

In the Matters of the Acquisition of Control of  
Physicians Plus Insurance Corporation

PROPOSED DECISION  
Case No. 17-C41934

by

University Health Care Inc., and  
Gundersen Lutheran Health Systems, Inc.

Petitioners.

and

the Acquisition of Control of Unity Health Plans Insurance Corporation, and  
Gundersen Health Plan, Inc.

By

Iowa Health Systems d/b/a UnityPoint Health.

Petitioner.

Richard Wicka, Hearing Examiner, Presiding

HEARING APPEARANCES

For the Office of the  
Commissioner of  
Insurance (OCI):

Present in person

Rebecca Easland, Director, Bureau of Financial Analysis and Examinations  
Michael Mancusi-Ungaro, Company Licensing Specialist

For the Petitioners: Present in person

Troy Caraway  
Senior Vice President  
Iowa Health System d/b/a UnityPoint Health

Ashley Kleemeier  
Associate Counsel  
Iowa Health System d/b/a UnityPoint Health

Dan Brzozowski  
Corporate Counsel  
University Health Care, Inc.

Noreen J. Parrett  
Parrett & O'Connell, LLP

Present by telephone

Daniel Lilly  
General Counsel  
Gundersen Lutheran Health System, Inc.

Dara Bartels  
Chief Financial Officer  
Gundersen Lutheran Health System, Inc.

Michael Dolan, MD  
Executive Vice President and Medical Chief Operating Officer  
Gundersen Lutheran Health System, Inc.

For the Above-named Insurers: Present in person

Terry Bolz  
Chief Executive Officer  
Unity Health Plans Insurance Corporation  
Gundersen Health Plan, Inc.

James Hiveley  
Chief Financial Officer  
Unity Health Plans Insurance Corporation  
Gundersen Health Plan, Inc.

Troy Caraway  
President  
Physicians Plus Insurance Corporation

Noreen J. Parrett  
Parrett & O'Connell, LLP

Present by telephone

Christine Senty  
General Counsel  
Unity Health Plans Insurance Corporation

#### PRELIMINARY

Pursuant to a Notice of Hearing dated June 15, 2017, a hearing was held at 1:05 p.m. on June 29, 2017, to determine whether the Petitioners' application for approval of the plan for acquisition of control should be granted. Based on the record, the Hearing Examiner makes the following:

#### PROPOSED FINDINGS OF FACT

- (1) Gundersen Lutheran Health System, Inc. ("GHS"), is a physician-led, non-profit, non-member health system located in La Crosse, Wisconsin. GHS has a controlling interest in Gundersen Health Plan, Inc. and Unity Health Plans Insurance Corporation.
- (2) University Health Care, Inc. ("UHC") is a not-for-profit membership corporation and the entrepreneurial arm of UW Health. UHC has a controlling interest in Gundersen Health Plan, Inc. and Unity Health Plans Insurance Corporation.
- (3) Iowa Health System, d/b/a UnityPoint Health ("UnityPoint") is an Iowa non-profit health system located in West Des Moines, Iowa. UnityPoint is the sole owner of Physicians

Plus Insurance Corporation. Collectively, GHS, UHC and UnityPoint will hereafter be called the "Petitioners."

- (4) Physicians Plus Insurance Corporation ("PPIC") is a for-profit network model Life, Accident, and Health insurer.
- (5) Gundersen Health Plan, Inc. ("GHP") is a non-stock, not-for-profit health maintenance organization ("HMO").
- (6) Unity Health Plans Insurance Corporation ("Unity") is a stock, for-profit HMO. Collectively, GHS, PPIC and Unity will hereinafter be called the "Wisconsin Domestic Insurers."

(7) The Petitioners have filed with the Office of the Commissioner of Insurance ("Commissioner") an application for approval of the acquisition of control of PPIC by GHS and UHC and the acquisition of control of Unity and GHP by UnityPoint (the "Plan"), which included the Exchange Agreement dated as of April 13, 2017 among the Petitioners and the Wisconsin Domestic Insurers. (the "Exchange Agreement").

(8) The Petitioner was served with a Notice of Hearing on June 15, 2017.

(9) The Petitioner fulfilled the filing requirements of s. Ins 40.02 and Ins 40.025, Wis. Adm. Code.

(10) As a result of the proposed transaction, the Wisconsin Domestic Insurers have indicated that after the transaction is completed all or some of PPIC's Wisconsin policies may be non-renewed in PPIC and Unity may provide offers of coverage to those policyholders. Because of anti-trust concerns, the Wisconsin Domestic Insurers were unable to present to OCI a comprehensive plan as to how this migration would be accomplished. Therefore, at the time of this filing, OCI cannot conclude, one way or the other, whether the plan that is ultimately implemented will be fair and reasonable to the insureds of PPIC as required by s. 611.72(3)(am), Wis. Stat.

Nevertheless, the Wisconsin Domestic Insurers have indicated to OCI that any plan that is implemented will comply with the law, will not be discriminatory, and will be fair and reasonable to the insureds of the Wisconsin Domestic Insurers. Based on these representations, the Plan as filed will not violate the law or be contrary to the interests of the insureds of the Wisconsin Domestic Insurers.

(11) After the acquisition of control, the Wisconsin Domestic Insurers will be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which they are presently licensed.

(12) The effect of the acquisition of control will not be to create a monopoly or substantially to lessen competition in any type or line of insurance in Wisconsin.

(13) The financial condition of the Petitioner is not likely to jeopardize the financial stability of the Wisconsin Domestic Insurers or to prejudice the interests of their Wisconsin policyholders.

(14) There are no plans or proposals to make significant changes to the senior management or employees of the Wisconsin Domestic Insurers, to request an extraordinary dividend, to liquidate or sell their assets, to consolidate or merge them with any person, or to materially change their current operations.

(15) The competence and integrity of the persons who will control the operation of the Wisconsin Domestic Insurers are such that it will be in the interest of the policyholders and the public to permit the acquisition of control.

PROPOSED CONCLUSION OF LAW

(16) The proposed findings of fact set forth above, and the representations made by the parties at the time of the filing, establish that the requirements of s. 611.72 and chs. 227 and 617, Wis. Stat., and ch. Ins 40, Wis. Adm. Code, have been satisfied and approval of the plan should be granted.

PROPOSED ORDER

NOW, THEREFORE, based upon the findings of fact and conclusion of law, I hereby recommend that:

(17) The Petitioners' request for approval of the plan for acquisition of control of the Above-named Insurers should be approved. It should be further ordered that:

- a) Quartz Health Solutions, Inc. ("Quartz") will segregate personnel who have responsibilities for, or oversight of, provider contracting on behalf of Unity, GHP, and PPIC ("Quartz Provider Contracting") from UHC personnel who have responsibilities for, or oversight of, unaffiliated payor contracting on behalf of UW Health-related facilities and providers ("UW Health Unaffiliated Payor Contracting"). Quartz and UHC shall maintain their current practices and procedures which prohibit Quartz Provider Contracting from accessing UHC's unaffiliated payor contract terms, and which prohibit UW Health Unaffiliated Payor Contracting from accessing provider contract terms of Unity, GHP, and PPIC. This separation of responsibilities and information includes direct and indirect access, including participation in committee or work group meetings where these topics are discussed. Quartz shall certify that these practices and procedures remain in place upon request of OCI.
- b) PPIC shall, for two years following closing of the transaction and at least 30 days prior to issuing the communication, submit to OCI drafts of any communications PPIC proposes to send to any group of its policyholders notifying such policyholders of PPIC's intent to non-renew their policies. Unity shall for two years following closing of the transaction and at least 30 days prior to issuing the communication, submit to OCI drafts of any communications Unity proposes to send to its policyholders explaining to such policyholders any change to Unity's provider network to incorporate UnityPoint facilities and/or to offer insurance coverage to any PPIC policyholders who were non-renewed. OCI shall have such approval authority over the communications described in this Paragraph (b) as is afforded by Wisconsin law.
- c) The Wisconsin Domestic Insurers shall reach a confidential agreement with OCI regarding the minimal capital levels to be maintained at each of the Wisconsin Domestic Insurers.
- d) Within ten (10) days of the closing of the acquisition, the Petitioner or the Wisconsin Domestic Insurers shall provide to the OCI the final executed closing documents and the final executed copies of all related agreements. In the event the closing does not occur, the Petitioner shall notify the OCI within three (3) business days.

Dated at Madison, Wisconsin, this 27<sup>th</sup> day of June, 2017.

A handwritten signature in black ink, appearing to read "Richard Wicka", is written over a horizontal line.

Richard Wicka  
Hearing Examiner