

FORM A
TESTIMONY
REGARDING THE ACQUISITION OF
CONTROL OF OR MERGER WITH A DOMESTIC INSURER

QUARTZ HEALTH PLAN CORPORATION;
QUARTZ HEALTH INSURANCE CORPORATION; AND
QUARTZ HEALTH BENEFIT PLANS CORPORATION
(Name of Domestic Insurers)

BY

SUMMITONE ENTERPRISES, INC.
(Name of Acquiring Person (Applicant))

Case Nos. 23-C45005
 23-C45006
 23-C45007

Hearing Date: June 26, 2023 at 10:00 a.m.

REVISED PREFILED TESTIMONY OF DAN CARPENTER

Submitted: June 22, 2023

PREFILED DIRECT TESTIMONY OF DAN CARPENTER

A. Introduction

My name is Dan Carpenter and I am the Senior Vice President and Chief Strategy Officer of UnityPoint. I am appearing today as a representative of SummitOne and to seek Form A approval for the acquisition of control, as defined in the Wisconsin Insurance Holding Company Systems statutes, of the Domestic Insurers by SummitOne. As described below, SummitOne is a new entity incorporated by UnityPoint and Presbyterian for the purpose of consummating the transaction described in the Form A Statement.

I've been with UnityPoint for over 30 years in various capacities, and I am currently the Chief Strategy Officer of UnityPoint. I was previously the Chief Financial Officer of UnityPoint for nearly five years. Additionally, I've been on the Board of Directors of HealthPartners UnityPoint Health, Inc., an Iowa domiciled health insurer, since 2018 and am currently serving as the Board Chair. I have a Bachelor's degree from the University of Iowa and a Master's degree from St. Ambrose University.

In my testimony, I would like to provide background about the Applicants, describe the proposed transaction by which the Applicant will seek to acquire control of the Domestic Insurers, and explain why we believe this transaction benefits the Domestic Insurers, its policyholders, and the insuring public of Wisconsin. I have been advised by my counsel that it is important that I touch on each of the relevant standards set forth in Wisconsin law, Wis. Stat. § 611.72(3)(am)1. to 5. I also intend to present myself virtually at the public hearing to be conducted by the OCI on June 26, 2023, in order to answer any questions that may remain.

B. Background Regarding the Applicants

SummitOne Enterprises, Inc., a Delaware nonprofit corporation ("SummitOne"), is a new entity incorporated by UnityPoint Health ("UnityPoint") and Presbyterian Healthcare Services ("Presbyterian," and together with UnityPoint, the "Parties") for the purpose of consummating the transaction described in the Form A Statement. SummitOne will, as a result of this transaction, be the sole corporate member of each of UnityPoint and Presbyterian, and was formed for each of the Parties to become financially and operationally integrated on a permanent basis. Together through SummitOne, the Parties will impact the lives of four million patients and members through more than twenty-six (26) hospital facilities, hundreds of clinics, a 40,000 strong workforce with nearly 3,000 physicians and advanced practice clinicians, and significant health plan operations.

UnityPoint Health is an Iowa nonprofit corporation and the parent organization of an integrated regional healthcare system serving the healthcare needs of the residents of Iowa, Illinois, and southern Wisconsin. UnityPoint is one of four shareholders of the Domestic Insurers. Based on UnityPoint's ownership interest in the Domestic Insurers (as described below), UnityPoint is deemed to "control" the Domestic Insurers pursuant to Wis. Stat. § 600.03(13).

Presbyterian Healthcare Services is a New Mexico nonprofit corporation and 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.

C. The Proposed Transaction

I am familiar with the proposed transaction by which the Applicant seeks to acquire control of the Domestic Insurers, and, having reviewed the Form A statement submitted by the Applicant, I can confirm that the Form A Statement, as supplemented, accurately describes the proposed transaction.

Subject to the terms and conditions set forth in the Definitive Agreement submitted as part of the Form A, UnityPoint and Presbyterian will combine their respective healthcare systems through the formation of SummitOne. Pursuant to the Agreement, the Parties will amend their articles of incorporation to recognize SummitOne as the sole corporate member of each of the Parties. Subject to the provisions of the amended organizational documents, SummitOne will have the power to control the Parties. The board of directors of SummitOne, as of the Closing, will consist of: (i) three directors nominated by UnityPoint; (ii) three directors nominated by Presbyterian; and (iii) two ex-officio directors, which shall be the initial SummitOne CEO and the initial SummitOne President. Following the Closing, two at-large directors will be appointed as set forth in SummitOne's Amended and Restated Bylaws.

Following the Closing, the Applicant will become the sole member of UnityPoint, and therefore will acquire ultimate control of the Domestic Insurers. Specifically, the Applicant will acquire control through the membership rights currently held by UnityPoint:

- 14.312% of the Class A (voting) Membership Rights and 8.181% of the Class B (non-voting) Membership Rights of QHPC; and
- 15.871% of the capital stock of QHC, which is the sole owner of QHIC (directly) and QHBPC (indirectly).

There will be no changes to the governing documents of the Domestic Insurers, and there will be no changes to the rights and responsibilities of UnityPoint as a shareholder of the Domestic Insurers. Following the transaction, SummitOne, as the sole corporate member of UnityPoint, will indirectly have the same rights and responsibilities of UnityPoint, with respect to the Domestic Insurers.

The Applicant intends that the Domestic Insurers will continue to operate as they currently do, with the existing management in place. Further, there are no current plans or proposals to make any other material change in the Companies' business operations or corporate structure or management, except as may otherwise occur in the ordinary course of business.

The transaction that is the subject of this Form A also involves the Applicant's acquisition of control of various entities regulated by state insurance regulatory authorities in Arizona, New Mexico, and Iowa.

D. Statutory Criteria

The proposed transaction will not violate the law or be contrary to the interests of the insureds of the Domestic Insurers or the Domestic Insurers. As discussed below, the proposed transaction satisfies the statutory criteria of Wis. Stat. § 611.72(3).

a. The Domestic Insurers' Licenses Wis. Stat. § 611.72(3)(am)1.

The Domestic Insurers are each currently licensed in the State of Wisconsin, and I do not foresee that the proposed transaction will affect the Domestic Insurers' Wisconsin licenses. Following the closing, the Domestic Insurers will continue to be able to satisfy all requirements for the issuance of their insurance licenses in the State of Wisconsin. Additionally, following the consummation of the proposed transaction the Applicants have no intention of causing the Domestic Insurers to take any action that would inhibit their abilities to satisfy the requirements for licensures under Wisconsin insurance law.

b. Effect on Competition Wis. Stat. § 611.72(3)(am)2.

The effect of the proposed transaction will not be to substantially lessen competition in insurance or tend to create a monopoly in Wisconsin. As described in the Form A, the Applicant has no insurance business in Wisconsin; excluding the Domestic Insurers, UnityPoint and its subsidiaries have no insurance business in Wisconsin; and, Presbyterian has no insurance business in Wisconsin.

c. Financial Condition of the Applicants Wis. Stat. § 611.72(3)(am)3.

The financial condition of the Applicant is such that it would not jeopardize the financial stability of the Domestic Insurers or prejudice the interest of their respective policyholders. Because the Applicant is a newly formed entity, it has neither audited nor unaudited financial statements. The Applicant's only business will be serving as the sole member of UnityPoint and Presbyterian. Accordingly, audited financial statements for both UnityPoint and Presbyterian for the preceding five fiscal years, as well as the most recent quarterly financial statements, were included as part of the Form A. The initial financial position of SummitOne will simply include the combined financial statements of UnityPoint and Presbyterian. The Applicant's financial position is stronger in all respects than UnityPoint's alone, and is projected to increase over time.

d. Applicants' Plans for Domestic Insurers Wis. Stat. § 611.72(3)(am)4.

The Applicant intends that the Domestic Insurer will continue to operate as it currently does, with the existing management in place. The Applicant has no present plans to cause the Domestic Insurer to declare any extraordinary dividend, to liquidate the Domestic Insurer, to sell the Domestic Insurer's assets, or to merge the Domestic Insurer with any person or persons. Further, there are no current plans or proposals to make any other material change in the Domestic Insurer's business operations or corporate structure or management, except as may otherwise occur in the ordinary course of business.

e. Competence and Integrity Wis. Stat. § 611.72(3)(am)5.

As noted earlier in my testimony, the Applicants have no current plans to make any changes to the directors and executive officers of the Domestic Insurers. I believe each of the directors and executive officers have sufficient competence, experience, and integrity to control the operations of the Domestic Insurer such that the interests of the policyholders of the Domestic Insurer and of the public will not be jeopardized by the acquisition of control. As detailed in the biographical affidavits submitted with this Form A Statement, the directors and executive officers of the Applicant and Domestic Insurers have considerable experience in corporate and insurance company governance and operation.

D. Conclusion

In closing, I want to thank Commissioner Houdek, Hearing Examiner Malm, Mr. Christopher J. Martin, Mr. Mark McNabb, and the Wisconsin OCI for their prompt attention to this matter and allowing me to present this written testimony.

Based on the record established and the filing of the Form A Statement, the Applicant believes that the acquisition of control of the Domestic Insurers satisfies all the conditions for approval under the applicable sections of Wisconsin law and that the Commissioner has a sufficient and robust record for the issuance of an approval order with respect to the proposed transaction as set forth in the Form A Statement. The Applicant respectfully requests that the Commissioner approve the proposed transaction as described here today and in the Form A Statement.

SummitOne looks forward to receiving approval of this proposed transaction and working with the Commissioner in the future. Depending on when the approval order is issued, we remain hopeful that the acquisition can be closed on July 1, 2023.

Thank you for your consideration of this matter.