



DATE: October 26, 2021
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 (Case No. 21-C44214).

Form A Filing Contact(s)

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Form A Exhibit(s)

<u>Exhibit:</u>	<u>Description:</u>
A	Form A
1	Organizational Chart Post-Transaction
2	Contribution and Purchase Agreement (Confidential)
2-R	Contribution and Purchase Agreement - Redacted

3	Applicant's Ownership Chart
4	Biographical Affidavits for the Directors and Executive Officers of Medica (Confidential)
5	List of DHI and DHP Directors and Executive Officers
6	Biographical Affidavits for the Directors, Executive Officers, and Key Personnel of Newco, DHI, and DHP (if not provided in Biographical Affidavits for the Directors and Executive Officers of Medica) (Confidential)
7-A	Annual Statement of DHI and DHP for years ended 2020, 2019, and 2018 (on file with OCI)
7-B	Quarterly Financial Statements of DHI and DHP for 2021 year-to-date (on file with OCI)
7-C	Financial Projections for DHI and DHP for 2022, 2023, and 2024 (Confidential)
8-A	Audited annual combined financial statement of Medica's controlled subsidiaries for fiscal years 2016-2020 and a balance sheet and income statement for Medica Holding Company for fiscal years 2016-2020
8-B	Quarterly consolidated financial statements of Medica Holding Company and its controlled subsidiaries for 2021 year-to-date (Confidential)
9	Agreements between MSC or its Affiliates and the Newco Companies and/or DHSC for the provision of certain administrative support services (Confidential)
9-R	Agreements between MSC or its Affiliates and the Newco Companies and/or DHSC for the provision of certain administrative support services – Redacted
10	Agreements between SSM or its Affiliates and the Newco Companies and/or DHSC for the provision of certain administrative support by SSM or its Affiliates to DHSC (Confidential)
10-R	Agreements between SSM or its Affiliates and the Newco Companies and/or DHSC for the provision of certain administrative support by SSM or its Affiliates to DHSC – Redacted
11	Retention Agreement with Key Employees of DHP or DHI (Confidential)

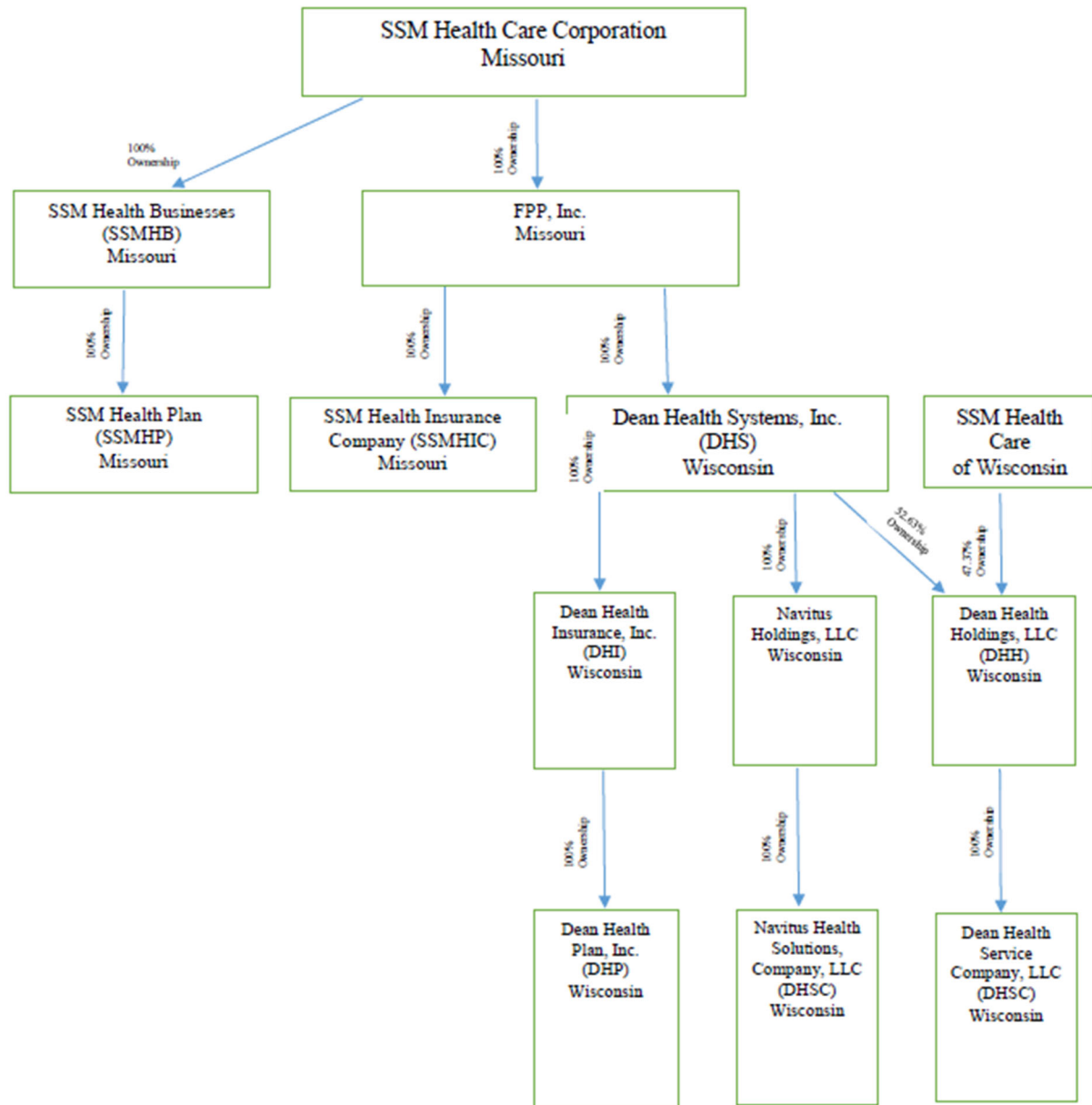
Executive Summary

The Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the "Statement") is submitted by Medica Holding Company, a Minnesota nonprofit corporation ("Medica" or the "Applicant") in connection with a proposed formation of a joint venture between SSM Health Care Corporation ("SSM") and Medica related to Dean Health Insurance, Inc. and Dean Health Plan, Inc. (the "Transaction"). The Transaction would result in a change of control of Dean Health Insurance, Inc. and Dean Health Plan, Inc.

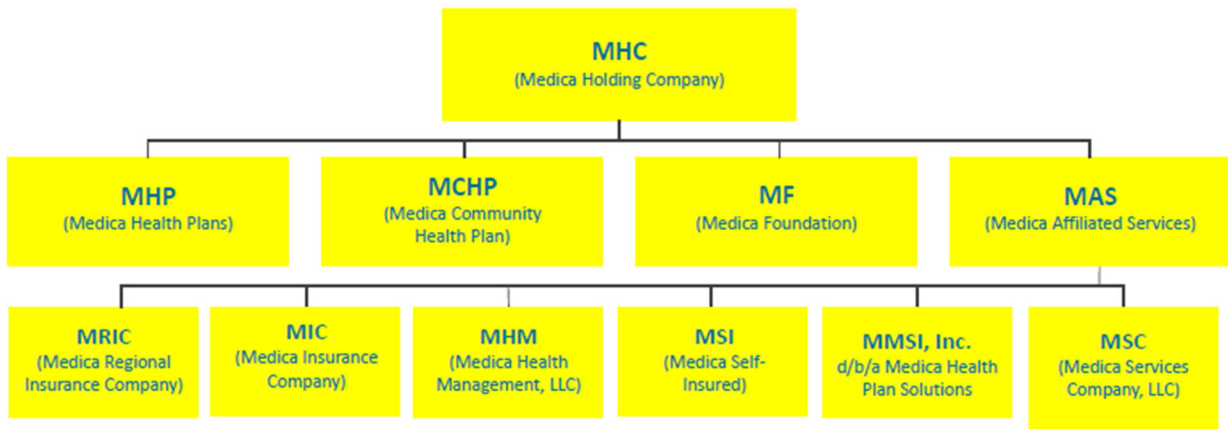
Dean Health Insurance, Inc. ("DHI") and Dean Health Plan, Inc. ("DHP" and collectively with DHI, the "Domestic Insurers"), are located in Madison, Wisconsin. DHI was incorporated in August of 1995, then known as Premier Medical Insurance, Inc., as a Wisconsin stock insurance company. DHP is a for-profit stock insurance company that is licensed in Wisconsin as a Wisconsin health maintenance organization and is a subsidiary of DHI. In September 2013 Dean Health Systems, Inc. acquired 100% ownership of DHI and DHP. Also in September 2013, FPP, Inc. acquired 100% ownership of Dean Health Systems, Inc. FPP, Inc. is a Missouri corporation formed in 1986 and is a direct, wholly-owned subsidiary of SSM Health Care Corporation ("SSM")

DHI is also licensed in Illinois. DHP is not licensed in any other states. DHI and DHP are affiliated with SSM Health Plan, a Missouri nonprofit health service corporation and health maintenance organization and SSM Health Insurance Company a Missouri life, health, and accident insurance corporation, that will both be part of the transaction. A Form A statement is also being filed simultaneously in Missouri.

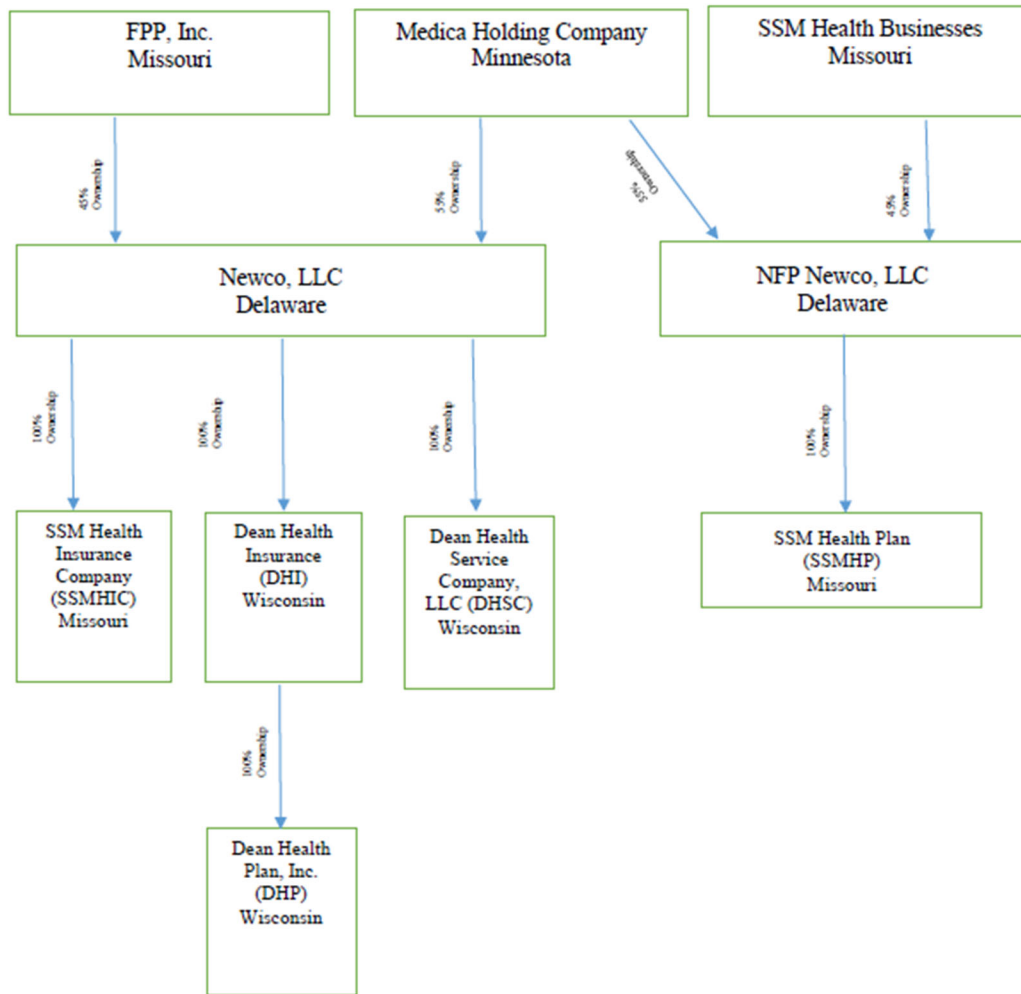
SSM/ Dean Organizational Chart Before Proposed Transaction:



Medica Organizational Chart Before Proposed Transaction:



Combined Organizational Chart After Proposed Transaction:



Identity and Background of the Domestic Insurers

Identity of the Domestic Insurers:

Dean Health Plan, Inc. (“DHP”) and Dean Health Insurance, Inc. (“DHI”)

1277 Deming Way
Madison, Wisconsin 53717

NAIC Group Code: 1294

NAIC Number: DHI - 60067, DHP - 96156

Background of the Domestic Insurers:

DHP and DHI

Dean Health Insurance, Inc. is a Wisconsin stock insurance company, which is the sole stockholder of DHP. DHP is a for-profit stock insurance company that is licensed as a Wisconsin health maintenance organization and is a wholly-owned indirect subsidiary of SSM Health Care Corporation (“SSM”). The FEIN of DHI is 39-1830837 and the NAIC number for DHI is 60067. The FEIN of DHP is 39-1535024 and the NAIC number is 96156.

Affiliated Companies:

SSM Health Care Corporation

SSM is a tax-exempt organization under Section 501(c)(3) of the Code that is (i) the sole member of SSM Health Businesses, a Missouri nonprofit corporation that is a tax-exempt organization under Section 501(c)(3) of the Code ("SSMHB"), and (ii) the sole stockholder of FPP, Inc., a Missouri corporation ("FPP"), which is the sole stockholder of Dean Health Systems, Inc., a Wisconsin corporation ("DHS").

Dean Health Systems, Inc.

DHS is (i) the sole stockholder of DHI and (ii) a member of Dean Health Holdings, LLC, a Wisconsin limited liability company ("DHH"), which is the sole member of Dean Health Service Company, LLC, a Wisconsin limited liability company ("DHSC").

SSM Health Business

SSMHB is the sole member of SSM Health Plan, a Missouri nonprofit health services corporation and health maintenance organization that is a tax-exempt organization under Section 501(c)(4) of the Code ("SSMHP").

FPP Inc.

FPP is the sole stockholder of SSM Health Insurance Company, a Missouri life, health and accident insurance corporation ("SSMHIC").

Identity and Background of the Applicants

Identity of the Applicants:

Medica Holding Company ("Medica")

401 Carlson Parkway
Minnetonka, MN 55305

Background of the Applicant:

Medica Holding Company

Medica is a tax-exempt organization under Section 501(c)(4) of the Code, that is the sole member of Medica Services Company, LLC, a Delaware limited liability company ("MSC").

Affiliated Companies:

Medica Insurance Company

Medica Insurance Company ("MIC") a Minnesota corporation licensed as a stock insurance company (NAIC No: 12459)

Medica Health Plan

Medica Health Plan ("MHP"), a Minnesota nonprofit corporation licensed as a health maintenance organization (NAIC No. 52626)

Medica Community Plan

Medica Community Health Plan ("MCHP"), a Wisconsin corporation licensed as a health maintenance organization in Wisconsin (NAIC No. 95232)

Medica Regional Insurance Company

Medica Regional Insurance Company, a Nebraska corporation licensed as an insurance company (NAIC No. 16997)

Directors and Executive Officers of Medica Holding Company:

Name	Positions Held
Rajesh Aggarwal*	Director
Brigid Bonner*	Director, Chief Experience Officer
John Buck*	Director, VP and Executive Medical Director of Surgical Services
Peter Kelly, M.D.*	Director
Samuel Leon, M.D.*	Director
Gaye Adams Massey*	Director
John Naylor*	Director, President and Chief Executive Officer
John Stanoch*	Director
Earl Stratton*	Director
Esther Tomljanovich*	Director
Mary Twinem*	Director
Mark Baird*	Chief Financial Officer and Treasurer
David Ellenbogen*	Senior Vice President, General Counsel, and Secretary

Proposed Directors and Executive Officers of DHI and DHP:

Name	Positions Held
John Naylor*	Director and Chairman of the Board
Mark Baird*	Director
David Ellenbogen*	Director and Secretary
Randall Combs*	Director and Treasurer
Matthew Kinsella*	Director
Timothy Johnson, M.D.*	Director
Les McPhearson*	President
Randy Ruplinger*	Chief Financial Officer
Dean Sutton*	Secretary, VP & General Counsel
Doug Long*	Assistant Secretary
Tony Hammond*	Interim Chief Actuary
Jason Coons*	VP of Business Transformation
Kathy Killian*	VP of Operations
Ralph Buelling*	VP of IT
Kevin Eichhorn, M.D.*	Chief Medical Officer
David Docherty*	VP Chief Growth Officer & Market Executive
Loretta Lorenzen*	VP of Network Management
Michael Weber*	VP of Sales, Client and Health Promotion
Dan Houchell*	VP of Product Management
Brant Sonzogni*	Senior Director of Business Development and Strategy
Melissa Pollari*	Senior Director Health Services
Stephanie Cook*	VP of Governance, Risk, Compliance
Two additional to be determined members	

Note: * indicates that the biographical affidavit was provided for the individual and no significant concerns were identified. If significant concerns were identified, OCI would request additional information from the company until none remain.

The current officers and key personal for DHI and DHP will continue act in those roles after closing. The Applicants indicated that they plan on two additional members joining the board. OCI will review the biographical affidavits of these individuals when they are available. OCI will issue request that these biographical affidavits are provided within 10 days after appointment.

Nature, Source, and Consideration

Nature:

The proposed transaction involves a corporate restructuring of certain SSM subsidiary health plan entities in conjunction with SSM's Transfer of part of its ownership in those health plan entities to Medica. Following the transaction, SSM will remain a 45% indirect owner of the health plans and Medica will indirectly own the other 55% of the health plans.

Medica and SSM seek to enter into a joint venture transaction whereby SSM will cause all of the ownership interests in SSMHIC, DHI, DHP, and DHSC to be contributed to a newly formed Delaware limited liability company, MS Community JV, LLC ("Newco") in return for 100% of the membership interests in Newco to be issued to FPP, SSM will cause all of the membership interests in SSMHP to be contributed to a separate, newly formed Delaware limited liability company, MS Community NFP JV, LLC ("NFP Newco") in return for 100% of the membership interests in NFP Newco to be issued to SSMHB, and medica will purchase 55% of the membership interests in Newco from FPP and 55% of the membership interest in NFP Newco from SSMHB for fair market value consideration.

Medica and SSM believe that the transaction will further their respective missions by establishing an enhanced platform for the operation of market competitive health care plans committed to improving enrollee experience of care, improving health of the populations, reducing the per capita cost of health care, and improving the overall social welfare of the enrollees and the community at large.

Source and Consideration:

Medica will pay the purchase price in cash from funds on hand and investments held on Medica's balance sheet, no part of the consideration will be paid in borrowed funds. The amount of the consideration to be paid was determined by an arm's length transaction between unaffiliated parties. Medica did not seek or obtain a fairness opinion in connection with the Transaction.

Applicants Plans

Other than the plans discussed in the Form A statement, Medica does not have, nor does Medica currently contemplate, any plans or proposals to declare any extraordinary dividends, liquidate DHI or DHP, sell any of DHI's or DHP's assets, merge DHI or DHP with any person or persons, or make any other material change to DHI's or DHP's business operations or corporate structure or management. Immediately following the Transaction, DHI and DHP will continue to offer its current products, and Medica and SSM do not currently have any plans to withdraw or discontinue any of DHI's or DHP's product offerings.

Before the end of 2024, Medica will undertake with DHI and DHP the conversion of DHI and DHP to a different claims processing platform and other information systems investments following the Transaction. An important piece of the strategic partnership between Medica and SSM is the operational scale that Medica brings to support DHI's and DHP's claim processing platform conversion. Medica has made and continues to make significant investments in its data and analytics capabilities to enable improved population health and in digital platforms management to improve customer experience. Medica has a dedicated and highly experienced implementation and operating team in place that can significantly mitigate implementation risk and reduce overall implementation cost.

Medica and SSM may formulate and will continually evaluate purposes, plans or proposals related to DHI and DHP involving such actions to the extent deemed advisable in light of market conditions or other factors. Medica and SSM intend to closely evaluate opportunities for growth and operational improvements following consummation of the Transaction.

Immediately following the closing, the current executive officers of DHI and DHP will remain unchanged. Medica and SSM intend to retain DHI's and DHP's employees following the closing of the Transaction and have no current plans regarding workforce reductions involving DHI or DHP employees.

In connection with the Transaction, the parties intend to amend the articles of incorporation and bylaws of DHI and DHP to include the changes set forth in Exhibit C of the purchase agreement. DHI and DHP will submit copies of the proposed revised organizational documents to OCI for review and prior approval to their effectiveness.

In connection with the Transaction, DHI and DHP will enter into services agreements with certain of their affiliates. DHI and DHP will also enter into new capitation arrangements, and DHP will enter into a real estate lease with SSM affiliates for office space located in Madison, Wisconsin. DHI and DHP are separately providing notice to OCI under Wis. Stat. 617.21(2) with respect to such agreements, as required. OCI has separately reviewed these agreements as part of the Applicants accompanying Form D filing. No significant concerns were identified, and non-disapproval is recommended. OCI will request executed copies of these agreements, as they are available subsequent to the approval of the Form A filing.

Financial Highlights

Highlighted Financial Data of the Applicant:

Financial Highlights (in thousands)	Unaudited		Consolidated Financial Statement			
	Q2 2021	2020	2019	2018	2017	2016
Total Revenue	2,226,545	4,558,713	4,657,422	4496576	3,841,583	4,606,610
Change in Net Assets	227,149	99,387	498,901	257386	158,976	(230,725)
Total Assets	3,449,873	2,910,339	2,599,890	2289454	1,510,533	1,610,661
Total Liabilities	1,074,025	1,157,880	946,818	1135283	613,848	872,852
Total Net Assets	2,375,847	1,752,459	1,653,072	1154171	896,785	737,809
Net Cash Provided by Operating Activities	-	545,686	247,773	612393	46,845	(138,524)

Financial Projections of the Domestic Insurer:

The financial projections of the Domestic Insurer 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 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.

Additionally, the related Form D filing, and the agreements reviewed therein, have been non-disapproved following OCI review. The above-mentioned agreements should be filed with the OCI within 10 business days of closing.