



DATE: February 20, 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

Form A Filing Contact(s)

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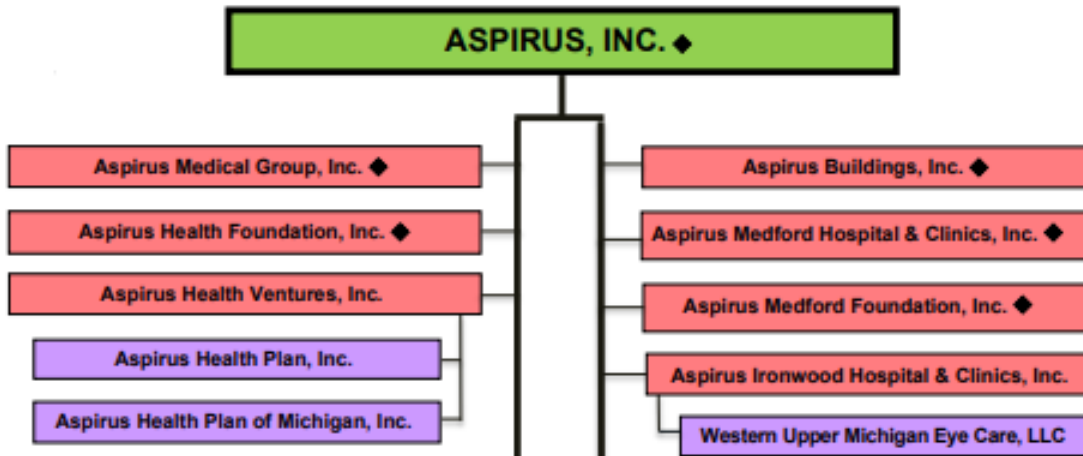
Form A Exhibit(s)

<u>Exhibit:</u>	<u>Description:</u>
Ex. 1	Affiliation Agreement
Ex. 2	Disclosure Schedules to the Affiliation Agreement
Ex. 3	Proposed Amended and Restated Bylaws of Aspirus, Inc.
Ex. 4	Proposed Amended and Restated Articles of Incorporation of St. Luke's Hospital of Duluth
Ex. 5	Proposed Amended and Restated Bylaws of St. Luke's Hospital of Duluth
Ex. 6	Pre-Affiliation Corporate Organization Chart
Ex. 7	Post-Affiliation Corporate Organization Chart
Ex. 8	Biographical Affidavits
Ex. 9	Business Plan
Ex. 10	St. Luke's Hospital of Duluth 2021 and 2022 Fiscal Year Audited Consolidated Statutory Financial Statements
Ex. 11	St. Luke's Hospital of Duluth 2019 and 2020 Fiscal Year Audited Consolidated Statutory Financial Statements
Ex. 12	St. Luke's Hospital of Duluth 2018 and 2017 Fiscal Year Audited Consolidated Statutory Financial Statements
Ex. 13	Three-Year Financial Projections for Aspirus Health Plan, Inc.
Ex. 14	St. Lukes Hospital of Duluth Annual Report

Executive Summary

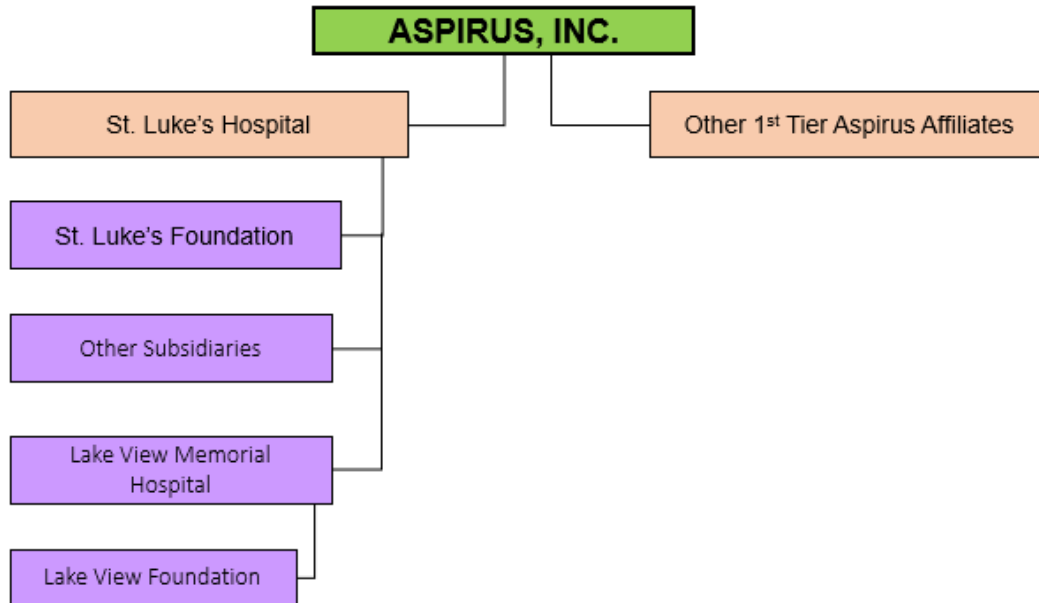
On November 8, 2023, St. Luke’s Hospital of Duluth (SLH, and the “Applicant”), submitted a Form A filing in the matter of the acquisition of control of Aspirus Health Plan, Inc. (AHP). As a result of the affiliation between SLH and Aspirus, Inc. (Aspirus), SLH would gain a controlling interest in AHP. The acquisition of control will occur as outlined in the affiliation agreement dated October 16, 2023, between SLH and Aspirus.

Organizational Chart Before Proposed Transaction:



Note: OCI has only included the part of the organizational chart applicable to the change of control. Please see the complete organizational chart included in the exhibits.

Organizational Chart After Proposed Transaction:



Note that the “Other 1st Tier Aspirus Affiliates” are included in the Organizational Chart Before Proposed Transaction.

Identity and Background of the Domestic Insurers

Identity of the Domestic Insurers:

Aspirus Health Plan, Inc.
3000 Westhill Drive, Suite 303
Wausau, WI 54401

Background of the Domestic Insurers:

Aspirus Health Plan, Inc.
AHP is a chapter 180 corporation, HMO, and licensed under 611 Wis. Stat. to write Disability Insurance. The company is 100% directly owned by Aspirus Health Ventures, a chapter 181 non-profit corporation.

Identity and Background of the Applicants

Identity of the Applicant(s):

St. Luke's Hospital of Duluth
915 East First Street
Duluth, Minnesota 55805

Background of the Applicant(s):

St. Luke's Hospital of Duluth
SLH is a Minnesota non-profit corporation organized under chapter 304A of the Minnesota Statutes. SLH is the parent company of a Minnesota based healthcare system.

Proposed Executive Officers and Directors of SLH

<u>Name</u>	<u>Title</u>
Andrea L. H. Benson*	Director
Anna Christine Sackette-Urness*	Director
Aimee Nelson Van Straaten*	Director
Brian John Murphy*	Director
Helena Everett Jackson*	Director
Jack Herman Seiler*	Director
Kevin Robert Beardsley*	Director
Kiera Marie Wilson*	Director
Mitchell Lynn Cardwell*	Director
Patrick James Heffernan*	Director
Maypakou Ly*	Director
Richard Leonard Revoir*	Director
Maurine Helen Settergen*	Director
Scott Allen Lyons*	Director
Yvonne Marie Solon*	Director
Eric Matthew Lohn*	CEO and CFO
Nicholas James Van Deelen*	CEO and CMO

Executive Officers and Directors of Aspirus

<u>Name</u>	<u>Title</u>
Brian John Prunty*	Director

David Martin Heck*	Director
Graham Courtney*	Director
Joseph Vincent Fonti*	Director
Jeannie Marie Worden*	Director
Kathy Kelsey Foley*	Director
Matthew Frederick Heywood*	Director, Chief Executive Officer
Noel N. Deep*	Director
Richard Vincent Porier*	Director
Sherri Lynn Lemmer*	Director
Michael R. Holzhueter*	Assistant Secretary
Sidney Charles Sczygelski*	Assistant Treasurer
Eric John Anderson*	Chief Compliance Officer

Executive Officers and Directors of AHV

<u>Name</u>	<u>Title</u>
Eric John Anderson*	Director, Chief Compliance Officer
James Craig Matheson*	Director
Kyle Paul Brua*	Director, President
Sidney Charles Sczygelski*	Director, Assistant Treasurer
Michael R. Holzhueter*	Assistant Secretary

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.

Nature, Source, and Consideration

As an effect of the affiliation agreement between the two health systems, Aspirus will become the sole corporate member of SLH. The affiliation agreement also gives SLH the ability to identify and nominate two individuals to serve on the Aspirus board of directors. To effectuate the affiliation Aspirus will amend its articles and bylaws to allow the SLH nomination of two directors, SLH will amend its articles and bylaws to allow Aspirus to become the sole member and allow Aspirus to nominate two directors to the SLH board, and Aspirus will deploy approximately \$175 million of capital within 5 years and at least \$300 million of capital within eight years on projects in the SLH service area.

No consideration will be paid in connection with the proposed affiliation other than any amounts paid by AHP to SLH in order to meet the capital commitment.

The Applicants stated in the Form A that there has not been any recent purchase of any voting securities in the Domestic Insurer in the past 12 months and there have been no other recommendations to purchase voting shares in the past 12 months. They also stated that the terms of the combination agreement were determined as the result of arm's length negotiations between the parties.

Applicants Future Plans

Subject to the terms of the affiliation agreement, upon closing, Aspirus will become the sole corporate member of SLH. 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 before the transaction. 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 St. Luke's:

Financial Highlights (in thousands)	Consolidated Financial Statements				
	2022	2021	2020	2019	2018
Total Assets	562,795	483,666	484,259	405,247	387,751
Total Liabilities	373,123	301,978	347,431	283,864	282,937
Total Net Assets	189,672	181,688	136,828	121,383	104,814
Total Revenue	560,063	547,288	502,851	524,362	528,218
Operating Gain	2,866	13,252	462	2,239	30,443
Excess of Revenues over Expenses	(8,491)	23,149	11,731	14,625	34,096
Net Cash Provided by Operating Activities	(33,076)	18,283	96,503	12,720	49,029

Financial Projections of the Domestic Insurer(s):

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.

Recommendation

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.