

**In the Matter of the Acquisition of Quartz
Health Plan Corporation, Quartz Health
Insurance Corporation, and Quartz
Health Benefit Plans Corporation by
Bellin Gundersen Health System, Inc.**

Case No. 23-C45002

Case No. 23-C45003

Case No. 23-C45004

**PREPARED TESTIMONY OF SCOTT RATHGABER, MD
IN ABOVE-CAPTIONED MATTERS**

Introduction

My name is Scott Rathgaber, M.D., and I am the Chief Executive Officer (“CEO”) of Bellin Gundersen Health System, Inc (“BGHS”). I have been employed by Gundersen Lutheran Health System, Inc. (“GHS”) in various capacities since January of 1998. Currently, I am also the CEO of GHS, a member of the GHS Board of Trustees, and a member of the medical staff of GHS.

In my testimony, I would like to provide background about BGHS, the domestic insurers, and the proposed transaction. Additionally, I would like to explain why we believe this transaction benefits the domestic insurers, their policyholders, and the insuring public of Wisconsin. I also intend to present myself virtually at the hearing to be conducted by the Wisconsin Office of the Commissioner of Insurance (“OCI”) on June 26, 2023 to answer any questions that may remain.

Background Regarding BGHS

BGHS is a Wisconsin nonstock corporation, organized for the purpose of being the sole member of GHS and Bellin Health Systems, Inc. (“BHS”) pursuant to a combination between GHS

and BHS (the “Combination”). BGHS has no active business other than serving as the corporate member of both GHS and BHS.

BGHS is the petitioner in the three Form A Statements Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the “Form A Statements”) related to each case referenced above, seeking the OCI’s approval for BGHS to indirectly acquire the voting equity interests of each of Quartz Health Plan Corporation (“QHPC”), Quartz Health Insurance Corporation (“QHIC”), and Quartz Health Benefit Plans Corporation (“QHBP, and together with QHPC and QHIC, the “Domestic Insurers”).

Background Regarding the Domestic Insurers

QHPC is a Wisconsin insurance company with four (4) members, one (1) of which is GHS. QHPC is the sole member of Quartz Health Plan MN Corporation.

Quartz Holding Company (“QHC”) is a Wisconsin corporation with four (4) members, one (1) of which is GHS. QHC owns all of the equity interests in QHIC, a Wisconsin insurance company, and QHIC owns all of the equity interests in QHBP, a Wisconsin insurance company.

Background Regarding the Proposed Transactions

I am familiar with the above-captioned proposed transactions. The proposed transactions, as described in the Form A Statements, seek the OCI’s approval for BGHS to acquire indirect control of the Domestic Insurers by becoming the sole member of GHS pursuant to the Combination.

Following the proposed transactions, GHS will continue to directly hold its membership interests in the Domestic Insurers and any decisions regarding those interests will continue to be made by GHS. GHS currently intends that the governance of GHS’s controlling interests in the

Domestic Insurers, to the extent those authorities are delegated to BGHS, remain with a board committee containing directors only appointed by GHS.

Requirements for Approval

Section 611.72(3)(am) of the Wisconsin Statutes lists five grounds under which the OCI may disapprove a transaction that involves the acquisition of stock in a domestic insurance corporation. BGHS believes that its acquisition of indirect control of the Domestic Insurers meets the requirements for approval that the OCI would consider under Wis. Stat. § 611.72(3)(am):

1. **Wis. Stat. § 611.72(3)(am)1**: **The domestic insurance corporations would be able to satisfy the requirements for the issuance of licenses to write the line or lines of insurance for which they are presently licensed.**

The Domestic Insurers are each currently licensed to write insurance in Wisconsin, and I do not foresee that the proposed transactions would affect such licenses. I am not aware of any facts to indicate that the Domestic Insurers will not continue to satisfy Wisconsin's requirements to do insurance business in Wisconsin.

2. **Wis. Stat. § 611.72(3)(am)2**: **The effect of the acquisition of control would not be to create a monopoly or substantially lessen competition in insurance in this state.**

The proposed transactions do not create a monopoly or substantially lessen competition in the Wisconsin insurance market. The Combination was conducted by BHS and GHS in such a way that, during due diligence processes, competitive health plan information regarding the Domestic Insurers would only be shared with a select group of persons who had a need to know such information. Further, the Combination was subject to review by the Federal Trade Commission ("FTC") and the U.S. Department of Justice Antitrust Division ("DOJ") pursuant to a Hart-Scott-Rodino Act ("HSR Act") filing. The HSR Act gives the FTC and DOJ an initial thirty (30) days ("HSR Waiting Period") to review the Combination for any anticompetitive effects pursuant to Section 7 of the Clayton Act, which prohibits transactions whose effect "may be to substantially

lessen competition, or tend to create a monopoly.” The HSR Waiting Period expired, with neither antitrust agency having any questions for the parties regarding the Combination, and the parties were free to proceed with the Combination.

Further, the governance structure of BGHS is intended to prevent any spillover of GHS’s sensitive information regarding its health plan operations. The governance structure provides that only GHS representatives sit on the BGHS board committee tasked with making decisions regarding the Domestic Insurers at the BGHS entity level.

3. **Wis. Stat. § 611.72(3)(am)3: The financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic insurance corporation or its parent insurance holding corporation, or prejudice the interests of its Wisconsin policyholders.**

BGHS, together with GHS, is a well-capitalized Wisconsin domestic health care system, and its current financial condition indicates its financial strength. In addition, the overall ownership structure BGHS gives the health plans multiple avenues of capital in the future should capital be necessary. BGHS does not believe that its indirect acquisition of the voting equity interests of the Domestic Insurers will jeopardize the financial stability of the Domestic Insurers or prejudice the interests of the Domestic Insurers’ Wisconsin policyholders.

4. **Wis. Stat. § 611.72(3)(am)4: The plans or proposals which the acquiring party has to liquidate the domestic 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 insurance corporation or in the public interest.**

BGHS and GHS have no plans to liquidate any of the Domestic Insurers, sell their assets, merge them with any person, or immediately make a material change in its business or corporate structure. The parties do not currently contemplate changes in the officers or directors of the Domestic Insurers as a result of the Combination; all current officers and directors will continue

to serve in their present roles with respect to the Domestic Insurers as of closing and approval of the Form A Statements, other than resignations or retirements in the normal course of business.

The proposed transaction does not give BGHS any interest in the Domestic Insurers' other members/shareholders: Iowa Health System d/b/a UnityPoint Health, an Iowa non-profit corporation, University Health Care, Inc., a Wisconsin nonstock corporation, and Aurora Health Care, Inc., a Wisconsin nonstock corporation. Further, the Combination does not give GHS any direct interest in BHS nor BHS any direct interest in GHS. Lastly, neither BGHS nor any of its respective affiliates (other than GHS) or any of the persons listed in Item 3 of Form A Statements has a beneficial interest in, or the right to acquire a beneficial interest in, the voting securities of the Domestic Insurers.

5. **Wis. Stat. § 611.72(3)(am)5: The competence and integrity of those persons who would control the operation of the domestic 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 acquisition of control.**

The persons who currently manage the Domestic Insurers and who have managed the Domestic Insurers for some time will be active in the management of each of the Domestic Insurers post-transaction. These individuals have many years of experience in the insurance industry, and particularly with health insurance products, the health insurance market, and provider networks. They have over the years proven their competence and integrity in their work with the Domestic Insurers. Their considerable experience with health insurance, health insurance markets, and provider networks supports the position that their work with the Domestic Insurers post-transaction would be in the best interest of the policyholders of the Domestic Insurers and of the public.

Conclusion

Thank you for your prompt attention to and consideration of this written testimony. I and BGHS look forward to continuing to work with the OCI in seeking approval of the Form A Statements.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Scott Rathgaber, MD", written over a horizontal line.

Scott Rathgaber, MD
Chief Executive Officer
Bellin Gundersen Health System, Inc.