



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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DATE: May 9, 2019

TO: Amy J. Malm, Hearing Examiner
Richard Hinkel
Steven Junior

FROM: Michael A. Mancusi-Ungaro

SUBJECT: The Acquisition of Control of Trilogy Health Insurance, Inc. by My Choice Family Care, Inc. (Case No. 19-C43063).

Executive Summary

On February 18, 2019, My Choice Family Care, Inc. (“My Choice” or the “Applicant”) filed a Form A application requesting permission to acquire 100% of the outstanding stock of the Wisconsin domiciled, Chapter 611 stock insurance corporation, Trilogy Health Insurance, Inc. (“Trilogy”).

My Choice is a non-stock, not-for-profit corporation organized under Chapter 181 of the Wisconsin statutes and is in good standing with the State of Wisconsin Department of Financial Institutions as a corporate entity. Organized in 2000, My Choice was one of the original Family Care Pilot Counties as a division within the Milwaukee County Department on Aging, operating as a managed care organization. In 2009, My Choice became a separate department within the Milwaukee County Government and was no longer affiliated with the Milwaukee County Aging Resource Center and the Milwaukee County Disability Resource Center.

In 2016, My Choice received approval from the Milwaukee County Board of Supervisors, its own governing board, and the Milwaukee County Executive to create a non-stock, nonprofit organization called My Choice Family Care, Inc. Wisconsin Department of Health Services and OCI assigned both the then existing Family Care contract and the required operating permit on September 1, 2016, respectively.

Trilogy is a wholly-owned subsidiary of Trilogy Health Holding, LLC is licensed as a Wisconsin health maintenance organization.

A review of the Stock Purchase Agreement did not raise any issues, however, given that Trilogy has recently struggled to increase and stabilize its risk based capital, OCI determined it to be in the best interest of Wisconsin’s insureds to require both My Choice and Trilogy to agree to a stipulation and order requiring Trilogy to maintain a RBC score of at least 350%.¹ After getting

¹ See Stipulation and Order in case number 19-C43062.

Ms. Amy J. Malm, Hearing Examiner
Case No. 19-C43063
May 9, 2019
Page 2

assurances from Application Contact, Lisa Gingerich and from key executives during an April 19, 2019 conference call, Trilogy and My Choice both agreed to sign a proposed Stipulation and Order requiring Trilogy to maintain to an RBC of 350%. My Choice is also a party to the Stipulation and Order.

Application Contacts:

Lisa Gingerich Partner
Michael Best & Friedrich LLP
100 East Wisconsin Avenue, Suite 3300
Milwaukee, Wisconsin 53202
(414) 270-2710

Kevin Collins
General Counsel & Chief Compliance Officer
My Choice Family Care, Inc.
10201 West Innovation Drive, Suite 100
Wauwatosa, WI 53226
(414) 287-7600

The Transaction

The structure of the agreement is straightforward. My Choice intends to acquire 100% of the issued and outstanding stock of Trilogy from Trilogy Health Holdings, LLC pursuant to a stock purchase agreement dated January 17, 2019. A review of the stock purchase agreement did not raise any material concerns requiring further comment.

The Identity and Background of the Applicants

The name and current business address of the Applicant:

My Choice Family Care, Inc.,
10201 West Innovation Drive, Suite 100
Wauwatosa, WI 53226

Directors and Officers of My Choice:

Executive Officers	
Name	Title
Maria Ledger	Chief Executive Officer
Jim Hodson	Chief Financial Officer
Betsy Van Heesch	Chief Operations Officer
Kevin Collins	General Counsel & Chief Compliance Officer

Board of Directors	
Name	Title
Tom Orendorff	President and Chairman of the Board
Michael Mayo, Sr.	Vice Chairman and Director
Dr. Ken Byom, D.O.	Secretary
Maria Rodriguez	Treasurer and Director
Lynda Krellwitz	Director
Arlyn Doehler	Director
Lee Seese	Director

Post-Closing Directors and Officers of Trilogy:

Trilogy's Board of Directors and Executive Officers	
Name	Title
Maria Ledger	Chief Executive Officer and Director (ex-officio)
William Felsing	Director
Glenn Reinhardt	Executive VP & Chief Operating Officer and Director
Michael Repka	Director
Dr. Ajitkumar Parekh	Director
Joanne Bolz	Director
Rebeca Ornelas	Director
Bonita Warner	Director

A review of the confidential biographical affidavits for the above listed officers and directors indicated no issues of concern.

Nature, Source and Amount of Consideration

My Choice will use existing cash on hand to pay Trilogy Health Holdings, LLC the agreed upon Purchase Price subject to a post-closing purchase price adjustment. The post-closing purchase price adjustment will be significant. The Applicant originally proposed that Trilogy would maintain a 300% RBC, but OCI disagreed. Subject to the terms and conditions of the Stipulation and Order signed by the Applicant and Trilogy, Trilogy will maintain a RBC of 350%. This requirement triggers an adjustment in the purchase price pursuant to Section 2 of the Stock Purchase Agreement.

The 611.72(3) Standard

Wisconsin Statute s. 611.72(3)(am) creates a five part test to 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. OCI Staff has relied heavily on the proposed business plan and financial projections and will monitor compliance with the Stipulation and Order.

s. 611.72(3)(am)2: It is OCI's opinion that a Form E analysis is not necessary as this proposed merger involves operations that are relatively small and do not have a large membership concentration in any specific geographic market. As such, the risk that this transaction would eliminate competition for health insurance products in any Wisconsin county is minimal. OCI's initial 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 3 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 Applicant, no material concerns requiring further comment were identified. OCI, however, will monitor compliance with s. 611.72(3)(am)3, Wis. Stat.

s. 611.72(3)(am)4: Paragraph 4 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." OCI believes that approving this transaction is in the best interest of the communities that both the Applicant and Trilogy serve. 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 and this review did not raise serious concerns after further review.

Conclusion

My Choice's plan for the acquisition of control of Trilogy should be approved, subject to their agreement to Stipulation and Order No. 19-C43062.