



DATE: November 24, 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)**

**Primary Contact(s):**

Jenna E. Walker, Esq.  
ThedaCare, Inc.  
3 Neenah, WI 54956  
920-896-2045  
jenna.walker@gmail.com

**Secondary Contact(s):**

William J. Toman, Esq.  
Quarles & Brady LLP  
33 East Main Street, Suite 900  
Madison, Wisconsin 53703-3095  
608-283-2434  
william.toman@quarles.com

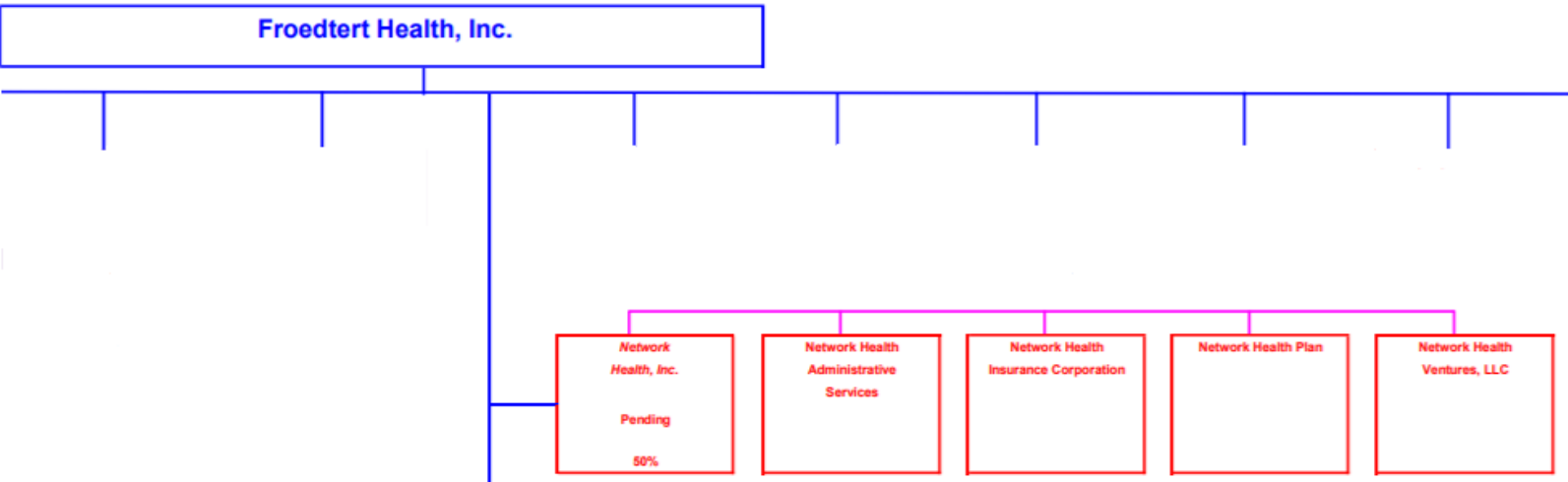
**Form A Exhibit(s)**

<b><u>Exhibit:</u></b>	<b><u>Description:</u></b>
Ex. 1	Combination Agreement (Redacted)
Ex. 2	Organizational Chart of ThedaCare and Froedtert
Ex. 3	Proposed Directors and Executive Officers of Froedtert ThedaCare
Ex. 4	Directors and Officers of Network Health
Ex. 5	Audited financial statements of ThedaCare for the years 2018 to 2022
Ex. 6	Audited financial statements of Froedtert for the years 2018 to 2022
Ex. 7	Combination Agreement (Unredacted)
Ex. 8	Biographical Affidavits for Directors and Executive Officers of Froedtert ThedaCare
Ex. 9	Biographical Affidavits for Directors and Executive Officers of NHI and Network Health
Ex. 10	Three Year Financial Projections for Network Health

## Executive Summary

On September 15, 2023, a Form A Filing was submitted by ThedaCare, Inc. ("ThedaCare", the "Applicant") regarding the acquisition of control of Network Health Plan ("NHP") and Network Health Insurance Company ("NHIC", and together with NHP the "Domestic Insurers"). The acquisition of control will occur pursuant to the combination agreement. As stated in the form A, the Applicant will obtain control of the Domestic Insurers through the appoint of seven of the 18 board members of the combined entity.

### Organizational Chart of the Domestic Insurer:



Due to the complex organizational structure of the health system, OCI removed some entities to show only the Network entities and Froedtert Health, as the parent company. Please see the Organizational Chart for a complete listing of companies.

As ThedaCare is obtaining control of the insurers through appointment of board members, the organizational structure will not change post change of control. The name of the parent, Froedtert Health, Inc., will change to Froedtert ThedaCare Health, Inc. post change of control.

## Identity and Background of the Domestic Insurers

### Identity of the Domestic Insurers:

#### **Network Health Insurance Company**

1570 Midway Place  
Menasha, WI 54952

#### **Network Health Plan**

1570 Midway Place  
Menasha, WI 54952

### Background of the Domestic Insurers:

#### **Network Health Insurance Company**

NHIC is a Wisconsin Domestic Life, Accident, and Health Insurance company which was incorporated on 03/27/2013. The company is currently licensed to write Disability insurance. NHIC is licensed to do business in Wisconsin.

**Network Health Plan**

NHP is a Wisconsin Domestic HMO which was incorporated on 12/31/1986. The company is currently licensed to write Disability insurance. NHP is licensed to do business in Wisconsin.

<b>Identity and Background of the Applicants</b>
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**Identity of the Applicant(s):****ThedaCare, Inc.**

3 Neenah Center, 4<sup>th</sup> Floor  
Neenah, WI 54956

**Background of the Applicant:****ThedaCare, Inc.**

ThedaCare is a community-owned, non-profit health system consisting of eight hospitals and over 30 primary care clinics, consisting of over 200 primary care providers located in nine counties in Northeast Wisconsin. ThedaCare also includes behavioral health services, laboratory services, home care, retirement living, skilled nursing services, and assisted living.

**Proposed Executive Officers and Directors of Froedtert ThedaCare:**

<b><u>Name</u></b>	<b><u>Title</u></b>
Catherine Jacobson*	Director, Chief Executive Officer
Judson Snyder*	Director, Chairperson
Kurt Bechthold*	Director
Marc Chini*	Director
Robert Clarke*	Director
Jacquelyn Frederick*	Director
David Lubar*	Director
Jose Olivieri*	Director
Joan Prince*	Director
Mary Ellen Stanek*	Director
Unnamed Froedtert Representative	Director
Dr. Imran Andrabi*	Director, President
James Kotek*	Director, Vice Chairperson
Kimberly Kay Underhill*	Director
John Sexton Bere*	Director
Terry Timm*	Director
John Charles Pfeifer*	Director
Chuck Dallas*	Director
Scott Hawig*	Chief Financial Officer, Chief Administrative Officer, Treasurer
Paul Van Den Heuvel*	Chief Legal Officer, Secretary
Alicia Maitland*	Senior Vice President of Finance

**Proposed Executive Officers and Directors of NHIC and NHP:**

<b><u>Name</u></b>	<b><u>Title</u></b>
Catherine Jacobson*	Director
Scott Hawig*	Director
David Olson*	Director
John Bykowski*	Director
Johnathon Sohn*	Director

Essie Whitelaw*	Director
Christopher Zwygart*	Director
Chad Craig, MD*	Director
Ricardo Diaz*	Director
Coreen Dicus-Johnson*	President and Chief Executive Officer
Penelope Ransom*	Chief Administrative Officer - Network Health Secretary
Brian Ollech*	Chief Administrative Officer - Network Health Treasurer

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**

ThedaCare is gaining control of the domestic insurers through its ability to appoint board members, as part of the combination with Froedtert. ThedaCare will have the ability to appoint seven members with the remaining eleven members being appointed by Froedtert. Froedtert currently owns a 50% corporate membership interest in NHI, with the remaining 50% being currently owned by Ministry Health Care, Inc., a wholly owned and controlled affiliate of Ascension Health. NHI is the sole corporate member of NHIC and is the sole shareholder of NHP.

As stated in the Form A, ThedaCare and Froedtert determined the nature and amount of the consideration for the proposed transaction through arm's-length negotiations with the assistance of their respective legal and other advisors.

Other than the Agreement, there have been no recommendations to purchase any voting security of NHIC or NHP made by the applicants, their respective affiliates or any person listed in Item 3 to the Form A, or by anyone based upon interviews or at the suggestion of the applicants, their respective affiliates, or any person listed in Item 3 to the Form A, during the twelve calendar months preceding the filing of the application.

The applicants note that no agreements, contracts, or understandings have been made with any broker-dealer as to solicitation of voting securities for tender.

### **Applicants Future Plans**

Due to the nature of the acquisition of control, it is intended that the Domestic Insurers will continue similar operations to those that they currently conduct. The responses from the company and financial projections reflect the company's plan not to make changes to the business plan. The company has no plan to make any changes to the officers of NHIC or NHP. The new members of the combined Froedtert ThedaCare board will be those individuals noted above.

As stated in the Form A, except as may arise in the ordinary course of business, the applicants have no present plans or proposals for NHIC or NHP to declare an extraordinary dividend, to liquidate NHIC or NHP, to sell NHIC or NHP's assets or to merge NHIC or NHP with any other person or entity or to make any other material changes to the operations or corporate structure or management other than as described in the application.

## Financial Highlights

### Highlighted Financial Data of Froedtert:

<b>Financial Highlights (in thousands)</b>	2022	2021	2020	2019	2018
Total Assets	4,854,841	5,206,454	4,519,303	4,155,144	3,924,989
Total Liabilities	1,683,911	1,894,312	1,822,992	1,585,552	1,553,684
Total Net Assets	3,170,930	3,312,142	2,696,311	2,569,592	2,371,305
Total Revenue	3,345,743	3,112,121	2,710,676	2,562,502	2,381,037
Total Operating Income	95,900	221,863	164,363	114,102	141,725
Total Non Operating Income	(225,681)	358,856	(29,829)	197,023	90,978
Increase in Net Assets	(129,781)	580,719	130,219	196,269	241,280
Net Cash Flows From Operating Activities	138,594	333,880	462,560	278,316	276,641

### Highlighted Financial Data of ThedaCare:

<b>Financial Highlights (in thousands)</b>	2022	2021	2020	2019	2018
Total Assets	1,777,458	1,842,480	1,609,337	1,569,491	1,318,556
Total Liabilities	596,421	565,761	528,930	599,449	475,112
Total Net Assets	1,181,037	1,276,719	1,080,407	970,042	843,444
Total Revenue	1,197,046	1,160,179	1,031,279	1,057,385	995,185
Total Operating Income	20,734	48,417	23,729	39,295	26,669
Total Non Operating Income	(116,907)	128,953	80,909	90,267	(40,021)
Increase in Net Assets	(95,004)	194,773	109,655	127,352	(744)
Net Cash Flows From Operating Activities	42,076	145,273	22,634	112,495	60,066

### Financial Projections of NHIC:

Financial projections are considered confidential. OCI reviewed the financial projections as part of the review of the application.

### Financial Projections of NHP:

Financial projections are considered confidential. OCI reviewed the financial projections as part of the review of the application.

## 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.