



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

January 29, 2016

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NOREEN J PARRETT
PARRETT & OCONNELL LLP
10 EAST DOTY ST
SUITE 615
MADISON WI 53703

Re: Form A – Acquisition of Control of Gundersen Health Plan, Inc. by University Health Care, Inc., and Unity Health Plans Insurance Corporation by Gundersen Lutheran Health System, Inc.

Dear Ms. Parrett:

The State of Wisconsin Office of the Commissioner of Insurance ("OCI") has completed an initial review of the above referenced Form A filing submitted on December 22, 2015 by Unity Health Care, Inc. ("UHC") and Gundersen Lutheran Health System, Inc. ("GHS") (collectively, the "Applicants") pertaining to the proposed acquisition of control of Gundersen Health Plan, Inc. ("GHP") and Unity Health Plans Insurance Corporation ("Unity") (collectively, the "Insurers"). Our review identified certain items requiring follow-up, as indicated below. **To ensure that the Form A review continues to move forward, please provide the following information at your earliest convenience:**

1. Form AA – Consent to Jurisdiction: Per s. Ins 40.19, Wis. Adm. Code: "Any person required to file consent to jurisdiction under s. 617.11 (5) Stats., shall do so using form AA contained in the appendix to this chapter."

Please submit a signed consent to jurisdiction form using form AA for Applicants UHC and GHS.

2. Other State Contacts:

(a) Minnesota: Please provide the name and contact information for the primary contact at the Minnesota Dept. of Commerce for the Form A filing pertaining to the acquisition of control of Gundersen Health Plan of Minnesota by UHC.

(b) Iowa: Please indicate whether a Form E filing has been made (or is expected to be made) with the Iowa Insurance Division (and if yes – please provide the primary contact information for the filing).

3. Exchange Agreement (Exhibit A):

(a) Section 6.4 – Antitrust Matters: This section states that: "No filings or submissions are required by the Parties under the HSR Act in connection with the consummation of the transactions contemplated by this Agreement."

Please discuss the criteria used to determine that the proposed transaction is exempt under the HSR filing requirements.

- (b) **Section 6.13 – Risk Arrangement:** This section states that: “Each of GHS and UHC shall take 100% of the risk for the members in their assigned risk pool for all lines of business (including group, Medicaid, Medicare and individual health) with GHP and Unity retaining dollars for the administrative expenses and investments and any applicable taxes.”

Please explain what is meant by the term “assigned risk pool”; if this term refers to a formal risk pooling arrangement, please identify the document in which the terms of this arrangement are discussed.

4. **Proposed GHP Officers:** The Form A identified the following individuals as the proposed officers of GHP. **Please indicate the officer position the following individuals will hold with GHP (e.g. President, CEO, Secretary, Treasurer, V.P., etc.):**

Proposed GHP Officers (current position):

Terry R. Bolz (President & CEO, Unity)

Gary Lenth, MD (CEO & Medical Dir., GHP)

James L. Hiveley (V.P. Finance/Treasurer/CFO, Unity)

Christine C. Senty (V.P./Secretary/Gen. Counsel, Unity)

5. **Proposed Unity Officers:** The Form A identified the following individuals as the proposed officers of Unity. **Please indicate the officer position the following individuals will hold with Unity (e.g. President, CEO, Secretary, Treasurer, V.P., etc.):**

Proposed Unity Officers (current position):

Terry R. Bolz (President & CEO, Unity)

Gary Lenth, MD (CEO & Medical Dir., GHP)

James L. Hiveley (V.P. Finance/Treasurer/CFO, Unity)

Christine C. Senty (V.P./Secretary/Gen. Counsel, Unity)

6. **Biographical Affidavits:**

(a) **Please provide Biographical Affidavits for the following proposed independent directors: (1) James Falck, (2) Charles Weber.**

(b) In Item 3 of the Form A, it states that “Biographical Affidavits are either on file with the OCI...or will be submitted under separate cover shortly”. **Please identify all biographical affidavits that are currently pending (i.e. – not previously filed with OCI, and not submitted with the application).**

7. **Financial Advisors' Opinion (Item 4); Ownership %'s:** In Item 4 of the Form A, its states that “Management worked with external tax advisors and an external valuation firm to determine whether the various transactions involved with this agreement are factually sound.”

(a) **Please identify the names of the external valuation and tax advisory firms used by the Applicants to assess the fairness of the exchange terms regarding the proposed transaction with respect to both parties (and identify which advisors were hired independently by UHC, and GHS, respectively).**

(b) **Please provide a copies of any opinion letters issued by the external valuation or tax advisory firms as to the fairness of the proposed exchange terms.**

8. Migration of Business (Item 5): In Item 5 of the Form A, it states: "It is the current intention of the Parties to migrate certain business currently written by the Insurers so that the Insurers can promote each company's market expertise and best products and services. It is the current intention of the Parties that the government business (Medicare and Medicaid) will be underwritten by GHP and the commercial business will be underwritten by Unity."

Please discuss the mechanisms that will be employed to effect the proposed migration of business.

9. GHS (Obligated Group) Audited Combined Financial Statements (Exhibit U): The audited combined financial statements submitted for the Gundersen Health System only included the accounts of the Obligated Group (Gundersen Clinic, Ltd., Gundersen Lutheran Medical Center, Inc., Gundersen Lutheran Administrative Services, Inc., and Gundersen Lutheran Medical Foundation (the Obligated Group)).

The combined financial statements submitted did not include the accounts of Gundersen Lutheran Health System, Inc. or Gundersen (GHS), nor did Gundersen Health Plan (GHP).

Please discuss whether audited (or unaudited) financial statements are available for the entire Gundersen Health System, including GHS, GHP, and all other affiliates (whether or not they are members of the Obligated Group).

If yes, please provide financial statements (preferably audited, if available) for the entire Gundersen Health System for 2010 – 2014, and for year-to-date 2015 (through September 30, 2015).

10. UHC's 2014 Consolidated Financial Statements (Exhibit T): Note Q (Subsequent Events) states: "On January 1, 2015, UHC transferred substantially all assets and liabilities to University Health Resources, Inc., and simultaneously acquired SwedishAmerican Health System through a separate *member substitution agreement*."

Please provide a copy of the referenced *member substitution agreement*. Also, if UHC acquired SwedishAmerican Health System, please explain why this is not reflected in UHC's current organizational (Exhibit L).

- UHC Organizational Chart: The Post-Acquisition Organizational Chart provided with the December 1, 2014 Form A filing (Statement Regarding the Acquisition of Control of Unity Health Plans Insurance Corporation by University Health Resources, Inc.) (**See Attachment 1 to this letter (Exhibit C(2))**), shows:

➤ University Health Resources, Inc.:

- 100% ownership of Unity
- 100% ownership of E-Care of Wisconsin, LLC,
- 100% ownership of Health Professionals of Wisconsin), and
- 20.7% ownership of Wisconsin Value Network, LLC

➤ University Health Care, Inc. (UHC):

- 100% ownership of Watertown, LLC and
- 100% UW Cancer Center Johnson Creek LLC

This does not agree with the UHC organizational chart provided with the current Form A (Exhibit L), which shows Unity as 100% owned by UHC. Please explain this discrepancy. In addition:

- If University Health Resources, Inc. changed its name to University Health Care, Inc., when did this name change occur?
 - What is the name of the entity which currently owns Watertown Network, LLC and UW Cancer Center Johnson Creek, LLC? [Also, did this entity change its name, and if so – when, and what was the prior name?]
 - Please provide an current organizational chart showing all entities controlled by or affiliated with UWHCA and UWMF (including SwedishAmerican Health System).
11. Pro Formas – Capital Contributions to Unity: The Pro Formas anticipate \$21M of capital contributions into Unity from 2016 – 2018.

Please discuss the funding source(s) for these contributions (i.e. – will UHC and GHP each contribute their proportional share (75/25)?), and provide the underlying reasons as to why these anticipated capital contributions will be necessary.

12. Unity & GHP Premium & Enrollment – as of 12-31-15 (selected Counties):

Please provide the Unity and GHP Premium and enrollment figures as of 12-31-15 for the following counties:

- Crawford
- Grant
- Juneau
- Richland
- Sauk
- Vernon

[Note: Please use the Excel file provided as Attachment 2 to this letter to respond.]

Please feel free to call me at (608) 266-9896, or e-mail me at kristin.forsberg@wisconsin.gov if you have any questions.

Sincerely,



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