

— KREGER BEEGHLY, PLLC —

ATTORNEYS

FILED

2012 Dec 12 10:30  
Brian F. Kreger  
Direct Dial: 206-829-2757  
E-Mail: bk@kregerbeeghly.com

Patricia D. Petersen  
Chief Presiding Officer  
Washington State Office of the Insurance Commissioner  
5000 Capitol Blvd.  
Tumwater, WA 98501

**Via Email and Personal Delivery**

December 11, 2012

Patricia D. Petersen, Esq.  
Chief Presiding Officer, Hearings Unit  
Washington State Office of the Insurance Commissioner  
5000 Capitol Blvd.  
Tumwater, Washington 98501

**Re: Proposed Acquisition of Control of Amerigroup Washington, Inc.  
by WellPoint, Inc.  
Docket No. 12-0280  
Pre-Filed Statements and Testimony  
Hearing Scheduled for December 19, 2012**

Dear Judge Petersen:

In accordance with the directives set forth in your Amended Notice of Hearing in the above-referenced Matter, WellPoint, Inc. hereby files the following documents in advance of the Hearing scheduled for Wednesday, December 19, 2012:

1. Pre-filed Opening Statement of Brian F. Kreger
2. Pre-filed Closing Statement of Brian F. Kreger
3. Pre-filed Testimony of Jay H. Wagner
4. Pre-filed Testimony of Jeffrey Phil Fusile

Mr. Wagner and Mr. Fusile will attend the Hearing and will present their testimony in person also at that time.

Sincerely,

  
Brian F. Kreger

December 11, 2012  
Patricia D. Petersen, Esq.  
Chief Presiding Officer, Hearings Unit

Copy of Letter and Pre-filed Statements and Testimony Delivered To:

Kelly Cairns (Original and 1 Copy)

Tibor Klopfer

Kate Reynolds

Ron Pastuch

Tim Parker

Kreger Beeghly (file copy)

Before the Office of the Insurance Commissioner  
of the State of Washington

2017 DEC 12 12:12:31

FILED  
No. 12-0820  
Insurance Division  
Chief Executive Officer

*In the Matter of the Proposed Acquisition of* )  
*Control of:* )  
**AMERIGROUP WASHINGTON, INC., a** )  
**Washington Health Care Service Contractor** ) Pre-Filed Opening Statement  
**by** ) of  
**WELLPOINT, INC., an Indiana corporation,** ) Brian F. Kreger  
**and ATH HOLDING COMPANY, LLC, an** ) for WellPoint, Inc. and  
**Indiana limited liability company, and a direct** ) ATH Holding Company, LLC  
**wholly owned subsidiary of WellPoint, Inc.** )

---

Your Honor, my name is Brian Kreger. I am a member-partner in the law firm Kreger Beeghly, PLLC. I am pleased and honored to appear today as counsel for WellPoint, Inc. and its wholly owned subsidiary, ATH Holding Company, LLC. As you know, WellPoint and ATH Holding Company propose to acquire Amerigroup Corporation and its subsidiaries, including Amerigroup Washington, Inc., which is the subject of this hearing in this matter. For convenience, I will refer to WellPoint, Inc. and ATH Holding Company, LLC as "WellPoint" or "Applicants."

Appearing with me today as counsel for WellPoint are Steven Beeghly, also a member partner in the law firm Kreger Beeghly, PLLC, Tibor Klopfer and Jason Kimpel, partners in the law firm Faegre Baker Daniels LLP, and Jared Danilson, an associate with Faegre Baker Daniels LLP.

I am pleased to introduce also Jay Wagner, Vice President and Legal Counsel of Mergers and Acquisitions of WellPoint, Inc., and Jeffrey Fusile, Senior Vice President and Chief Financial Officer of Business Operations of WellPoint, Inc. Mr. Wagner and Mr. Fusile will be offering testimony in this proceeding.

WellPoint proposes to acquire Amerigroup Corporation and all of its subsidiaries including Amerigroup Washington, Inc., a Washington-domiciled health care service contractor. On July 9, 2012, WellPoint and Amerigroup entered into an Agreement and Plan of Merger for this transaction, which includes the acquisition of Amerigroup's subsidiaries domiciled in several states, including Washington. Pursuant to the laws of each of those states, the Applicants filed a Form A Statement, or a similar application, seeking approval of the regulatory authority of each of those states where Amerigroup has an HMO or insurance company subsidiary. Accordingly, on August 6, 2012, Applicants filed their Form A Statement with the Office of the Insurance Commissioner of the State of Washington (the "OIC") in accordance with Chapter 48.31C of the Revised Code of Washington ("RCW"). In this Form A Statement, the Applicants requested approval from the Insurance Commissioner of the proposed acquisition of control of Amerigroup Washington, Inc. In addition to the Applicants filing their respective change in control applications with each of the several states in which Amerigroup subsidiaries are domiciled, WellPoint and Amerigroup also made a timely filing with the United States Federal Trade Commission and the Department of Justice under the Hart Scott Rodino Act. As of today, all states have approved the change in control applications for WellPoint's acquisition of control of the applicable Amerigroup subsidiary, and the federal antitrust authorities have concluded their review of the transaction and cleared the closing of the proposed acquisition transaction under the Hart Scott Rodino Act.

As I stated earlier, on August 6, 2012, the Applicants filed their Form A Statement with the Office of the Insurance Commissioner in compliance with RCW 48.31C.030, in which the Applicants formally requested the approval of the Washington Insurance Commissioner for the proposed acquisition of control of Amerigroup Washington, Inc. All supporting documents and materials filed with the Form A Statement and all supplemental documents and materials filed subsequent to the filing of the Form A Statement and which relate to the Form A Statement and the transaction described therein, have been filed by the Applicants with the Office of the Insurance Commissioner. Accordingly, we request that all documents and materials filed with the Form A Statement and those submitted subsequent to the filing of the Form A Statement be incorporated as exhibits to this proceeding by reference.

We are here today to complete the formal proceeding of the Form A approval in the State of Washington. We believe that the Form A Statement and supplemental filings of record with

the OIC, deemed to be a complete Form A Statement by the OIC's representatives who reviewed it, together with the testimony presented at this hearing, clearly and amply support the Insurance Commissioner's approval of the proposed acquisition of control of Amerigroup Washington, Inc. by the Applicants, WellPoint, Inc. and ATH Holding Company, LLC.

The testimony at today's hearing will be presented by representatives of WellPoint, as well as by representatives of Amerigroup and of the Office of the Insurance Commissioner. WellPoint will offer the testimony of Jay Wagner, Vice President and Legal Counsel of Mergers and Acquisitions of WellPoint, Inc., and Jeffrey Fusile, Senior Vice President and Chief Financial Officer of Business Operations of WellPoint, Inc. Messrs. Wagner and Fusile will testify that they have been personally involved in and responsible for assisting in the preparation of the Form A Statement, for facilitating the review of materials provided to the Office of the Insurance Commissioner during the review of the Form A Statement, and in the preparation for this hearing. Both Mr. Wagner and Mr. Fusile have participated in the overall acquisition transaction as well as the specific acquisitions of the subsidiaries domiciled in the various states, including Washington.

The testimony of Mr. Wagner and Mr. Fusile will demonstrate to the satisfaction of the Insurance Commissioner that the proposed acquisition of control of Amerigroup Washington, Inc. should be approved. Specifically, their testimony will establish and prove that:

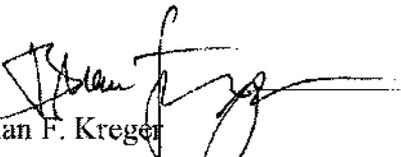
- The Applicants' acquisition of control will allow Amerigroup Washington, Inc. to continue to satisfy the requirements of a health carrier in the State of Washington;
- The acquisition and change of control will not substantially lessen competition or tend to create a monopoly in the health coverage business;
- The financial condition of the Applicants is such that it does not jeopardize the financial stability of Amerigroup Washington, Inc. or prejudice the interests of its subscribers;
- The Applicants have no current plans to liquidate, to sell the assets, or to consolidate or merge Amerigroup Washington, Inc. with any other person, or to make any other material changes in the business operations, corporate structure, or management of Amerigroup Washington, Inc. that would be unfair or unreasonable to Amerigroup Washington, Inc. or its subscribers, or not in the public interest;
- The competence, experience, and integrity of those persons who would control the operation of Amerigroup Washington, Inc. after the completion of the acquisition are not

such that it would not be in the interest of the subscribers of Amerigroup Washington, Inc. and not in the public interest; and,

- The acquisition of Amerigroup Washington, Inc. is not likely to be hazardous or prejudicial to the insurance-buying public, but, rather, will benefit Amerigroup Washington's current subscribers and the public in the State of Washington.

Based on all the materials and evidence presented to the Insurance Commissioner in the Form A Statement, including the supplemental documents and supporting materials provided with and subsequent to the filing of the Form A Statement, as well as the testimony presented at this hearing today, the Applicants respectfully request the Insurance Commissioner's approval of their Form A Statement and their proposed acquisition of control of Amerigroup Washington, Inc. pursuant to the Agreement and Plan of Merger and in accordance with the provisions of RCW 48.31C.030.

Respectfully submitted December 12, 2012.

  
Brian F. Kreger  
Kreger Beeghly, PLLC

Before the Office of the Insurance Commissioner  
of the State of Washington

FILED  
2017 DEC 12 12:03:31

NOV 12 2017  
12:08:20  
No. 12-0820

<i>In the Matter of the Proposed Acquisition of</i>	)	
<i>Control of:</i>	)	
<b>AMERIGROUP WASHINGTON, INC., a</b>	)	
<b>Washington Health Care Service Contractor</b>	)	Pre-Filed Closing Statement
<b>by</b>	)	of
<b>WELLPOINT, INC., an Indiana corporation,</b>	)	Brian F. Kreger
<b>and ATH HOLDING COMPANY, LLC, an</b>	)	for WellPoint, Inc. and
<b>Indiana limited liability company, and a direct</b>	)	ATH Holding Company, LLC
<b>wholly owned subsidiary of WellPoint, Inc.</b>	)	

---

Your Honor, I appreciate this opportunity to address and review the pertinent evidence that has been presented here today that clearly establishes that the legal and regulatory criteria have been satisfied for approval of the proposed acquisition of control of Amerigroup Washington, Inc. by Applicants, WellPoint, Inc. and ATH Holding Company, LLC. We have heard the testimony of Mr. Jay Wagner and Mr. Jeffrey Fusile of WellPoint, and also of Mr. James Truess of Amerigroup, all of whom are exceptionally well qualified to speak regarding the details and the effects of the proposed transaction. These individuals have clearly and concisely testified that the acquisition is fair, equitable, and in the interests of the subscribers of Amerigroup Washington and of the general public. They have testified that neither WellPoint nor Amerigroup has received any objections or concerns relating to the proposed acquisition.

Mr. Ron Pastuch, Holding Company Manager in the Company Supervision of the Office of Insurance Commissioner has testified, after a diligent review of the Applicant's Form A Statement including the supplemental documents and supporting materials filed with the OIC in conjunction with the Form A Statement, that he and his colleagues have concluded that the filing

is complete, that all conditions for approval of the Form A Statement have been satisfied, and that he recommends approval of the acquisition.

The testimony of each witness here today has addressed all of the criteria set forth in RCW 48.31C.030 and has proven that no reasonable objection exists for not approving the transaction. Specifically, these witnesses have established that, upon approval of the acquisition:

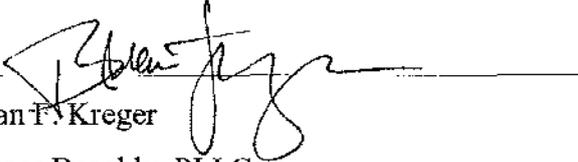
- The Applicants' acquisition of control will allow Amerigroup Washington, Inc. to continue to satisfy the requirements of a health carrier in the State of Washington;
- The acquisition and change of control will not substantially lessen competition or tend to create a monopoly in the health coverage business
- The financial condition of the Applicants is such that it does not jeopardize the financial stability of Amerigroup Washington, Inc. or prejudice the interests of its subscribers;
- The Applicants have no current plans to liquidate, to sell the assets, or to consolidate or merge Amerigroup Washington, Inc. with any other person, or to make any other material changes in the business operations, corporate structure, or management of Amerigroup Washington, Inc. that would be unfair or unreasonable to Amerigroup Washington, Inc. or its subscribers, or not in the public interest;
- The competence, experience, and integrity of those persons who would control the operation of Amerigroup Washington, Inc. after the completion of the acquisition are not such that it would not be in the interest of the subscribers of Amerigroup Washington, Inc. and not in the public interest; and,
- The acquisition of Amerigroup Washington, Inc. is not likely to be hazardous or prejudicial to the insurance-buying public, but, rather, will benefit Amerigroup Washington's current subscribers and the public in the State of Washington.

This testimony of Mr. Wagner, Mr. Fusile, Mr. Truess, and Mr. Pastuch is uncontroverted and has been presented in a credible and unbiased manner.

Accordingly, WellPoint and Amerigroup respectfully request that Your Honor, on behalf of the Insurance Commissioner, approve WellPoint's proposed acquisition of Amerigroup Washington, Inc. and further request that you issue your oral order approving this transaction upon the conclusion of this hearing.

On behalf of my client, WellPoint and A1H Holding Company, Inc., I express my sincere thanks to you, Ms. Petersen, for your attention and diligence in preparing for and presiding over this hearing. We also express our thanks and deep gratitude to Mr. Ron Pastuch for his assistance as he reviewed the Form A and the many documents that are a part of this proceeding and to Ms. Kate Reynolds, the OIC's attorney for her collegiality and professionalism throughout this matter. And, for all of us, I offer both our collective and my personal thanks to Ms. Kelly Cairns who patiently and accurately provided the necessary guidance and advice we needed as we proceeded toward the final hearing.

Respectfully submitted December 12, 2012.

  
\_\_\_\_\_  
Brian F. Kreger  
Kreger Beegly, PLLC

Before the Office of the Insurance Commissioner  
of the State of Washington

7/13/12 10:01

*In the Matter of the Proposed Acquisition of* )  
*Control of:* )  
**AMERIGROUP WASHINGTON, INC., a** )  
**Washington Health Care Service Contractor** )  
**by** )  
**WELLPOINT, INC., an Indiana corporation,** )  
**and ATH HOLDING COMPANY, LLC, an** )  
**Indiana limited liability company, and a direct** )  
**wholly owned subsidiary of WellPoint, Inc.** )

No. 12-0820

WASHINGTON  
INSURANCE COMMISSIONER  
CHIEF OF BUREAU

Pre-Filed Testimony

of

Jay Harry Wagner

**I. INTRODUCTION**

**1. Q. Please provide your name for the record.**

A. My name is Jay Harry Wagner.

**2. Q. Please provide your business address.**

A. WellPoint, Inc.  
120 Monument Circle  
Indianapolis, IN 46204

**3. Q. Please explain for the record your purpose for providing testimony here today.**

A. Our purpose in being here today is to testify in support of WellPoint's application to acquire control of Amerigroup Washington, Inc., a Washington domiciled health care service contractor. For ease of reference, we will refer to that company as Amerigroup Washington or the HCSC.

The HCSC is a direct wholly owned subsidiary of Amerigroup Corporation. WellPoint, by which I mean WellPoint, Inc., proposes to acquire control of the HCSC in a merger transaction involving the HCSC's parent company, Amerigroup Corporation. WellPoint subsidiaries involved in the merger transaction are ATH Holding Company, LLC, a direct wholly owned subsidiary of WellPoint, and WellPoint Merger Sub, Inc., which is a direct wholly owned subsidiary of ATH Holding Company, LLC. I will refer to ATH Holding Company, LLC as ATH and to WellPoint and ATH together, as the Applicants.

4. **Q. Please describe your educational background.**
- A. I received a B.A. from Ohio State University in 1989. I received my J.D. in 1991 from the University of Cincinnati School of Law.
5. **Q. By whom are you employed and in what capacity?**
- A. I am employed by WellPoint as its Vice President and Counsel, Mergers & Acquisitions.
6. **Q. Do you hold a director or officer position with ATH?**
- A. No, I don't.
7. **Q. How long have you been employed with WellPoint?**
- A. Since May 9, 2006.
8. **Q. How long have you held your current position at WellPoint?**
- A. Since October 13, 2008.
9. **Q. What positions did you hold prior to your current position/joining WellPoint in 2006?**
- A. I was General Counsel, Americas for Thomson/Technicolor in Carmel, Indiana. I had been employed there since March of 1998. Prior to that time, I was employed by OHM Corporation as Chief Counsel for Eastern Operations. I had been employed there since August of 1993. After my admission to the Ohio bar in May of 1992, I was employed as an associate in a general practice firm in Findlay, Ohio, Kentris & Associates.
10. **Q. Could you provide us with a brief description of your involvement and role in the proposed transaction?**
- A. I was involved in the negotiations and due diligence that resulted in Amerigroup Corporation and WellPoint entering into the Agreement and Plan of Merger. That agreement was provided to the Washington State Office of the Insurance Commissioner as an exhibit to the Applicants' Form A Statement.

II. PROCEDURAL MATTERS

11. **Q. Are you familiar with the Applicants' Form A Statement regarding the proposed acquisition of control of Amerigroup?**
- A. Yes, I am.

12. **Q. Who signed the Form A Statement on behalf of the Applicants?**
- A. John Cannon, WellPoint's Executive Vice President, General Counsel, Corporate Secretary and Chief Public Affairs Officer, and currently serving as Interim President and Chief Executive Officer, signed the Form A Statement on behalf of WellPoint.
- Kathleen Kiefer, Secretary of ATH, signed the Form A Statement on behalf of ATH.
13. **Q. Did these individuals have the authority to sign the Form A Statement on behalf of each of the respective Applicants?**
- A. Yes, they did.
14. **Q. When was the Form A Statement filed by the Applicants with the Washington State Office of the Insurance Commissioner?**
- A. The Applicants filed their Form A Statement with the Office on Monday, August 6, 2012.
15. **Q. Have any supplements to the Form A Statement been filed by the Applicants with the Washington State Office of the Insurance Commissioner?**
- A. Yes. The Applicants provided supplemental information to the Washington State Office of the Insurance Commissioner, including responses to requests from the staff of the Office, as well as Your Honor, during the review of our Form A Statement. Those filings were made with Mr. Ronald Pastuch, Holding Company Manager at the OIC, or your paralegal, as applicable, Ms. Kelly Cairns.
16. **Q. Is the Form A Statement, including all supplements thereto, as presented to the Washington State Office of the Insurance Commissioner, to the best of your knowledge, true, accurate and complete?**
- A. Yes, the Form A Statement, including all supplements thereto, is to the best of my knowledge, true, accurate and complete.
17. **Q. Could you explain the procedures the Applicants employed to make sure the Form A Statement is true, accurate and complete?**
- A. The Form A Statement was prepared by a group of business and legal personnel at the Applicants, together with WellPoint's outside legal advisors, Kregger Beeghly, PLLC and Faegre Baker Daniels LLP. Drafts of the Form A Statement were circulated to these parties as well as Amerigroup Corporation and its counsel for review and comment in order to ensure that the Form A Statement was true, accurate and complete before it was filed with the Office.

18. Q. **Have there been any material changes with respect to the information provided or required in the Form A Statement since the Form A Statement and the supplements related thereto were filed?**

A. No, to the best of my knowledge, there have not been any material changes.

19. Q. **Did the Applicants send a copy of the Form A Statement to Amerigroup Washington and its controlling corporation?**

A. Yes, the Applicants sent a copy of the Form A Statement without exhibits to the HCSC and its controlling corporation, Amerigroup Corporation, on August 7, 2012 and followed up with a copy of the Form A Statement with exhibits the week of August 13, 2012.

### III. OVERVIEW OF THE APPLICANTS

20. Q. **Lct's move next to an overview of the Applicants in this proceeding. Could you tell us a little more about them?**

A. Certainly. As I mentioned earlier, WellPoint and ATH are the Applicants.

WellPoint is the publicly traded, ultimate parent company of the WellPoint family of companies. Its common stock is traded on the New York Stock Exchange under the symbol "WLP." WellPoint is one of the largest health benefits companies in the United States, serving 33.5 million medical members through its affiliated health plans and a total of more than 63.7 million individuals through all subsidiaries as of September 30 this year.

ATH is an Indiana limited liability company and a direct wholly owned subsidiary of WellPoint. It has no business operations of its own and serves as a holding company for many of WellPoint's operating insurance companies and other subsidiaries.

21. Q. **Could you please describe WellPoint and its history?**

A. WellPoint was originally named Anthem, Inc. and was formed in July of 2001 in connection with the conversion of Anthem Insurance Companies, Inc. from an Indiana mutual insurance company into a stock insurance company. The conversion, or demutualization as that kind of transaction is often called, became effective in November of 2001. As a result, Anthem Insurance became a wholly owned stock subsidiary of Anthem, Inc., and Anthem, Inc. became a publicly held company. In November of 2004, Anthem, Inc. acquired WellPoint Health Networks Inc., at which time Anthem, Inc. changed its corporate name to WellPoint, Inc.

WellPoint is an independent licensee of the Blue Cross and Blue Shield Association, an association of independent health benefit plans. WellPoint serves its members as the Blue Cross and/or Blue Shield licensee for all or portions of California, Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri,

Nevada, New Hampshire, New York, Ohio, Virginia and Wisconsin. In a majority of these service areas, WellPoint's affiliated health plans do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, Blue Cross and Blue Shield of Georgia, Empire Blue Cross Blue Shield or Empire Blue Cross. WellPoint is not affiliated with the Washington Blue Cross and Blue Shield companies; each is an independent licensee of the Blue Cross and Blue Shield Association.

WellPoint also serves customers throughout the country through its UniCare insurers and health plans, and in certain California, Arizona and Nevada markets through its CareMore Health Group subsidiaries. WellPoint is licensed to conduct insurance operations in all 50 states through its subsidiaries.

**22. Q. Please describe WellPoint's products and services.**

A. Through its subsidiaries, WellPoint offers a broad spectrum of network-based managed care plans to the large and small employer, individual, Medicaid and senior markets. WellPoint's managed care plans include preferred provider organizations, health maintenance organizations, point-of-service plans, traditional indemnity plans and other hybrid plans. Hybrid plans include consumer-driven health plans, and hospital only and limited benefit products.

In addition, WellPoint provides a broad array of managed care services to self-funded customers. These services include claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services.

WellPoint also provides an array of specialty products and services including life and disability insurance benefits; dental, vision, behavioral health benefit services; radiology benefit management; analytics-driven personal health care guidance; and long-term care insurance.

Additionally, WellPoint provides services to the Federal Government in connection with the Federal Employee Health Benefit Program and various Medicare programs. And WellPoint also sells contact lenses, eyeglasses and other ocular products through its recently acquired 1-800 CONTACTS subsidiary.

**23. Q. How is WellPoint's business organized?**

A. We manage our operations through three segments: Commercial, Consumer and Other. Our Commercial and Consumer segments both offer a diversified mix of managed care products, including PPOs, HMOs, traditional indemnity benefits and POS plans, as well as a variety of hybrid benefit plans of the kinds I mentioned previously, and hospital only and limited benefit products.

Our Commercial segment includes Local Group, National Accounts and certain other ancillary business operations, such as dental, vision, life and disability and workers' compensation. Business units in the Commercial segment offer fully-

insured products and provide a broad array of managed care services to self-funded customers, as I described previously.

Our Consumer segment includes Senior, State-Sponsored and Individual businesses. Our Senior business includes services such as Medicare Advantage, including private fee-for-service plans and special needs plans. Our Senior business also includes Medicare Part D and Medicare Supplement programs. Our State-Sponsored business includes our managed care alternatives for Medicaid and State Children's Health Insurance Plan programs. Individual business includes individual customers under age 65 and their covered dependents.

Our Other segment includes the Comprehensive Health Solutions business unit that brings together our resources focused on optimizing the quality of health care, the clinical consumer experience and cost of care management. Comprehensive Health Solutions also includes provider relations; care and disease management; employee assistance programs, including behavioral health; radiology benefit management; and analytics-driven, evidence based personal health care guidance.

Our Other segment also includes our Federal Government Solutions businesses, including our Federal Employee Health Benefit Program and National Government Services, Inc., which serves as a Medicare contractor in several regions across the nation.

#### IV. OVERVIEW OF PROPOSED TRANSACTION

**24. Q. Let's move on to an overview of the proposed transaction. Please give us an overview of the structure.**

A. Pursuant to the terms of the Agreement and Plan of Merger, WellPoint Merger Sub, Inc. will be merged with and into Amerigroup Corporation. With that merger, the separate existence of WellPoint Merger Sub will cease, and Amerigroup Corporation will continue as the surviving corporation and an indirect wholly owned subsidiary of WellPoint. The HCSC will be acquired by WellPoint when WellPoint Merger Sub is merged with and into the HCSC's parent company, Amerigroup Corporation. A copy of the merger agreement was attached as an exhibit to the Form A Statement.

**25. Q. Please describe the Applicants' internal process of approving the proposed transaction and the Agreement and Plan of Merger.**

A. Senior management of WellPoint, after consultation with WellPoint's Board of Directors, negotiated the Agreement and Plan of Merger. WellPoint's Board of Directors reviewed and discussed the Agreement, along with other aspects of the proposed transaction, with its legal counsel and other advisors. WellPoint's Board of Directors approved the proposed transaction on July 6, 2012.

26. Q. Is approval by the shareholders of WellPoint required for the proposed transaction?
- A. No, it is not.
27. Q. Will Amerigroup Corporation stockholders be paid consideration in connection with the merger transaction?
- A. Yes, they will.
28. Q. Please describe the consideration that will be paid to Amerigroup Corporation stockholders.
- A. Generally speaking, each outstanding share of common stock of Amerigroup Corporation will be converted into the right to receive \$92 in cash. WellPoint estimates that it will pay about \$5 billion to cover the merger consideration and associated fees and expenses. My colleague, Jeff Fusile, will provide more detail about the consideration to be paid in connection with the proposed transaction.
29. Q. At the present time, are there any affiliations between the Applicants and Amerigroup Washington?
- A. No.
30. Q. Just to be absolutely clear: Will WellPoint become the ultimate controlling person of Amerigroup Washington upon consummation of the proposed transaction?
- A. Yes, it will.
31. Q. Has WellPoint or any of its affiliates received any objections or concerns regarding the proposed acquisition of Amerigroup Washington?
- A. No, we have not received any objections or concerns relating to the proposed acquisition of Amerigroup Washington.

V. EFFECT OF THE PROPOSED TRANSACTION

32. Q. Could you briefly describe the business of Amerigroup Washington?
- A. As I stated earlier, the HCSC is a direct wholly owned subsidiary of Amerigroup Corporation. It does business only in Washington and writes only Medicaid managed care business in the State of Washington. The HCSC only started writing this business in Washington in July of this year. No other subsidiary or affiliate of Amerigroup Corporation writes business in Washington.

33. **Q. Could you please provide an overview of the Applicants' current plans for Amerigroup Washington?**
- A. The Applicants have no present plans to make material changes in the operations of the HCSC. There are no current plans or proposals to declare an extraordinary dividend or make other extraordinary distributions, to liquidate the HCSC, to sell any of the HCSC's assets out of the ordinary course, to merge or consolidate the HCSC or to make any other material change in any of the HCSC's business operations or corporate structure. Under WellPoint, ordinary course of business would naturally continue, including investment transactions and minor asset dispositions and the like.
34. **Q. Please indicate whether any affiliated agreements will be entered into between Amerigroup Washington, on the one hand, and WellPoint or one of its affiliates, on the other hand.**
- A. The Applicants anticipate that certain operations of the HCSC, such as human resources, payroll, finance and accounting, may be integrated with WellPoint's existing operations. Leaders from Amerigroup Corporation and WellPoint are working on and will finalize integration plans together. Also, it is anticipated that the HCSC will become a member of WellPoint's consolidated tax group upon consummation of the merger, and the Applicants are evaluating the need for any changes to intercompany tax sharing agreements that may be appropriate.
35. **Q. What impact, if any, will the proposed transaction have on matters such as the HCSC's services, provider networks and reimbursement rates?**
- A. None.
36. **Q. Do the Applicants currently intend to make any changes to the senior management or Board of Directors of Amerigroup Washington?**
- A. Certain members of the HCSC's Board of Directors and certain executive officers will be replaced, and new directors and executive officers will be selected from among those individuals currently serving as executive officers and/or directors of the Applicants.
37. **Q. Have biographical affidavits for each of the directors and executive officers of the Applicants and the proposed directors and executive officers of Amerigroup Washington been filed with the Washington State Office of the Insurance Commissioner?**
- A. Yes, they have.
38. **Q. Please describe the composition of the Board of Directors of Amerigroup Washington that is expected upon the consummation of the proposed transaction.**
- A. The Board would be comprised of the following individuals:

Aileen McCormick . . . Chairperson and Director

Catherine I. Kelaghan . . . Director, and

Carter A. Beck . . . Director.

39. **Q. Please describe the contemplated executive officers of Amerigroup Washington upon consummation of the proposed transaction.**

A. The following individuals would be the executive officers of the IICSC:

Rosa M. Cozad . . . President and Chief Executive Officer

Kathleen S. Kiefer . . . Secretary

Nicholas J. Pace . . . Vice President and Assistant Secretary

R. David Kretschmer . . . Treasurer, and

Scott W. Anglin . . . Vice President and Assistant Treasurer.

VI. OTHER REGULATORY APPROVALS

40. **Q. Aside from the Form A Statement which is the subject of this hearing, please describe any other insurance regulatory acquisition of control filings that the Applicants are required to make in connection with the proposed transaction.**

A. The Applicants' acquisition of Amerigroup Corporation will also involve the acquisition of control of health maintenance organizations in Florida, Kansas, Louisiana, Maryland, Nevada, New Jersey, New Mexico, New York, Ohio, Tennessee, Texas, and Washington, as well as the acquisition of control of an insurance company and a third party administrator in Texas.

On August 6, 2012, the Applicants submitted applications for the acquisition of control of these entities to the respective state insurance regulatory authorities with the exception of New York. In New York, the Applicants instead filed a notice letter with the Department of Health with respect to the change in control of the New York health maintenance organization. The Department of Health is the authority in the State of New York that regulates the change in control of New York domiciled health maintenance organizations.

Although the Applicants filed a Form A Statement in Virginia regarding the acquisition of control of Amerigroup Virginia, Inc., that Form A Statement was withdrawn by the Applicants as Amerigroup Corporation subsequently entered into a definitive agreement to sell its Virginia HMO to a non-affiliated third party. That sale closed at the end of last month.

41. Q. **What is the status of such filings?**
- A. We have received approval from each of the other applicable state regulatory authorities.
42. Q. **Have any Form E Pre-Acquisition Notification filings been made in connection with the proposed transaction?**
- A. Yes, the Applicants have filed Form E Pre-Acquisition Notification filings in Louisiana, Maryland, Nevada, Tennessee and Virginia.
43. Q. **What is the current status of these other regulatory filings?**
- A. The Form E filings were approved in connection with the Form A approval we received from these states, except for the Form E filed in Virginia, as it was withdrawn in connection with the withdrawal of the Applicants' Form A in Virginia.
44. Q. **What approvals, notices or filings are required in connection with the acquisition under the HCSC's Medicaid contract with the Washington Health Care Authority?**
- A. Amerigroup Washington filed a notice of the acquisition with the Washington Health Care Authority on July 9, 2012, and followed up with a subsequent notice of the change in ownership on September 12, 2012.
45. Q. **Was a Hart-Scott-Rodino filing or similar antitrust filing required to be made in connection with the proposed transaction?**
- A. Yes, a Hart-Scott-Rodino Premerger Notification Report Form was filed with the Federal Trade Commission and Department of Justice on July 23, 2012 in accordance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or HSR Act.
46. Q. **What is the current status of that filing?**
- A. Effective November 30, 2012, early termination of the waiting period under the HSR Act was granted. As a result, the antitrust review of the transaction has concluded. However, let me provide you with some more detail.

An HSR Form is filed with the FTC and DOJ, the two agencies that share federal antitrust enforcement jurisdiction. As the agency responsible for administering the HSR Act, the FTC has the responsibility to determine whether an HSR Form complies with the HSR Act and related rules. However, both the FTC and DOJ undertake a preliminary substantive review of the proposed transaction described in the Form. If, after preliminary review, either or both agencies decide that a particular transaction warrants closer examination, the agencies decide between themselves which one will be responsible for the investigation. Only one of the agencies conducts an investigation – this procedure is designed to minimize the

duplication of efforts and confusion. Once the investigating agency has clearance to proceed with the investigation, it may ask the parties to the proposed transaction to submit additional information or documents, which is commonly referred to as a "second request." The issuance of a second request extends the initial 30 day waiting period until 30 days after both parties have substantially complied with the request or the investigation is otherwise terminated. If, after the investigation, the investigating agency determines that competition will not be reduced substantially in any market, the parties will be then free to consummate their transaction upon expiration of the waiting period, or grant of early termination. Under the HSR Act and its implementing rules, the FTC always officially informs the parties of an early termination decision, including when the DOJ is the investigating agency.

In connection with the WellPoint/Amerigroup HSR filing, after consulting with the FTC, the DOJ took responsibility to investigate the proposed transaction and issued a "second request" for additional information to each of WellPoint and Amerigroup. As noted, to avoid duplicative investigations, the DOJ was the only federal authority investigating the potential antitrust issues involved with the proposed transaction.

The second request focused on Amerigroup's operations in Virginia, specifically several Northern Virginia counties where WellPoint and Amerigroup subsidiaries offered the two leading Medicaid managed care plans.

With WellPoint's concurrence and to allay the antitrust concerns related to WellPoint's acquisition of Amerigroup, on September 27, 2012, Amerigroup entered into a definitive agreement to divest all of its managed care operations in Virginia by selling its Virginia health plan subsidiary to Inova Health System Foundation, a nonaffiliated third party. Again, that sale closed at the end of last month.

Subsequent to that closing, and effective November 30, 2012, the DOJ concluded its investigation of the proposed transaction and, as evidence of such, the FTC notified WellPoint and Amerigroup that early termination of the waiting period under the HSR Act had been granted. This action cleared the parties to consummate the proposed transaction under the HSR Act.

## VII. STATUTORY STANDARDS

47. **Q. Let's move next to the statutory standards here in Washington. What effect will the proposed transaction have on the licensure status of Amerigroup Washington?**
- A. The proposed transaction will not have any effect on the licensure or registration status of the HCSC. There is nothing about the proposed transaction that would affect the HCSC's ability to satisfy the requirements for registration as a health carrier in the state of Washington. Furthermore, the proposed transaction will not

adversely impact the HCSC's existing financial condition, operations or regulatory compliance.

**48. Q. Will the effect of the proposed transaction be to substantially lessen competition or tend to create a monopoly in the health coverage business?**

A. No, it will not. As my colleague Mr. Fusile will further describe, none of WellPoint's insurance or health maintenance organization subsidiaries participates in the Medicaid managed care line of business in Washington. Also, the federal government's examination under the Hart-Scott-Rodino process did not identify any competitive impact issues related to operations in Washington.

Furthermore, and as previously described, subsequent to the sale of Amerigroup's Virginia health plan subsidiary to Inova, the FTC granted early termination of the waiting period under the HSR Act, effective November 30, 2012.

**49. Q. Can you comment on the competence, experience and integrity of the individuals who will serve as directors and executive officers of Amerigroup Washington post-merger?**

A. Yes. The directors and executive officers of the HCSC, after the consummation of the proposed transaction, will be very experienced and competent, based on their history with the HCSC or the Applicants and their prior experience in the industry.

**50. Q. Can you comment on the competence, experience and integrity of the individuals who will serve as directors and executive officers of Amerigroup Corporation post-merger?**

A. Yes. The directors and executive officers of Amerigroup Corporation, after the consummation of the proposed transaction, will be very experienced and competent, based on their history with Amerigroup Corporation or the Applicants and their prior experience in the industry.

**51. Q. Can you comment on the competence, experience and integrity of the individuals who will serve as directors and executive officers of WellPoint post-merger?**

A. Yes. The composition of the board of directors and the executive officers of WellPoint will not change as a result of the proposed transaction. The directors and executive officers of WellPoint are very experienced and competent, based on their history with WellPoint and their prior experience in the industry. WellPoint and its directors and officers have been found by regulators to be trustworthy and suitable in connection with the control of insurers and health maintenance organizations across the country.

52. Q. The following questions address the six statutory requirements with which any proposed acquisition of control transaction must comply before the Commissioner can approve any such transaction.

First, will the proposed transaction adversely affect Amerigroup Washington's ability to satisfy the requirements for registration as a health carrier?

A. No.

53. Q. Second, will the effect of the proposed acquisition be to substantially lessen competition or tend to create a monopoly in the health coverage business?

A. No, it will not.

54. Q. Third, is the financial condition of the Applicants such as might jeopardize the financial stability of Amerigroup Washington or prejudice the interest of its subscribers?

A. No, it will not.

55. Q. Fourth, are there any plans or proposals that you are aware of which the Applicants have to liquidate Amerigroup Washington, sell its assets, consolidate or merge it with any person, or make any other material change in the business or corporate structure or management of Amerigroup Washington, that are unfair and unreasonable to Amerigroup Washington's subscribers and not in the public interest?

A. No.

56. Q. Fifth, do you believe that the competence, experience and integrity of those persons who would control the operation of Amerigroup Washington are such that it would not be in the interest of Amerigroup Washington's subscribers and of the public to permit the proposed acquisition of control?

A. No.

57. Q. Sixth, do you believe that the acquisition is likely to be hazardous or prejudicial to the insurance-buying public?

A. No.

58. Q. **Based on the record established and the substance of the Applicants' Form A Statement, is it the view of the Applicants that the Washington State Office of the Insurance Commissioner has a sufficient record for issuance of an order approving the proposed acquisition of control of Amerigroup Washington?**

A. Yes. We believe there is a strong record to find that each of the requirements for approval has been met, such that the Washington State Office of the Insurance Commissioner may confidently approve the transaction.

VIII. CLOSING REMARKS

59. Q. **Is there anything else you would like to add in concluding your testimony?**

A. Yes. I would like to thank Your Honor, Commissioner Krcidler, as well as Ms. Kelly Cairns, Mr. Ronald Pastuch, Ms. Kate Reynolds and the entire staff of the Washington State Office of the Insurance Commissioner for the attention to our Form A filing and for the diligence in reviewing the Form A Statement and related materials.

We believe that WellPoint and the proposed transaction meet the statutory standards for approval, and I strongly urge approval of the pending application so that Amerigroup Washington can join the WellPoint family of companies. Thank you.

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

DATED this 12th day of December, 2012.

A handwritten signature in black ink that reads "Jay H. Wagner". The signature is written in a cursive style with a horizontal line underneath it.

Jay Harry Wagner, Vice President and  
Legal Counsel of Mergers & Acquisitions for  
WellPoint, Inc.

FILED

Before the Office of the Insurance Commissioner  
of the State of Washington

2012 05 10 12:37:13 PM

*In the Matter of the Proposed Acquisition of* )  
*Control of:* )  
**AMERIGROUP WASHINGTON, INC., a** )  
**Washington Health Care Service Contractor** )  
**by** )  
**WELLPOINT, INC., an Indiana corporation,** )  
**and ATH HOLDING COMPANY, LLC, an** )  
**Indiana limited liability company, and a direct** )  
**wholly owned subsidiary of WellPoint, Inc.** )

No. 12-0820  
OFFICE OF THE INSURANCE COMMISSIONER  
STATE OF WASHINGTON  
Pre-Filed Testimony  
of  
Jeffrey Phil Fusile

---

1. INTRODUCTION

1. **Q. Please state your full name for the record.**

A. My name is Jeffrey Phil Fusile.

2. **Q. Please provide your business address.**

A. WellPoint, Inc.  
120 Monument Circle  
Indianapolis, IN 46204

3. **Q. Please describe your educational background.**

A. I received Bachelor of Science Degrees in both Accounting and Finance from Florida State University in 1989.

4. **Q. Do you hold any professional designations?**

A. I am a Certified Public Accountant licensed in the states of Indiana, Georgia and Florida. I also am a Certified Global Management Accountant.

5. **Q. By whom are you employed and in what capacity?**

A. I am employed by WellPoint as its Senior Vice President and Chief Financial Officer of Business Operations.

6. Q. **Do you hold a director or officer position with ATH?**
- A. No, I don't.
7. Q. **What are your duties and responsibilities as Senior Vice President and Chief Financial Officer of Business Operations at WellPoint?**
- A. My primary duties include financial planning, forecasting and management reporting. Essentially, I am accountable for the financial performance of each of our lines of business.
8. Q. **How long have you been employed by WellPoint?**
- A. I joined WellPoint on July 1, 2011. So I have been with WellPoint now for over 16 months.
9. Q. **What positions did you hold prior to joining WellPoint?**
- A. I was the office managing partner at PricewaterhouseCoopers in Indianapolis and led and served in their health insurance consulting practice. I was at PricewaterhouseCoopers for 13 years. Prior to that, I was a consultant at Navigant Consulting.
10. Q. **Could you provide us with a brief description of your involvement and role in the proposed transaction?**
- A. I was involved in the financial due diligence for the acquisition, and I expect to be involved in the integration of the Amerigroup business.
11. Q. **Are you familiar with the Applicants' Form A Statement regarding the proposed acquisition of control of Amerigroup Washington?**
- A. Yes, I am familiar with the Applicant's Form A Statement regarding the proposed acquisition of control of Amerigroup Washington, a Washington domiciled health care service contractor. For ease of reference, I will refer to that company as Amerigroup Washington or the HCSC.
12. Q. **Is the Form A Statement, including all supplements thereto, as presented to the Washington State Office of the Insurance Commissioner, to the best of your knowledge, true, accurate and complete?**
- A. Yes, it is.

## II. THE APPLICANTS' FINANCIAL CONDITION

13. **Q. Before we discuss some of the details of the proposed transaction, could you please provide us with some background information regarding WellPoint's financial condition?**

A. Applicants are in strong financial condition and are well capitalized. WellPoint's consolidated operating revenue for the year ended December 31, 2011, was about \$60 billion, while consolidated net income was just over \$2.5 billion. For the nine months ended September 30, 2012, WellPoint's consolidated operating revenue was over \$45 billion, while consolidated net income was almost \$2.2 billion. Also, as of September 30, 2012, WellPoint had total assets of over \$55 billion, on a consolidated basis.

14. **Q. Can you generally describe the source of WellPoint's revenues?**

A. WellPoint's consolidated operating revenue comes from three primary sources – premiums, administrative fees and what we call other revenue. Premium revenue, which is the vast majority of WellPoint's consolidated operating revenue, comes from fully insured contracts. These are insurance policies and contracts in which WellPoint indemnifies its policyholders against costs for covered health and life benefits. Administrative fees come from contracts where WellPoint's customers are self-insured, or where the fee is based on either processing of transactions or a percent of network discount savings realized. Additionally, WellPoint earns administrative fee revenues from its Medicare processing business and from other health-related businesses, including disease management programs. Other revenue comes from a variety of other sources, such as product sales made by the 1-800 CONTACTS business.

WellPoint reports its consolidated operating revenue in three segments: Commercial, Consumer and Other. The largest segment, Commercial, had operating revenue of about \$34 billion for the year ended December 31, 2011, and just over \$25.2 billion for the nine months ended September 30, 2012. The second largest segment, Consumer, had operating revenue of just over \$17 billion for the year ended December 31, 2011, and just under \$14.5 billion for the nine months ended September 30, 2012. The Other segment had operating revenue of \$7.5 billion for the year ended December 31, 2011, and just over \$5.7 billion for the nine months ended September 30, 2012.

15. **Q. What can you tell us about WellPoint's cash flow?**

A. WellPoint generated consolidated cash flow from operations of \$3 billion in 2009, \$1.4 billion in 2010, and \$3.4 billion in 2011.

Total cash and cash-equivalents were just over \$2.4 billion as of September 30, 2012.

16. **Q. What was WellPoint's shareholders' equity for the past three years?**

A. WellPoint had, on a consolidated basis, total shareholders' equity of \$24.8 billion, \$23.8 billion, and \$23.3 billion, as of December 31, 2009, 2010, and 2011, respectively. Also, as of September 30, 2012, WellPoint had total shareholders' equity of over \$23.8 billion on a consolidated basis.

17. **Q. What are WellPoint's current credit ratings?**

A. The financial strength/claims paying ability ratings of WellPoint's principal subsidiaries are:

Standard & Poor's Rating Services.....A+

A.M. Best Company, Inc.....A

Moody's Investor Services, Inc.....A2

Fitch, Inc.....AA-

18. **Q. Do those ratings take into account the proposed Amerigroup acquisition and WellPoint's financing?**

A. Yes. Shortly following the public announcement of the merger, and as is customary in transactions of this nature, A.M. Best placed its WellPoint and WellPoint subsidiaries ratings under review with negative implications. Moody's Investor Service also lowered the insurance financial strength ratings of WellPoint's operating subsidiaries to A2 from A1 following the announcement. Fitch downgraded WellPoint's long term issuer default rating to A- and its issue ratings to BBB+. However, Fitch affirmed the ratings of WellPoint's operating subsidiaries at AA-. Fitch's outlook on WellPoint and WellPoint's operating subsidiaries ratings is negative.

19. **Q. Is there anything about the financial condition of the Applicants that would jeopardize the financial stability of Amerigroup Washington or prejudice the interests of its policyholders?**

A. No, there is nothing about the financial condition of the Applicants that would jeopardize the financial stability of the HCSC or prejudice the interests of its subscribers.

20. **Q. From a financial standpoint, can you summarize the reasons that WellPoint and Amerigroup Corporation entered into the agreement for the proposed transaction?**

A. From WellPoint's perspective, the acquisition will further diversify our business mix by expanding into the high-growth Medicaid marketplace. It is also an

opportunity to capitalize on the strengths of both WellPoint and Amerigroup Corporation to better serve our customers across the economic spectrum.

### III. TRANSACTION CONSIDERATION

21. **Q. What is the amount and nature of consideration being paid by WellPoint in connection with the proposed transaction?**

A. The Agreement and Plan of Merger provides that, subject to certain customary exceptions, Amerigroup Corporation's stockholders will be paid \$92 for each share of common stock. WellPoint estimates that it will have cash requirements of about \$5 billion for merger consideration and related fees and expenses.

22. **Q. What criteria were used to determine the amount and nature of the consideration to be paid by WellPoint in connection with the proposed transaction?**

A. The nature and amount of consideration to be paid by WellPoint were determined through arms' length negotiations between representatives of WellPoint, on the one hand, and the representatives of Amerigroup Corporation, on the other. The consideration being paid was determined by considering many factors, including the consideration paid in comparable transactions, the financial position and results of operation of Amerigroup Corporation, and other factors that the Applicants considered relevant.

### IV. FINANCING OF THE PROPOSED TRANSACTION

23. **Q. How will the purchase price be funded?**

A. As I mentioned, WellPoint estimates that the total consideration and related fees and expenses for the merger will be about \$5 billion. In our Form A Statement, WellPoint stated that it intended to use a combination of cash on hand, and proceeds from the issuance of commercial paper and debt financing or borrowing to meet those cash needs. Consistent with these plans, on September 10, 2012, WellPoint issued \$3.25 billion of senior unsecured notes. WellPoint will use approximately \$3.1 billion from the sale of those senior unsecured notes, plus a combination of cash on hand and commercial paper borrowings to fund its merger obligations. These sources of funds are more than enough to cover the estimated \$5 billion in consideration and related fees and expenses. Supplemental information regarding the closing of this note offering was filed on September 12 and marked as received by the OIC on September 13.

24. **Q. Could you further explain the nature and amount of the debt being incurred for the acquisition?**

A. Yes, I can. On September 10, 2012, WellPoint closed on a public offering of \$3.25 billion of senior unsecured notes. Approximately \$3.1 billion of the net

proceeds from the sale of these notes will be used to fund merger consideration. The notes were offered in four tranches:

- \$625,000,000 of 1.250% notes which will mature on September 10, 2015,
- \$625,000,000 of 1.875% notes which will mature on January 15, 2018,
- \$1,000,000,000 of 3.300% notes which will mature on January 15, 2023, and
- \$1,000,000,000 of 4.650% notes which will mature on January 15, 2043.

WellPoint will pay interest on the 2015 notes on March 10 and September 10 of each year, beginning March 10, 2013. WellPoint will pay interest on the 2018 notes, the 2023 notes and the 2043 notes on January 15 and July 15 of each year, beginning on July 15, 2013.

The notes are not secured by stock of subsidiaries or any other assets of WellPoint, whether acquired in the merger or otherwise.

WellPoint also plans to use its existing commercial paper program, as well as cash on hand, to fund the remaining portion of merger consideration and to fund other cash requirements for the merger and related expenses. WellPoint has about \$1.7 billion available for borrowing under its authorized commercial paper program.

WellPoint's commercial paper is not secured by stock of subsidiaries or any other assets of WellPoint and will not be secured by stock or any other assets acquired in the merger or otherwise.

- 25. Q. How will WellPoint pay the interest on and principal of this debt?**
- A. WellPoint expects to receive more than sufficient dividends from its subsidiaries and other revenues to service the debt.
- 26. Q. Does WellPoint have any other sources of funds available, in addition to cash on hand and proceeds from commercial paper?**
- A. Yes. WellPoint has other sources of funds available, including a \$2 billion senior credit facility. However, WellPoint does not anticipate any need to access any other funds as cash on hand and its commercial paper program should be sufficient.
- 27. Q. Doesn't WellPoint also have a \$3 billion bridge loan agreement in place to provide financing for the acquisition?**
- A. A bridge loan facility was initially put in place as a contingency, but that contingent borrowing is no longer in effect or necessary as a result of the \$3.25 billion note offering completed on September 10. This information was included in our supplemental informational filing received by the OIC on September 13.

V. EFFECTS OF THE PROPOSED TRANSACTION

28. Q. **Could you please briefly describe the expected financial condition of Amerigroup Washington immediately following the closing of the proposed transaction?**

A. The financial condition of the HCSC is not expected to change immediately following the closing except that WellPoint, which has higher financial strength and credit ratings than Amerigroup Corporation, will be the HCSC's ultimate parent company.

29. Q. **Will Amerigroup Washington's policyholder surplus or risk based capital level change in any way as a result of the transaction?**

A. No, they will not.

30. Q. **Do the Applicants currently intend to change the corporate name of Amerigroup Washington?**

A. No. The Applicants do not have any current plans to change the name.

31. Q. **Do the Applicants currently intend to redomesticate Amerigroup Washington?**

A. No. The Applicants do not have any current plans to redomesticate Amerigroup Washington.

32. Q. **Could you please tell us how integration planning for the combined company will take place?**

A. WellPoint and Amerigroup Corporation have established a transition planning team made up of representatives of both companies to facilitate the transition and the successful combination of the operations of the companies. The transition team is responsible for developing and monitoring deliverables due under an action plan for the combination of the businesses following the completion of the merger.

33. Q. **Will there be any changes to Amerigroup Washington's operations as a result of the proposed transaction?**

A. The Applicants have no present plans to make material changes in the operations of the HCSC.

As Mr. Wagner discussed, the Applicants anticipate that certain operations of the HCSC may be integrated with WellPoint's existing operations. Leaders from Amerigroup Corporation and WellPoint will finalize the integration plans together.

34. **Q. To what extent will tax revenues currently generated by the Applicants and Amerigroup Washington in Washington change?**

A. State tax payments from the Applicants and the HCSC in Washington should not materially change because of the proposed transaction.

35. **Q. Are there any considerations related to a possible reduction of the Applicants' or Amerigroup Washington's economic presence in Washington as a result of the proposed transaction?**

A. No.

#### VI. BENEFITS OF THE PROPOSED TRANSACTION

36. **Q. Please outline for us the benefits that the Applicants expect to derive from the proposed transaction?**

A. WellPoint believes that the proposed acquisition will further its goal of creating better health care quality at more affordable prices for customers and, in particular, will advance WellPoint's capabilities to more effectively and efficiently serve the growing Medicaid population.

37. **Q. What are the benefits that Amerigroup Washington can expect to realize as a result of the proposed transaction?**

A. The HCSC will benefit from WellPoint's appreciation of the importance of local presence combined with WellPoint's national expertise and investment in technology. WellPoint believes that an essential ingredient for practical and sustainable improvements in health care is raising health care quality while managing costs for total cost affordability. The HCSC will be able to take advantage of solutions WellPoint has identified, which WellPoint believes will deliver better health care while reducing costs.

38. **Q. Do the Applicants currently anticipate that any jobs will be lost as a result of efforts to realize synergies or other aspects of the proposed transaction?**

A. While employment levels at the HCSC can be expected to vary in the ordinary course of business, WellPoint has no current plans to reduce in any material way the number of people employed by the HCSC. Following the merger, the HCSC's employees are expected to remain employees of the HCSC.

#### VII. COMPETITIVE IMPACT OF THE PROPOSED TRANSACTION

39. **Q. What is the extent of the Applicants' current business operations in Washington?**

A. Anthem Insurance Companies Inc., Anthem Life Insurance Company, OneNation Insurance Company and UniCare Life and Health Insurance Company are indirect

wholly owned subsidiaries of WellPoint. These are the only subsidiaries or affiliates of WellPoint that are licensed to write business in the State of Washington, and none of these companies write Medicaid business.

From 2007 through present, none of WellPoint's subsidiaries or affiliates had or have direct written Medicaid premium in Washington.

**40. Q. Can you describe the impact that the proposed transaction may have on competition in Washington's insurance markets?**

A. The HCSC writes business only in the Medicaid managed care market; it has no direct written premium in any other line of business. Because the HCSC participates only in the Medicaid managed care line of business in Washington, the HCSC only has premiums in this line of business. On the WellPoint side of things, none of WellPoint's insurance or health maintenance organization subsidiaries currently participates in the Medicaid managed care line of business in Washington. Therefore, the proposed transaction will not result immediately in any increase in market share.

**41. Q. Will the proposed acquisition of control of Amerigroup Washington by the Applicants substantially lessen competition or tend to create a monopoly in Washington?**

A. No. For the reasons described in my response to your prior question, the proposed acquisition of control of the HCSC will not substantially lessen competition or tend to create a monopoly in the Medicaid managed care line of business in Washington. Again, the HCSC does not participate in any other line of business in Washington.

#### VIII. CLOSING REMARKS

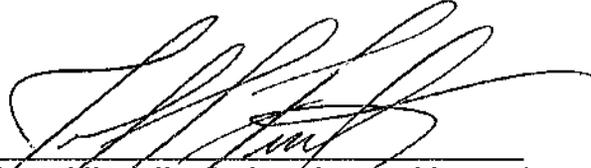
**42. Q. Is there anything else you would like to add in concluding your testimony?**

A. Yes. I would like to thank Your Honor, Commissioner Kreidler, as well as the staff of the Washington State Office of the Insurance Commissioner for the attention to our Form A Statement and for the diligence in reviewing our Form A Statement and related submissions.

Because we believe that the Applicants meet the statutory standards for approval of the acquisition of control of Amerigroup Washington, I strongly recommend approval of the pending application. Thank you.

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

DATED this 12th day of December, 2012.



Jeffrey Phil Fusile, Senior Vice President and  
Chief Financial Officer of Business Operations for  
WellPoint, Inc.