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2012 JAN 24

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January 24, 2012

VIA ELECTRONIC MAIL and U.S. MAIL

Hon. Patricia D. Petersen
Chief Hearing Officer
Office of Insurance Commissioner
State of Washington
P.O. Box 40255
Olympia, WA 98504-0255

Re: **Arcadian Health Plan, Inc., Docket No. 12-0010**
Form A Application of Humana Inc. and Humsol, Inc.

Dear Judge Petersen:

Thank you very much for your January 23, 2012, letter regarding the hearing to be held before you on Humana Inc.'s application pending before the Washington Office of Insurance Commissioner regarding its pending acquisition of Arcadian Management Services, Inc. and subsidiaries, including Arcadian Health Plan, Inc. I am sure that Arcadian joins Humana in expressing its sincere appreciation for the time and preparation you devoted to the prehearing conference on January 17, 2012, and the continuing attention that your letter reflects, including during several days when your offices were closed due to inclement weather and, as we have heard, extended power outages.

As you know, the parties are eager to conduct the hearing at the earliest opportunity, while appreciating that it is also essential to provide adequate public notice. From your letter we infer that the Notice of Hearing can be published soon after you receive this letter. Below are Humana's responses to the questions in the numbered paragraphs in your letter.

1. The federal Hart-Scott-Rodino Act review process has evolved somewhat differently than the parties initially envisioned. As turned out, "early termination" of the waiting period was not received. Humana filed the Hart-Scot-Rodino notification with the United States Department of Justice and the Federal Trade Commission on September 8, 2011. The initial waiting period was scheduled to expire on October 10, 2011. At the request of the Department of Justice, on October 12, 2011, Humana withdrew and re-submitted its filing to that Department. The 30-day waiting period for the "re-submitted" filing was to expire on November 11, 2011. Then on November 14, 2011, Humana and Arcadian Management each received a "second request"

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letter from the Department of Justice with respect to the notification filed on September 8, 2011. The second request for information extends the waiting period during which the proposed transaction may not be consummated until 30 days *after* receipt by the Department of Justice of the materials requested in its letter. Since then the parties have been gathering and submitting requested materials to the Department of Justice and conducting discussions with its representatives about possible bases for completing the review process in the near future.

Humana will inform the OIC, its counsel, and you of the final result of the H-S-R review process as soon as it is reached. At present we can state that the Department of Justice has not expressed to the parties a concern about the effects of the acquisition on competition in the State of Washington, where Humana has had very limited business to this time.

2. Ms. Cairns has kindly explained that the additional documents in question that Humana submitted to the Commissioner's Office, which you indicate were then furnished to the Washington Attorney General to assist its review, are exhibits B, C, D, and E to Humana's letter dated November 11, 2011, to Ron Pastuch, responding to his letter to Humana dated November 4, 2011. We are not aware that Arcadian furnished any documents separately for this purpose, and are unsure whether the Commissioner's Office may have provided any materials beyond the exhibits to the November 11 letter. Mr. Pastuch informs us that he forwarded the Humana materials to you last week. Those exhibits were designated confidential because they present non-public, proprietary information generated or collected by Humana, which Humana does not normally release or publish. We believe that continuing confidential or private treatment of them in connection with the hearing is justified under RCW 49.31C.130. However, Humana does not assert that its November 11 letter, which describes those exhibits in general terms, is confidential. Copies of that letter and statute are enclosed for your convenient reference.

Humana respectfully requests that you continue to keep those exhibits private, as your letter implies is possible when appropriate, and as the cited statute provides. The Office did not indicate to us that these materials would need to be published in connection with the application or hearing, either when requesting or after receiving them. Further, we understood that the Office requested those materials, at least in important part, to assist the Attorney General in assessing any potential effects of the pending acquisition on competition in Washington. Because the governing Washington statutes commit that assessment to the Attorney General, we would be puzzled by a suggestion that the Office is now obliged to publish non-public information that it obtained from Humana for the purpose. We would be pleased to discuss this point with counsel for the Office and lawyers in the Attorney General's office should they be interested to do so.

Thank you again for the close attention that it is clear you are giving to this matter. If a second prehearing conference would be helpful, the parties will make themselves available on short notice at your convenience. Whenever you are prepared to set a date for the hearing, I'm sure all involved can quickly confirm their availability if Ms. Cairns circulates an email.

Sincerely,

Squire Sanders (US) LLP



Gary P. Timin

Encs: November 11, 2011, letter to Ron Pastuch, OIC
RWC 48.31C.130

cc: Joan O. Lenahan, VP & Corp. Secretary, Humana
Joseph C. Ventura, Counsel, Humana
James Novello, General Counsel, Arcadian
Robert Hoffman, Esq.
Ronald J Pastuch, OIC Company Supervision Division
Kelly A. Cairns, OIC Hearings Unit

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November 11, 2011
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Joan O. Lenahan
Vice President and Corporate Secretary

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HUMANA.
Guidance when you need it most

VIA ELECTRONIC MAIL

November 11, 2011

Ronald J. Pastuch
Holding Company Manager
Company Supervision Division
State of Washington
Office of Insurance Commissioner
P.O. Box 40255
Olympia, Washington 98504-0255

Re: Humana Inc.
Form A – Acquisition of Arcadian Management Services, Inc.

Dear Mr. Pastuch:

Set forth below are the responses of Humana Inc. (the “Company”) to the initial inquiry from the Washington Office of Insurance Commissioner (the “OIC”) in its letter dated November 4, 2011, with respect to the Company’s Form A filing relating to the proposed acquisition of Arcadian Management Services, Inc. (“Arcadian Management”). To ease your review, we have repeated your comments below in italicized print and followed each comment with our response.

* * *

- (1) *List of proposed directors and officers of Arcadian Management Services (“AMS”) and Arcadian Health Plan, Inc. (“AHP-WA”).*

Post-transaction, Humana expects the directors and officers of AMS and AHP-WA to be the following (all officers and directors of Humsol, Inc.):

Directors

Michael B. McCallister
James E. Murray
James H. Bloem

Officers

Michael B. McCallister *Chief Executive Officer*
James H. Bloem *Senior Vice President, Chief Financial Officer & Treasurer*
Paul B. Kusserow *Senior Vice President - Chief Strategy and Corporate Development Officer*
George G. Bauernfeind *Vice President*
Charles F. Lambert III *Vice President*
Joan O. Lenahan *Vice President and Corporate Secretary*
Ralph M. Wilson *Vice President*
Joseph C. Ventura *Assistant Secretary*

- (2) *Background verification reports on the directors and officers of Humsol and proposed directors and officers of AMS and AHP-WA. If those background reports are on file with the OIC, then please indicate when those reports were filed (similar to your Exhibit 7).*

Under separate cover, we are submitting copies of the biographical affidavits for each of the officers and directors of Humana Inc. and Humsol, Inc. (who will become the officers and directors of AMS and AHP-WA). We have also ordered background verification reports from Axcion, our outside vendor (copy of letter attached as Exhibit A), and have requested an expedited delivery of those reports to you.

- (1) *Please discuss the number of Washington State covered lives and the associated zip codes for both Humana and AHP-WA's Medicare Advantage plans.*

Please refer to the attached Exhibit B.

- (2) *Please provide the annual revenues associated with those Washington State covered lives.*

Please refer to the attached Exhibit C1 for AHP-WA, and the attached Exhibit C2 for Humana Medicare Advantage plans. Note that the information for Humana Medicare Advantage plans has been presented on a one-month basis for the month ended September 30, 2011.

- (3) *Please provide a listing of other Medicare Advantage plans offered by third parties where Humana and AHP-WA are doing business in the Washington State market.*

Please refer to the attached Exhibit D (note two tabs within the Excel file, one including state-wide information and the second broken down by county).

- (4) *Please provide any materials Humana and AHP-WA have prepared discussing or analyzing competitive overlap.*

Please refer to the attached Exhibit E.

- (5) *Please discuss any plans to merge, consolidate, transfer business, or re-domesticate AHP-WA once Humana obtains control of AHP-WA.*

As stated in the Form A, there are no plans or proposals to declare an extraordinary dividend, to liquidate AHP-WA, to sell its assets to or merge or consolidate it with any person or persons, or to make any other material change in its business operations or corporate structure. As noted, certain of the current directors and officers of AHP-WA will be replaced by persons who are current directors and/or officers of Humsol, Inc. There is no change now planned with respect to operational personnel at AMS or AHP-WA or the scope or nature of its business operations. As a MA plan, any future material change in operations will likely be subject to approval by CMS. Post-Closing, AHP-WA will continue its current operations as a sponsor of MA plans in accordance with the plan of operation most recently approved by CMS.

- (6) *Please discuss any plans to address any deficiencies meeting Washington's regulatory requirements on AHP-WA in order to continue doing business in Washington.*

Humana proactively projects capital and surplus before each quarter to confirm each regulated subsidiary exceeds the greater of 250% of Authorized Control Level Risk Based Capital requirements, or any state mandated requirements. Capital contributions from Humana Inc., the parent company, are made before quarter end when additional capital is required.

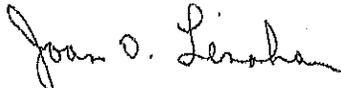
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HUMANA.
Guidance when you need it most

We are available to discuss these responses with you or your staff. If you have any questions or comments, do not hesitate to contact me at (502) 580-3778.

Very truly yours,



Joan O. Lenahan
Vice President and Corporate Secretary

cc: Gary P. Timin, Esq.
Lisa G. Han,

RCW 48.31C.130

Confidential proprietary and trade secret information — Exempt from public disclosure — Exceptions.

Confidential proprietary and trade secret information provided to the commissioner under RCW 48.31C.020 through 48.31C.050 and 48.31C.070 are exempt from public inspection and copying and shall not be subject to subpoena directed to the commissioner or any person who received the confidential proprietary financial and trade secret information while acting under the authority of the commissioner. This information shall not be made public by the commissioner, the national association of insurance commissioners, or any other person, except to insurance departments of other states, without the prior written consent of the health carrier to which it pertains unless the commissioner, after giving the health carrier that would be affected by the disclosure notice and hearing under chapter 48.04 RCW, determines that the interest of policyholders, subscribers, members, shareholders, or the public will be served by the publication, in which event the commissioner may publish information related to the transactions or filings in the manner and time frame he or she reasonably deems appropriate and sensitive to the interest in preserving confidential proprietary and trade secret information. The commissioner is authorized to use such documents, materials, or information in the furtherance of any regulatory or legal action brought as part of the commissioner's official duties. The confidentiality created by chapter 179, Laws of 2001 shall apply only to the commissioner, any person acting under the authority of the commissioner, the national association of insurance commissioners and its affiliates and subsidiaries, and the insurance departments of other states.

[2001 c 179 § 13.]