Sickels*	Director
Christine C. Senty*	General Counsel, Vice President, and Secretary
David S. Hanekom*	Senior Vice President and Chief Medical Officer
Kristie S. Breunig, JD*	Assistant Corporate Secretary and Senior Director, Deputy General Counsel, Compliance Services
Jeffrey A. Butcher*	Senior Vice President, Treasurer and Chief Financial Officer

### **Executive Officers and Directors QHPC**

<b><u>Name</u></b>	<b><u>Title</u></b>
Gerald E. Arndt*	Director
Jennifer B. Atkins*	Director
Randy R. Bruegman*	Director
Susan I. Erickson*	Director
William J. Farrell*	Director
Robert W. Flannery*	Director
Carey M. Gehl*	Director
Susan R.J. Green*	Director
Alan S. Kaplan, MD*	Director
Gerald R. Kember*	Director
Gerald P. Oetzel*	Director
George H. Tervalon, III*	Director
Christine C. Senty*	General Counsel, Vice President, and Secretary
David S. Hanekom*	Senior Vice President and Chief Medical Officer
Kristie S. Breunig, JD*	Assistant Corporate Secretary and Senior Director, Deputy General Counsel, Compliance Services
Jeffrey A. Butcher*	Senior Vice President, Treasurer and Chief Financial 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.

OCI did not obtain new biographical affidavits for the executive officers and directors of UPH as they are not changing as part of the transaction, familiarity with the company, and comfort with the background and experience of the individuals.

### **Nature, Source, and Consideration**

Following the Closing, the Applicant will become the sole member of UPH. As a parent company of UPH, SummitOne will therefore acquire control of the Domestic Insurers. Specifically, the Applicant will indirectly acquire control through the Membership Rights held by UPH totaling 14.312% of the Class A (voting) Membership Rights and 8.181% of the Class B (nonvoting) Membership Rights of QHPC; and 15.871% of the capital stock of QHC, which is the sole owner of QHIC (directly) and QHBPC (indirectly).

In light of the status of the Parties as nonprofit entities, and typical of such transactions between nonprofit entities, there was no purchase price to be negotiated. The terms of the Agreement resulted from arm's length negotiations between the Parties, which were represented by independent legal counsel.

The Applicants stated in the Form A that there has not been any recent purchases of any voting securities by the Applicants in the past 12 months and there have been no other recommendations to purchase voting shares in the past 12 months.

### Applicants Future Plans

UPH is the parent organization of an integrated regional healthcare system serving the healthcare needs of the residents of Iowa, Illinois, and southern Wisconsin. PHS is the parent organization of an integrated healthcare system comprised of nine hospitals, a multi-specialty medical group, and a statewide health plan serving the healthcare needs of the residents of New Mexico. Subject to the terms and conditions set forth in the Agreement, UPH and PHS will combine their respective systems through the formation of the Applicant. Consummation of the Agreement is expected to take place on or about July 1, 2023, subject to customary closing conditions, including the approval of the Commissioner sought through the Form A application. Upon the Closing, SummitOne shall become the sole corporate member of the Parties. Pursuant to the Agreement, the Parties will amend their articles of incorporation to recognize the Applicant as the sole corporate member of each of the Parties. Subject to the provisions of the amended organizational documents, the Applicant will have the power to control the Parties.

As stated in the Form A, following the closing of the proposed transaction, the domestic insurers will continue to be managed by the existing directors and officers, in substantially the same manner as pre-merger operations. Review of the confidential business plan provided by the Applicants further shows the expectation that the Domestic Insurers' will continue to operate in a substantially similar manner post transaction. The Applicants 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.

### Financial Highlights

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

##### SummitOne

OCI did not review financial statements for SummitOne. The company was formed on March 3, 2023, and therefore no financial statements were available.

##### UPH

Financial Highlights (in thousands)	Consolidated Financial Statements				
	2022	2021	2020	2019	2018
Total Assets	6,378,380	7,317,747	7,121,457	6,016,681	5,421,539
Total Liabilities	2,675,912	2,837,555	3,062,954	2,243,540	2,076,347
Total Net Assets	3,702,468	4,480,192	4,058,503	3,773,141	3,345,192
Total Revenue	4,317,441	4,858,490	4,612,051	4,588,466	4,411,461
Operating Income	(185,372)	28,156	113,381	100,450	40,771
Excess Revenue Over Expenses Attributable to UPH	(777,715)	356,533	275,755	380,998	(9,427)
Net Cash Provided by Operating Activities	(223,496)	98,825	815,977	248,172	275,677

**PHS**

<b>Financial Highlights (in thousands)</b>	<b>Consolidated Financial Statements</b>				
	2022	2021	2020	2019	2018
Total Assets	5,584,228	5,941,654	5,555,188	4,843,420	4,140,506
Total Liabilities	2,702,139	2,752,915	2,672,234	2,280,207	1,866,801
Net Assets	2,882,089	3,188,739	2,882,954	2,563,213	2,273,705
Total Revenue	5,547,832	5,102,805	4,829,824	4,392,944	3,511,115
Operating Income	(105,440)	69,015	119,199	12,265	74,364
Excess Revenue Over Expenses Attributable to PHS	(376,647)	264,950	240,321	312,050	(56,623)
Net Cash Provided by Operating Activities	19,241	(39,450)	376,834	451,374	189,246

**Financial Projections of the Domestic Insurers:**

The financial projections of the Domestic Insurers are confidential. OCI reviews these projections as part of the Form A review process.

**611.72 (3) Standard**

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. Additional review of the filing by OCI staff do not indicate any significant changes to the operation of the Domestic Insurer. 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.

<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), Wis. Adm. Code. Therefore, the transaction should be approved.