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Patricia D. Peiser
Chief Hearing Officer

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**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON**

In the Matter of the Proposed Acquisition of
Control of:

No. 12-0010

ARCADIAN HEALTH PLAN, INC., a
Washington Health Care Service Contractor,

PRE-FILED OPENING STATEMENT

By

HUMANA INC., a Delaware corporation, and
its wholly owned subsidiary HUMSOL, INC,
a Delaware corporation

PRE-FILED OPENING STATEMENT OF:

Gary P. Timin
Squire Sanders (US) LLP
Representing Humana Inc. and Humsol, Inc.

1 either approving or denying the application for approval of the proposed acquisition. We are
2 here today to complete a formal, public record that, taken together with the Form A Statement
3 and the Applicant's later supplemental submissions, we believe amply supports approval of the
4 acquisition upon conclusion of this hearing.

5 The testimony at the public hearing by representatives of both Humana and Arcadian will
6 demonstrate that there are no grounds for an objection to the proposed acquisition under RCW
7 48.31C.030(5). The Applicants will offer the testimony of Ms. Joan Lenahan, Vice President
8 and Corporate Secretary of Humana, and of Joseph C. Ventura, Legal Counsel and Assistant
9 Corporate Secretary of Humana, both of whom are here in person. As they will testify, each has
10 been personally involved in and responsible for supervising preparation of the Form A
11 Statement and, more generally, the Washington application process, facilitating review by the
12 Commissioner's staff, and preparation for this hearing. Both have also participated in the
13 acquisition transaction and preparing for its anticipated closing in the coming days. In addition,
14 if your Honor considers such evidence relevant and helpful to your consideration of the
15 application, we will offer the expert testimony of Cory Capps, who is an economic consultant to
16 Humana or more precisely to its antitrust counsel. We furnished Mr. Capps' CV to the other
17 parties earlier, as well as to your office, and understand that no party takes exception to his
18 qualifications as an expert competent to testify on the subject of his report or to the admission
19 thereof. With your office's assistance, he is participating by telephone.

20 Specifically, the testimony of the Applicants' witnesses, uncontroverted and supported also
21 we believe by witnesses for the Commissioner and for Arcadian, will demonstrate that:

- 22 • After the Acquisition, Arcadian will continue to satisfy the
23 requirements for registration in Washington as a health carrier;
- 24 • The Acquisition will not substantially lessen competition or tend to
25 create a monopoly in the health coverage business in Washington;
- 26 • The financial condition of Humana is such that it does not jeopardize
27 the financial stability of the health carrier, nor prejudice the interests of
28 its subscribers. In fact, the financial condition and resources of
Humana will materially strengthen the financial stability of Arcadian,
thereby enhancing the interests of subscribers or members;

- 1 • There is no plan to make any material change to the health carrier's
2 operation which would be unfair and unreasonable to its subscribers
3 and not in the public interest. On the contrary, because of Humana's
4 financial and managerial resources and its larger provider network,
5 Arcadian's operation for its subscribers will be enhanced;
- 6 • The competence, experience, and integrity of those persons who will
7 control the operation of the health carrier are in the interest of the
8 subscribers and of the public; in the regard, the Commissioner has
9 never objected to any director or officer of the Humana companies
10 already licensed and operating in Washington serving in their
11 respective capacities; and last
- 12 • The Acquisition will not be hazardous or prejudicial to the insurance
13 buying public; indeed, the Applicants believe the Acquisition will
14 benefit Arcadian's present and future member and the insurance
15 consumers of Washington.

16 The testimony will further demonstrate that, with one exception that I will address briefly,
17 neither Humana nor any of its affiliates has received any objections or concerns from any
18 governmental authority or from another source regarding the proposed acquisition. That
19 exception, as you are aware, relates to the HSR review and inquiries conducted by the Antitrust
20 Division of the U.S. Department of Justice ("DOJ"). For some time now Humana has been
21 striving to reach and memorialize a definitive agreement with DOJ that will adequately address
22 its concerns while also allowing the parties to close the acquisition within the coming days.
23 Humana remains optimistic that will be accomplished and recognizes that a resolution
24 acceptable to DOJ will involve an agreement to divest or transfer, after closing, certain specified
25 assets and operations in several states other than Washington. No such divestitures have been
26 proposed or will be required of any assets or operations within Washington.

27 The parties' testimony will also show that, given terms of the Merger Agreement the
28 Agreement can be terminated, in which event the transaction would not be consummated, if the
Commissioner's approval is not obtained by March 31, 2012. That date falls on a Saturday.
Accordingly, we respectfully ask that you approve the proposed acquisition at the conclusion of
this hearing and enter a formal order of approval no later than March 30, 2012. Humana and
Arcadian understand that the order can properly include an appropriate condition regarding

1 resolution of the HSR process on terms that DOJ ultimately accepts in its sole discretion.

2 Accordingly, the Applicants request the Commissioner's approval of their Form A
3 Statement and proposed acquisition of control of Arcadian on terms consistent with the amended
4 Merger Agreement in accordance with RCW 48.31C.030. I will be pleased to address any
5 additional issues that may arise or otherwise be of assistance at the hearing.

6

7 Dated: March 22, 2012


8 Gary P. Timin
9 Squire Sanders (US) LLP

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1 one of six wholly owned subsidiaries of Arcadian Management Services, Inc.
2 (“Arcadian Management”).

3 3. Please describe your educational background.

4 In 1997 I received a Bachelor of Arts degree from the University of Richmond in
5 Richmond, Virginia, and then in 2003 received a law degree from the University
6 of Virginia.

7 4. In what jurisdictions are you licensed to practice law?

8 I was first admitted to the Bar of New York State, in 2004, and later, in
9 connection with joining Humana, was admitted to the Bar of the Commonwealth
10 of Kentucky with a limited practice license in March, 2009.

11 5. How long have you been employed by your current employer, and what are your duties?

12 I have been employed as part of Humana’s Law Department since January, 2009.
13 Before then, from September 2003 through the end of 2008, I worked as an
14 associate in the New York City office of Alston & Bird LLP. My responsibilities
15 at Humana are similar to those from private practice: advice on compliance and
16 disclosure obligations under federal securities laws, stock exchange regulations,
17 and the Sarbanes-Oxley Act, and public and private mergers and acquisitions. In
18 addition to working with Corporate Secretary Joan Lenahan on those matters, I
19 am also responsible together with her for overseeing regulatory filings in
20 connection with certain transactions, such as the Form A applications filed with
21 the Washington OIC and with other state insurance regulators in connection with
22 the Proposed Acquisition.
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6. Have you been authorized by the Applicants to speak on their behalf at this Form A hearing?

Yes, I have been so authorized.

7. What is the basis for your information and knowledge about the Proposed Acquisition that is described in the Form A Statement?

I participated in negotiations, preparation of certain transaction documents, and due diligence for the proposed acquisition of Arcadian Management and its subsidiaries, including AHP. I have reviewed the Merger Agreement, the First Amendment to the Merger Agreement, the Amended and Restated First Amendment to the Merger Agreement and many related documents. I also assisted in preparing or supervising preparation of the Form A Statement that was filed with OIC, along with similar applications that were filed with regulatory agencies of other states. In addition, based on interactions and conferences with others at Humana and my review of relevant materials, I am familiar with Humana's submissions and other written communications to the United States Department of Justice and Federal Trade Commission under the Hart-Scott-Rodino or HSR Act and with written communications that Humana has received from those federal government bodies relating to the Proposed Transaction.

8. As part of this involvement, have you reviewed the Form A Statement and the supplemental information and materials provided to the Washington State Office of the Insurance Commissioner relating to the Proposed Acquisition, as already admitted into evidence as exhibits to this hearing?

Yes.

Corporate Structure and Entities

1 9. Please describe the entities involved in the Proposed Acquisition.

2 **The Applicants are acquiring all the capital stock of Arcadian Management,**
3 **which is the parent company of AHP. Upon closing the Proposed Acquisition,**
4 **Humana will own all of the then issued and outstanding capital stock of Arcadian**
5 **Management and thus, indirectly, of AHP. The record holders of a majority of**
6 **the outstanding stock of Arcadian Management are also parties to the Merger**
7 **Agreement.**

8
9 10. Please describe the corporate structure of the Applicants.

10 **Humana was organized as a Delaware Corporation in 1964. It is the ultimate**
11 **parent corporation of an insurance holding company system comprised of various**
12 **licensed and unlicensed entities. Humana is publicly held, with its common stock**
13 **listed on the New York Stock Exchange. In compliance with federal securities law,**
14 **Humana regularly files with the Securities and Exchange Commission and**
15 **publishes detailed periodic reports, which present extensive information about**
16 **Humana's operations, financial condition, and regulatory obligations, among**
17 **other subjects. Humsol was incorporated on August 11, 2011 as a Delaware**
18 **general business corporation. It is a wholly owned subsidiary of Humana formed**
19 **solely to facilitate the Proposed Acquisition and is to be merged out of existence at**
20 **closing.**

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22
23 11. Please identify more precisely the Merger Agreement and any Amendment to it or
24 ancillary agreements between the parties.

1 Humana and Arcadian entered into the Agreement and Plan of Merger dated as
2 of August 24, 2011 ("Merger Agreement"), a complete copy of which is included
3 in the Form A as Exhibit 1-A. Disclosure Schedules to the Merger Agreement are
4 included as Exhibit 1-B.

5 On January 19, 2012, Humana and the Stockholder Representative designated in
6 the Merger Agreement entered into a letter agreement that was submitted to OIC
7 on February 2, 2012 (the "Letter Agreement"). The letter agreement provides in
8 effect that, subject to a proviso, neither Humana nor Arcadian Management will
9 terminate the Merger Agreement before April 1, 2012, as a result solely of the
10 failure to obtain any regulatory approval, clearance, or end of a waiting period

11 required by subsections 10.1(b) or 10.1(c) of the Merger Agreement. Those
12 conditions include, among others, approval of the Form A filed with OIC and
13 resolution of the HSR review process.

14 Subsequently, as of January 31, 2012, certain parties entered into the First
15 Amendment to Agreement and Plan of Merger (the "First Amendment"). At the
16 time of signing of this prefiled testimony, the parties are completing an Amended
17 and Restated First Amendment to Agreement and Plan of Merger (the "Restated
18 First Amendment"). The material effects of the First Amendment include (a)
19 reducing the Purchase Price from \$150 million to \$130 million, (b) reducing the
20 cap or limit on certain indemnifications to \$24 million, and (c) adding provisions
21 regarding the potential divestiture or retention of specified assets, although none
22 in the State of Washington. The Restated First Amendment will add provisions
23 relating principally to various rights of the shareholders of Arcadian
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1 Management, without altering the substance of other provisions in the First
2 Amendment. The Restated First Amendment does not change the structure of the
3 transaction, AHP's operations up to closing under its current ownership and
4 management, or Humana's plans for the management, operations, and financing
5 of AHP after closing, all as described in the Form A and other materials
6 submitted to OIC.

7 12. How will the Purchase Price be funded?

8 Humana will pay the Purchase Price with cash on hand. No borrowed funds or
9 other outside financing will be used to pay the Purchase Price.

10 13. How were the terms of the Proposed Acquisition reached?

11 The terms of the Proposed Acquisition result from good faith, arm's length
12 negotiations between the parties. Humana and Arcadian Management each
13 engaged independent financial and legal advisors in connection with negotiating
14 the Proposed Acquisition. In addition, the shareholders of Arcadian Management
15 that are parties to the Merger Agreement designated a Stockholders'
16 Representative.
17

18 14. Does the Merger Agreement require that certain regulatory approvals and reviews of
19 the transactions for which it provides be obtained and completed before and as
20 conditions to closing?

21 Yes. Section 10 of the Merger Agreement sets forth conditions to closing,
22 including the receipt of all approvals, consents, orders, and waivers or expirations
23 of waiting periods under state regulatory requirements, as well as the expiration
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1 of all applicable waiting periods and the receipt of any and all other approvals
2 required under federal antitrust laws.

3 15. Does the Merger Agreement also include provisions regarding its possible termination
4 at the election or action of one or more of the parties to it?

5 **Yes. Section 12 of the Merger Agreement sets forth provisions for its possible**
6 **termination, including a provision that the Merger Agreement may be terminated**
7 **at the election either of Humana or of Arcadian if the Closing has not occurred by**
8 **March 31, 2012.**

9 16. Does Humana understand that, and is it prepared to accept, an OIC approval order for
10 the Proposed Acquisition which includes a condition relating to resolution of the HSR
11 process on terms acceptable to DOJ?

12 **Yes. We fully understand OIC and your Honor's concern that nothing in an**
13 **order approving the Proposed Acquisition interfere with or constrain DOJ's**
14 **authority and discretion in resolving the HSR process. We are confident that a**
15 **suitable condition can be devised and included in an approval order to that effect**
16 **and that still enables to parties to close, upon resolution of the HSR review, and**
17 **without requiring subsequent review or action by, or further order of, OIC.**

18
19 **In light of our antitrust counsel's communications with DOJ following its receipt**
20 **of your Honor's letter, Humana asked OIC staff to consider the following wording:**
21 **"WHEREFORE, it is hereby ORDERED that the Applicants' request for**
22 **approval of the acquisition of control of the Washington health plan service**
23 **contractor IS HEREBY APPROVED; subject, however, to the condition that the**
24 **Applicants submit, within 120 days of the execution of this Order, evidence**
25

1 satisfactory to the Commissioner of termination or expiration of the applicable
2 waiting period under 15 U.S.C. 18a or filing of an Asset Preservation Order and
3 Proposed Final Judgment in federal district court by the United States
4 Department of Justice in connection with its investigation of the acquisition.”

5 Humana believes this wording is consistent with both the Washington Insurance
6 Code and federal antitrust law. We understand of course that the Hearing
7 Officer will determine the definitive terms, provisions, and conditions of any
8 order that approves the Form A and the Proposed Acquisition.

9 17. Assuming for purposes of this question that the Applicants' Form A Statement filed
10 with OIC is approved at the conclusion of this hearing on terms and conditions that are
11 consistent with the Merger Agreement as amended and with the Form A, does Humana
12 expect to be able to close this transaction by March 31, 2012?

13 **Yes, if OIC's approval is given at the conclusion of this hearing, Humana believes**
14 **the closing could be conducted by March 31, 2012.**

15 18. Have you become familiar with the HSR process in general, Humana's filings with and
16 submissions to DOJ in connection with this Proposed Acquisition, and written
17 communications that Humana has delivered to or received from DOJ relating thereto?

18 **Yes. Allow me to add that most of Humana's communications with DOJ have**
19 **been conducted by or with the assistance of Humana's outside antitrust counsel in**
20 **Washington, D.C. I have not routinely participated in their telephonic or in-**
21 **person communications with DOJ officials, but nevertheless I have gained**
22 **familiarity with the HSR process regarding this transaction within the terms you**
23 **asked.**

19. Please describe Humana's HSR process with respect to the Proposed Acquisition.

1 Humana filed the HSR pre-merger notification statement on September 8, 2011,
2 and at the request of the DOJ withdrew and refiled the notification statement on
3 October 12, 2011. In the statement, the parties requested early termination of the
4 HSR waiting period. On November 14, 2011, Humana and Arcadian Management
5 received a letter from the DOJ (termed a "Second Request Letter") requesting
6 additional information and documents, including detailed market share data with
7 respect to the Medicare Advantage business in specified counties in a number of
8 states where both Humana and Arcadian Management operate Medicare
9 Advantage plans. Notably, DOJ did not request any additional information or
10 data regarding the business or operations of Humana or Arcadian Management
11 in the State of Washington.

12
13 Since receiving the Second Request Letter, Humana has been negotiating with the
14 DOJ to reach a definitive agreement on terms that will allow the parties to close
15 the Proposed Transaction by March 31, 2012, on terms consistent with the
16 amended Merger Agreement. Based on discussions to date with the DOJ,
17 Humana expects that the agreement with DOJ, if reached as anticipated, will
18 require Humana to divest certain specified Medicare Advantage plan assets and
19 operations to qualified competitors. Notably, none of the assets under
20 consideration for divestiture by Humana are located within jurisdiction of the
21 State of Washington. An exhibit to the First Amendment identifies the assets or
22 operations to be sold and the counties in those other states where they are located.
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20. Did Humana inform promptly inform OIC that it had received the second request from DOJ, and not early termination of the HSR waiting period as you had hoped earlier?

Yes. Immediately after receiving the second request letter from DOJ, among other steps our outside counsel informed by email notification each state regulatory agency with which we had filed a Form A (including OIC) that the DOJ had delivered that request. We believed at the time that the Second Request Letter and the further HSR review that followed did not require amending the Form A under Washington Form A statutes. If OIC has come to consider that an amendment would have been appropriate, we apologize for any misunderstand or lapse in communications.

21. Are you aware of and do you agree with Ms. Lenahan's testimony to the effect that the Form A, as supplemented by Humana's subsequent and continuing submissions to OIC, remains complete in all material respects?

Yes. As stated, we believe that Humana has responded promptly and adequately to all requests and questions from OIC.

Conclusion

22. Is there anything else that you would like to add at this time?

No, but thank you for the opportunity to testify on the Applicants' behalf in this hearing.

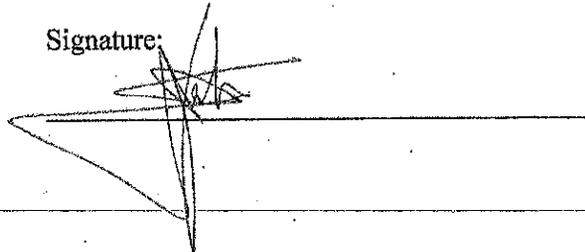
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The above testimony is true, correct and complete to the best of my knowledge and given subject to the laws of perjury of the State of Washington.

Name: Joseph C. Ventura

Title: Legal Counsel & Assistant Corporate Secretary
Humana Inc. and Humsol, Inc.

Signature:

A handwritten signature in black ink, appearing to be 'J. C. Ventura', is written over a horizontal line. The signature is somewhat stylized and overlaps the line.

Date: March __, 2012

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HEARING ON ACQUISITION OF CONTROL
BEFORE THE STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSONER

2012-11-26 A 9:23
Hearings Unit, DIC
Patricia D. Peterson
No. 12-0010 Hearing Officer

In the Matter of the Proposed Acquisition of Control of)

ARCADIAN HEALTH PLAN, INC.,)
a domestic Washington health care)
service contractor)

By:)

HUMANA INC.)
and its wholly owned subsidiary)
HUMSOL, INC.)

PREFILED DIRECT TESTIMONY OF JOAN O. LENAHAN
ON BEHALF OF THE APPLICANTS

Introduction

1. Please state your name for the record.

Joan O. Lenahan

2. Please state for the record your purpose in being here today.

I am the Corporate Secretary and a Vice President of Humana Inc. and of its wholly owned subsidiary Humsol, Inc. I will be referring to Humana Inc. simply as "Humana," its subsidiary in question as "Humsol," and them together as the "Applicants". Thank you for the opportunity to testify in this hearing on the Applicants' behalf in support of their application that is pending with the Washington State Office of the Insurance Commissioner requesting approval of their proposed acquisition of control ("Proposed Acquisition") of Arcadian Health Plan, Inc. ("AHP").

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3. What are the companies that filed the Form A Statement?

Humana, on its behalf and on behalf of Humsol, filed the Form A Statement or application with the Office of the Insurance Commissioner ("OIC") on or about September 22, 2011 (the "Form A Statement").

4. Please describe your educational background.

I have a Bachelor of Arts degree from Spalding University.

5. How long have you been employed by your current employer?

I first became employed by Humana in 1972 and continuously since July 1, 1994, have been its Corporate Secretary. My duties in that capacity include, among others, maintaining official corporate records of board of directors and

shareholder meetings and actions, and also overseeing our procedures and filings for requesting and obtaining state insurance regulatory approvals and permits of various kinds. Those filings include in particular the Form A and similar applications that Humana files in one or more states in connection with acquiring entities that hold state certificates of authority or licenses for which applicable law of the various states requires such permits and applications.

6. Have you been authorized by the Applicants to speak on their behalf at this Form A hearing?

Yes.

7. What is the basis for your information and knowledge about the Proposed Acquisition that is described in the Form A Statement?

I was involved at an executive level in the negotiations and due diligence for the acquisition of Arcadian Management and its subsidiaries, including AHP. I have

1 reviewed the Merger Agreement (as discussed further below) and related
2 documents. In addition, I supervised preparation of, reviewed, and signed on
3 behalf of the Applicants the Form A Statement that was submitted to OIC.

- 4 8. Do you believe that the Form A Statement, taken together with all the supplemental
5 information and materials provided to OIC up to this time, are complete, true and, as
6 supplemented, current in all material respects?

7 Yes. Humana stands ready to respond to any questions and requests that OIC
8 may have, and we endeavored to respond promptly and fully to all that we have
9 received.

- 10 9. Were Arcadian Management and AHP provided with a copy of the Form A Statement
11 and the supplemental materials the Applicants submitted?

12 Yes.

13
14 Description of the Proposed Acquisition

- 15 10. Please provide a brief description of the principal components of the Proposed
16 Acquisition.

17 The Proposed Acquisition of control of AHP will be accomplished by a statutory
18 merger of Humsol, which is a direct, wholly owned subsidiary of Humana, formed
19 to effect the acquisition, with and into Arcadian Management in accordance with
20 their Agreement and Plan of Merger dated as of August 24, 2011, as amended to
21 date (the "Merger Agreement"). Humana will thereby own all of the then issued
22 and outstanding capital stock of Arcadian Management and thus, indirectly, of
23 AHP. A more detailed summary of the original Merger Agreement and the closing
24 transactions is attached as Exhibit 2 to the Form A.
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11. What prompted the Applicants to pursue the acquisition of AHP?

1 When the transaction was being evaluated and negotiated, Humana's
2 management concluded that Arcadian Management as a whole, and AHP in
3 particular, could be an attractive and advantageous acquisition for Humana,
4 largely because of the geographic market expansion it can bring. In addition to
5 providing an entry into the especially large California market, where Arcadian
6 Management maintains its corporate headquarters, of at least equal importance is
7 that the transaction will give Humana a larger footprint and improved
8 opportunities in several states across the country, including Washington, that
9 Humana believes are important to continued growth of its Medicare plans,
10 membership, and provider networks. We are confident the Proposed Acquisition
11 will enhance AHP's abilities and resources to serve its current and future
12 members due to, first, Humana's financial and managerial strength, stability, and
13 resources, and second, the growing network of Humana providers to whom
14 AHP's members will have access after closing and in the future. We believe that
15 Humana's financial strength and extensive experience nationwide in the Medicare
16 Advantage business, and particularly in designing and operating combined MA
17 and Part D plans, will significantly increase AHP's abilities to serve its members
18 going forward.
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22 Financial Condition of the Applicants

23 12. Describe generally the financial condition of Humana.

24 For its fiscal year ended December 31, 2011, Humana had over \$36.8 billion in
25 revenue, approximately \$1.4 billion in net income, and approximately \$8 billion in
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1 stockholders' equity. Based on our revenues, we are one of the largest health care
2 companies in the United States. The financial statements of Humana, as provided
3 with the Form A Statement filed with OIC and readily available to both
4 regulators and the public on through websites maintained by Humana, the SEC,
5 and others, also reflect the strong financial condition of Humana.

6 **Benefits of the Proposed Acquisition and Future Plans for AHP**

7 13. In Humana's view, what are the primary benefits of the Proposed Acquisition to AHP
8 and its members ?

9 We are confident the Proposed Acquisition will enhance AHP's abilities and
10 resources to serve its current and future members due to, first, Humana's
11 financial and managerial strength, stability, and resources, and second, the
12 growing network of Humana providers to whom AHP's members will have access
13 after closing and in the future. We believe that Humana's financial strength and
14 extensive experience nationwide in the Medicare Advantage business, and
15 particularly in designing and operating combined MA and Part D plans, will
16 significantly increase AHP's abilities to serve its members going forward.

17
18 14. Have any objections or concerns been received by the Applicants with respect to the
19 transaction?

20 To our knowledge, the only concern or objection that has been expressed by any
21 governmental or regulatory authority is the review and inquiry conducted by the
22 United States Department of Justice ("DOJ") under the Hart-Scott-Rodino Act
23 regarding the Proposed Acquisition's potential effects on competition in the
24 Medicare Advantage business in particular in certain counties of several states
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1 other than Washington. The Amended and Restated First Amendment to the
2 Merger Agreement reflects the basic terms on which the parties anticipate
3 resolving DOJ's concerns. My colleague Joseph Ventura will address this subject
4 further in his testimony.

5 **Other Regulatory Reviews of the Proposed Acquisition**

6 15. Other than the Form A Statement that is the subject of the hearing, are the Applicants
7 required to receive any other regulatory approvals of the Proposed Acquisition of AHP?

8 Yes. As mentioned, Humana filed a pre-merger notification statement under the
9 Hart-Scott-Rodino Act with the U.S. Department of Justice and Federal Trade
10 Commission and has been working closely with DOJ to bring the review to a
11

12 consensual conclusion that will enable closing this transaction in the coming days.
13 In addition, Humana has received approval of Form A applications concerning its
14 acquisition of control of AHP from the Departments of Insurance of Texas and of
15 Arizona. Similarly, Humana has received approval of Form A applications from
16 the insurance regulators of several other states relating to different subsidiaries of
17 Arcadian Management.
18

19 **Shareholder Approval**

20 16. Has the Merger Agreement received the approval of AHP shareholders?

21 Yes. A copy of the consent action of Arcadian Management's shareholders
22 relating to the Merger Agreement is attached as Exhibit 12 to the Form A
23 Statement. We understand that a witness for Arcadian Management will address
24 this point as well.
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Statutory Criteria

1 17. After the change of control, is there any question that AHP which is the subject of the
2 Form A application that has been submitted to OIC will be able to satisfy the
3 requirements for registration as a health carrier, as contemplated by RCW
4 48.31C.030(5)(a)(i)?
5

6 **As indicated in the Form A Statement as supplemented, there is no question that**
7 **AHP will continue to satisfy the requirements for registration as a health carrier**
8 **in the State of Washington.**

9 18. The Revised Code of Washington sets forth criteria for the Commissioner to consider
10 in approving the Proposed Acquisition. With respect to AHP, which is the subject of
11 the Form A application that has been submitted to the Washington OIC, has the anti-
12 trust section of the office of the attorney general or any federal anti-trust enforcement
13 agency undertaken a review of the proposed acquisition?
14

15 **Yes, both have done so. The Office of the Attorney General of the State of**
16 **Washington submitted a letter to the OIC on December 13, 2011, stating that the**
17 **Antitrust Division of the Attorney General's Office had undertaken a merger**
18 **review of the proposed acquisition and had concluded that, "based on a review of**
19 **the information that has been provided to [the Office], there does not appear to be**
20 **sufficient evidence to conclude that the proposed acquisition of Arcadian**
21 **warrants legal action by the Attorney General's Office." In addition, pursuant to**
22 **a letter dated November 14, 2011, from the United States Department of Justice –**
23 **Antitrust Division to Humana, the DOJ informed the Company that, pursuant to**
24 **applicable sections of federal antitrust regulations, the Antitrust Division was**
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1 requesting additional information and documents relevant to the proposed
2 acquisition by Humana of Arcadian Management. Mr. Ventura will address the
3 status of DOJ's review and Humana's expectation for resolving it satisfactorily in
4 the coming days.

5 19. Is the financial condition of the Applicants such that it would jeopardize the financial
6 stability of AHP, which is the subject of the Form A application, or prejudice the
7 interests of its subscribers, as contemplated by RCW 48.31C.030(5)(a)(ii)(C)(I)?

8 No. For its fiscal year ending December 31, 2011, Humana had \$36.8 billion in
9 revenue and approximately \$1.4 billion in net income and by those measures is
10 one of the largest health care companies in the United States. With its financial

11 strength, Humana believes that the acquisition not only will not jeopardize the
12 financial stability of AHP or its parent corporation Arcadian Management or
13 prejudice the interest of its subscribers, but to the contrary is expected to
14 substantially strengthen AHP's financial stability and ability to serve its
15 subscribers with Humana as its parent corporation. Further, Humana and OIC
16 are discussing a financial provision to include in any approval order that is
17 designed to provide continuing assurance of AHP's future financial compliance.
18

19 20. Do the Applicants have any plans or proposals to liquidate AHP, sell its assets,
20 consolidate or merge it with any person, or make any other material change in its
21 business or corporate structure or management which are unfair and unreasonable to
22 subscribers of AHP and not in the public interest, as contemplated by RCW
23 48.31C.030(5)(a)(ii)(C)(II)?
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1 No. As stated in the Form A, the Applicants have no plans to liquidate AHP, to
2 sell its assets to or merge or consolidate it with any person or persons, or to make
3 any other material change in its business operations or corporate structure, apart
4 from replacing its officers and directors. The Applicants have provided to the
5 Commissioner confidential proforma financial projections for AHP for a period
6 of time after closing.

7 As noted in the Form A Statement, the current directors and officers of AHP will
8 be replaced by persons who are current directors and/or officers of the Applicants.
9 Also, as part of the merger of Humsol with and into Arcadian Management, the
10 governance documents of Humsol, including the Certificate of Incorporation and

11 Bylaws attached to the Form A Statement at Exhibits 8 and Exhibit 9 respectively,
12 will become the governance documents of Arcadian Management upon closing.

13 We believe that these changes are fair and reasonable to the subscribers of AHP
14 and are in the public interest.

15
16 21. Are the competence, experience, and integrity of those persons who would control the
17 operation of AHP such that it would not be in the interest of subscribers of AHP and of
18 the public to permit the acquisition, as contemplated by RCW
19 48.31C.030(5)(a)(ii)(C)(III)?

20
21 No. The competence, experience, and integrity of those persons who will control
22 AHP are such that it would be in the interest of subscribers of Arcadian and of
23 the public to permit the Proposed Acquisition of Arcadian Management and its
24 subsidiaries, including AHP.

1 The names and addresses of the directors and executive officers of Humana were
2 attached to the Form A Statement at Exhibit 6.

3 The names and addresses of the directors and executive officers of Humsol were
4 attached to the Form A Statement at Exhibit 7.

5 As explained previously, the current directors and officers of Arcadian
6 Management and of AHP will be replaced by persons who are current directors
7 and/or officers of Humsol.

8 22. Is there anything about the acquisition that is likely to be hazardous or prejudicial to
9 the insurance-buying public, as contemplated by RCW 48.31C.030(5)(a)(ii)(C)(IV)?

10 No. To the contrary, Humana is confident that the Proposed Acquisition will be
11 beneficial to AHP's current and future members and thus to the wider
12 Washington insurance-buying public. AHP and its members will benefit from
13 Humana's resources and systems, including provider network, and members will
14 be assured of continuity and stability in the services and benefits available to them.
15

16 Conclusion

17 23. Is there anything else that you would like to add at this time?

18 On behalf of the Applicants, we want to thank you very much for scheduling and
19 conducting this hearing today and also to thank all of the OIC officials who have
20 participated in reviewing the Form A Statement, preparing for and participating
21 in this hearing, and for their recommendation in favor of approving Humana's
22 application on terms that will allow a timely closing.
23

24 *The above testimony is true, correct and complete to the best of my knowledge and given*
25 *subject to the laws of perjury of the State of Washington.*
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Name: Joan O. Lenahan

Title: Vice President & Corporate Secretary
Humana Inc. and Humsol, Inc.

Signature:

Joan O. Lenahan

Date: March 23, 2012

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Hearing Officer, DIC
Patricia D. Peterson
Chief Hearing Officer

BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON

In the Matter of the Proposed Acquisition of
Control of:

No. 12-0010

ARCADIAN HEALTH PLAN, INC., a
Washington Health Care Service Contractor,

By

HUMANA INC., a Delaware corporation, and
its wholly owned subsidiary HUMSOL, INC,
a Delaware corporation

PRE-FILED CLOSING STATEMENT

PRE-FILED CLOSING STATEMENT OF:

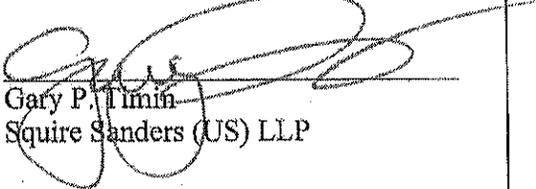
Gary P. Timin
Squire Sanders (US) LLP
Representing Humana Inc. and Humsol, Inc.

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findings can be made based on the evidence presented at today's hearing -- with the single exception of final resolution of the antitrust review that has been the subject of the U.S. Department of Justice ("DOJ") process, if resolution is not yet achieved -- then an Order approving the Acquisition will be issued, conditioned upon final resolution by the DOJ.

Accordingly, Applicants respectfully request the Commissioner's official approval of the Proposed Acquisition and request that an appropriate Approval Order be issued forthwith and in any event no later than March 30, 2012.

Dated: March 22, 2012



Gary P. Timin
Squire Sanders (US) LLP

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