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Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition
and Control of:

NO. G09-0032

**PUGET SOUND HEALTH
PARTNERS, INC.,**

**DECLARATION OF
RONALD J. PASTUCH**

by

**NORTHWEST PHYSICIANS
NETWORK OF WASHINGTON,
LLC, And PHYSICIANS OF
SOUTHWEST WASHINGTON, LLC**

Applicants.

Ronald J. Pastuch, under penalty of perjury under the laws of the State of Washington,
declares as follows:

1. I am the Holding Company Manager in the Company Supervision Division of
the Washington State Office of Insurance Commissioner ("OIC"). I am over the age of
eighteen years old and I am competent to testify in this matter. I make this Declaration based
upon my personal knowledge.

1 2. I am also a graduate of Pacific Lutheran University, where I earned a Bachelor
2 of Arts Degree in Business Administration in 1988. I was certificated as a CPA in 1993, and
3 received my CPA license in 2003.

4 3. After graduation I worked for the Washington Department of Veterans Affairs
5 from 1980 to 1987 in accounting and human resource positions. In 1987, I joined the OIC as
6 an accountant, a position I held until 1991. From 1991 to 1993, I served as a field Insurance
7 Examiner with the OIC. At this point, I served as a Financial Analyst in the OIC's Company
8 Supervision Division, a position I held at various levels from 1993 to 2006.

9 4. On February 16, 2006, I was appointed Holding Company Manager in the
10 OIC's Company Supervision Division. As Holding Company Manager, my primary duties
11 consist of reviewing and approving holding company transactions, which include reviewing
12 and recommending OIC's position on insurance company and health carrier acquisitions and
13 mergers, including disclaimers of control.

14 5. On November 25, 2008, Puget Sound Health Partners on behalf of Northwest
15 Physicians Network ("NPN") and Physicians of Southwest Washington ("PSW") (NPN and
16 PSW are collectively known as "the Applicants") filed a Form A Statement for the Approval
17 of the Acquisition of Control of Puget Sound Health Partners, Inc. ("PSHP"). The Applicants
18 are two of three founding organizations of PSHP. The Applicants and PSHP's third founding
19 organization and selling shareholder, namely Highline Medical Services Organization
20 ("HMSO"), entered into a stock purchase agreement dated November 24, 2008, to acquire all
21 shares of PSHP common stock held by HMSO for an aggregate cash purchase price between
22 \$620,000 and \$1,640,000. The purchase price is subject to an initial one-time payment of
23 \$500,000 plus quarterly payments based on the number of lives enrolled in PSHP.

 6. On December 17, 2008, the OIC sent a deficiency letter and requested
additional information regarding the Form A Statement.

1 7. On January 9, 2009, PSHP filed the original Form A application with
2 signatures.

3 8. On February 2, 2009, the chair of the board of directors for PSHP filed a notice
4 to the OIC that the PSHP CEO had resigned and the new CEO is Ms. April Golenor.

5 9. On February 3, 2009, the OIC issued a Solicitation Permit for Subsequent
6 Financing to PSHP to issue 50,000 common shares, \$10.00 par value, equally to NPN and
7 PSW for a total of \$1,000,000. Those common shares were distributed to NPN and PSW on
8 February 10, 2009.

9 10. On February 18, 2009, PSHP filed an Amendment and Fully Stated Form A
10 dated February 2, 2009 with the additional information requested in the December 17th
11 deficiency letter.

12 11. On March 17, 2009, the OIC submitted a request to the Chief Hearing Officer
13 for a hearing to be scheduled to determine the filed Form A Statement.

14 12. On May 4, 2009, the OIC received a joint signed letter from the Applicants
15 concerning the Form A. Also on May 4, 2009, the OIC received a letter from HMSO
16 concerning the Form A.

17 13. I have reviewed and analyzed these submittals. My analysis was performed
18 under the criteria set forth in RCW 48.31C.030(5). From my analysis, the domestic health
19 carrier would be able to satisfy the requirements for registration as a health carrier. The effect
20 of the proposed acquisition of control would not lessen competition in this state or tend to
21 create a monopoly therein. A market analysis was performed on the domestic health carrier's
22 direct writings and federal CMS Medicare Advantage market in Washington State. We
23 solicited the office of the attorney general antitrust division to review the market analysis. At
the time of this Declaration, the office of attorney general has not replied with substantial
evidence that the effect of the acquisition may substantially lessen competition or tend to
create a monopoly in the health coverage business. The financial conditions of the Applicants

1 appear that the Applicants would not jeopardize the financial stability of the domestic health
2 carrier or prejudice its subscribers' interest. We are not aware of any plans or proposals by the
3 Applicants to liquidate the domestic health carrier, sell its assets, consolidate, or merge it with
4 any person, or make any other material changes in its business or corporate structure or
5 management that are unfair and unreasonable to the domestic health carrier's subscribers and
6 not in the public interest. The board of directors and executive officers of PSHP appear to
7 have the competence, experience, and integrity of those persons who would control the
8 operation of the domestic health carrier. Our checks did not reveal any evidence to dispute
9 that assertion. We are not aware the acquisition is likely to be hazardous or prejudicial to the
10 insurance-buying public. Therefore, to the presiding officer, we recommend an approval of
11 the acquisition of PSHP with a conditional provision. That conditional provision is subject to
12 an agreement between the OIC, PSHP, NPN, PSW, and HMSO that is to be included in the
13 Chief Hearing Officer's order.

14 14. From a procedural standpoint, the OIC requires that notice of this proposed
15 acquisition be given to the public via the Internet (on the OIC's website). On June 12, 2009,
16 OIC posted information on the Insurance Commissioner's website concerning the proposed
17 sale of PSHP and the OIC's review process. Such notice was updated by the OIC regarding
18 the hearing, via the Notice of Hearing and announcement posted on the OIC's website on
19 June 10, 2009, a true and correct copy of which is attached hereto as Exhibit "A". This notice
20 informs the public of the July 10, 2009, hearing and the nature of the hearing. This notice has
21 remained on the OIC's website since June 12, 2009, and will remain posted on the website
22 through the date of the hearing.

23 15. The Notice of Hearing informs and advises all interested parties that any
individual or entity is permitted to submit comments on, or objections to, this proposed
acquisition. The Notice of Hearing states that any questions should be directed to Wendy
Galloway, Paralegal to the OIC's Chief Hearing Officer.

1 16. As of the date of this Declaration, we have not received any communications
2 since the filing of the Notice of Hearing. I personally have not received any comments,
3 questions, or objections through letter, correspondence, email, or phone, nor am I aware of
4 any comments, questions, or objections having been received by the OIC's Chief Hearing
Officer.

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6 SIGNED this 9th day of July, 2009.

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9 _____
10 Ronald J. Pastuch
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Public notices, advisories and alerts

EXHIBIT "A"

The following items are for the last 90 days.

Notices

6/12/2009 [Hearing set for sale of Puget Sound Health Partners](#)

The hearing is scheduled for 10 a.m. on July 10, 2009 in Tumwater, Washington. [More information](#)

Media Advisories

6/5/2009 [UPDATED New Time - Kreidler to unveil record spike in the uninsured](#)

News Releases

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- 6/12/2009 [Hearing set for sale of Puget Sound Health Partners](#)
The hearing is scheduled for 10 a.m. on July 10, 2009 in Tumwater, Washington. [More information](#)
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- 6/8/2009 **Updated** - [Uninsured in Washington state jumps nearly 21 percent](#)
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- 6/5/2009 [UPDATED New Time - Kreidler to unveil record spike in the uninsured](#)
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- 5/21/2009 [Kreidler joins national debate on health care](#)
Meets with Congress on reforms to health care and financial systems
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- 5/6/2009 [Insurance Commissioner Kreidler cracks down on insurers that don't play by the rules](#)
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- 4/28/2009 [Guard your insurance card to avoid scams](#)
Commissioner Kreidler warns people to keep their insurance information secure because it can be a source of identity theft.
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- 4/22/2009 [New protections for consumers who buy discount health plans](#)
-
- 4/13/2009 [New protections for transplant patients](#)
-
- 4/9/2009 [Consumer alert: Save money on your homeowners insurance](#)
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- 3/30/2009 [Governor to sign annuity sales bill into law](#)
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[Next Records](#)



Puget Sound Health Partners sale

The Office of the Insurance Commissioner received a request last November from two owners of Puget Sound Health Partners to buyout the third owner.

History of the process

We received the application for sale in **November 2008**. We requested additional information and received the necessary documents in **February 2009**. We deemed the application complete and requested a hearing in **March**.

A judge will review the application at an upcoming adjudicative hearing in Tumwater on July 10, 2009 at 10 a.m. The Notice of Hearing and Form A application and related information can be found on the Commissioner's website.

What we look at

In all proposed sales, the companies must file an application (Form A) that details:

1. Financial information for both companies.
2. Who will operate the company at the highest levels.
3. Their business plan.
4. Market competition impacts.

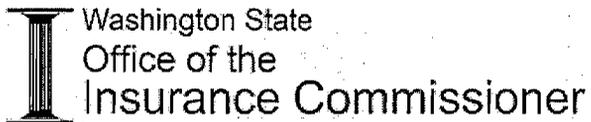
Evaluation criteria

Under state law, the commissioner must approve the deal unless:

1. It would substantially lessen competition or create a monopoly.
2. The buyer's plans are unfair and unreasonable to the policyholders of the insurance company.
3. The buyer isn't competent, honest or financially sound enough to run an insurance company.
4. It is in some other way "hazardous or prejudicial to the insurance-buying public."

Questions?

Please contact our holding company manager, Ron Pastuch, at 360-725-7211.



Judicial Proceedings

A-B | C-D | E-F | G-I | J-L | M-O | P-R | S-T | U-V | W-Z

Note: The orders below **are not official**. You may request official copies from our Public Disclosure Office, 360-725-7003, or email: ericm@oic.wa.gov.

Name/Docket no.	Type of action	Status	Documents are in  PDF format
PacifiCare of Washington, subsidiary of UnitedHealth Group by Capital Group Companies, Inc., and Capital Group Companies Management Companies G08-0144	Disclaimer of Affiliation and Control	Exemption approved	Order approving exemption Capital Group witness ltr Declaration of R. Pastuch Amended notice of hearing Notice of hearing Disclaimer of control
PacifiCare of Washington, Inc. Acquisition by UnitedHealth Group Incorporated G05-88	Acquisition of control	Request for hearing withdrawn - File closed	Amended prehearing conference Order terminating proceedings
Pacific Northwest Title Insurance Company D07-309 & D07-305	Imposition of Fines	Matters terminated	Order terminating proceedings Consolidation order Notice referral Notice of hearing Notice of hearing Receipt of request Receipt of request
Pacific Northwest Title Insurance Company by The First American Corporation G04-02	Acquisition of Control	Acquisition approved	Demand for hearing Notice of hearing Final decision
Paterson, Kirsten Molbak D07-0193 2007-INS-0001	Order Revoking License	Settlement Reached	Order revoking license Demand for hearing Order on PHC Notice of hearing Stipulation & consent order
Paterson, Robert J. D07-0192 2007-INS-0002	Order Revoking License	Order Revoking License Vacated	Order Revoking license Demand for hearing Order on PHC Notice of hearing Stipulation & order
Peachtree Casualty Insurance Company D06-227 2006-INS-0017	Appeal OIC's Proposed Consent Order/Fine	Proceedings Terminated	Notice of intent Demand for hearing Initial order Final order

Physicians Insurance Mutual Co. D04-114 & 2004-INS-0001	Appeal OIC's Imposition of Fine	Proceedings Terminated	Notice of fine Demand for hearing Notice of hearing Initial order Final decision
Puget Sound Health Partners, Inc., ("PSHP") proposed acquisition by Northwest Physicians Network of Washington, LLC ("NPN") and Physicians of Southwest Washington, LLC ("PSW") Docket No. 09-0032	Proposed acquisition & control	Hearing scheduled: 7/10/09 @ 10 a.m.	Form A Notice of hearing 07 & 08 Annual statements Notice of appearances Biographical affidavits
Quanta Indemnity Company D06-165	Appeal OIC's Proposed Order	Proceedings Terminated	Notice of intent Receipt Notice of hearing Final decision
Regence (diabetes) G03-02 2003-INS-0001 04-2-00818-0	Contract coverage for diabetes at issue	Ct. of Appeals Affirmed OIC'S Decision of April 6, 2004 Disapproving Regence's Proposed Policy Form RBS-56	OIC's disapproval Demand for hearing Initial decision Final decision Superior court decision Court of appeals decision
Response Indemnity Co., w/into National Merit Insurance Company G06-56	Merger	Merger Approved	Demand for hearing Notice of hearing Amended notice Final decision
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