

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

FILED

2013 FEB 25 P 3 19

Honorable W. D. C.
Patricia D. Peterson
Acting Executive Director

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

In the Matter of the Proposed Acquisition
and Control of:

NO. 13-0039

SOUNDPATH HEALTH, INC., a
Washington Health Care Service
Contractor,

**DECLARATION OF
RONALD J. PASTUCH**

by

COLLABHEALTH PLAN SERVICES,
INC, a Colorado corporation,

the Applicant.

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

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

2. I am a graduate of Pacific Lutheran University, where I earned a Bachelor of
Arts Degree in Business Administration in 1988. I received my CPA license in 2003.

3. My previous state employment includes the Washington Department of
Veterans Affairs from 1980 to 1987 in accounting and human resource positions, and the
Office of the Insurance Commissioner from 1987 to 1991 as a staff accountant, from 1991 to

1 1993 as a field Insurance Examiner in the OIC Company Supervision Division, and from
2 1993 to 2006 as a Financial Analyst at various levels within the same division.

3 4. On February 16, 2006, I was appointed the Holding Company Manager in the
4 same division. As the Holding Company Manager, my primary duties consist of reviewing
5 and approving holding company transactions, which include reviewing and recommending
6 OIC staff's position on proposed requests for insurance company acquisitions and mergers,
including disclaimers of control.

7 5. On October 19, 2012, CollabHealth Plan Services, Inc. ("the Applicant" or
8 "CollabHealth"), a newly formed subsidiary of Catholic Health Initiatives, filed a Form A
9 Statement for the Approval of the Acquisition of Control of Soundpath Health, Inc.
10 ("Soundpath") dated October 18, 2012. Soundpath is a Washington domiciled stock health
11 care service contractor incorporated on January 18, 2007 under its former corporate name of
12 Puget Sound Health Partners, and began writing business on January 1, 2008. CollabHealth is
13 a Colorado corporation incorporated on October 17, 2012, and is formed solely to facilitate
14 the proposed acquisition transaction. CollabHealth is a wholly owned for-profit corporation
15 by CollabHealth Managed Solutions, Inc., a Colorado for-profit corporation that is wholly
owned by Catholic Health Initiatives ("CHI), a Colorado non-profit corporation.

16 According to that Statement, CollabHealth proposes to become affiliated through a
17 stock purchase agreement signed by itself and the owners of Soundpath, namely Northwest
18 Physicians Network ("NPN") and Physicians of Southwest Washington ("PSW"). NPN and
19 PSW collectively own 41 percent and 59 percent, respectively, of the issued and outstanding
20 common shares of Soundpath and are ultimate controlling persons of Soundpath. The
21 proposed acquisition contemplates, that upon closing, CollabHealth will acquire 56 percent of
22 the issued and outstanding Class A common shares of Soundpath from NPN and PSW. NPN
23 will sell 309,400 Class A common shares and PSW will sell 196,500 Class A common shares
for a total purchase price of \$12,102,563.20. After the close of the proposed acquisition,

1 CollabHealth will hold 505,900 Class A common shares that represent 55.6 percent of issued
2 and outstanding Soundpath common shares, PSW will hold 340,400 common shares or 37.4
3 percent, and NPN will hold 63,700 common shares or 7 percent.

4 6. As part of the proposed transaction, Soundpath requested a solicitation permit
5 for the issuance of one thousand shares of Class R preferred stock to CollabHealth at \$10 par
6 value for the purchase price of \$12,085 per share. Soundpath filed its amended Articles of
7 Incorporation that included the new class of preferred shock to the OIC and with the Form A
8 filing.

9 6. Also as part of the proposed transaction, CollabHealth stated that current
10 Soundpath board of directors and some of Soundpath officers will or may be replaced by
11 persons who are current directors and/or officers of CollabHealth. CollabHealth also stated
12 there are no plans or proposals to declare an extraordinary dividend, liquidate Soundpath, scil
13 Soundpath assets other than through an Asset Purchase Agreement dated October 18, 2012
14 between Soundpath and CollabHealth, merge Soundpath, or consolidate Soundpath with any
15 person or persons, or make any other material change in its business operations or corporate
16 structure other than through an Administrative Services Agreement and Employee Lease
17 Agreement between Soundpath and CollabHealth.

18 7. On October 23, 2012, Soundpath issued its news release regarding the
19 proposed sale and majority interest to CHI.

20 7. On October 30, 2012, the OIC issued a deficiency letter regarding the Form A
21 filing and requested additional information to supplement the Form A filing.

22 8. On November 19, 2012, CollabHealth filed its response to the October 30,
23 2012, deficiency letter that partially included some of the missing exhibits under the original
October 19, 2012 filing.

1 9. On December 21, 2012, CollabHealth filed updated and additional information
2 regarding its Form A filing which included information about CHI and its subsidiary,
3 CollabHealth Managed Solutions, Inc.

4 10. On January 16, 2013, CHI provided information regarding its directors and
5 officers which is similar information filed with its annual holding company registration
6 statement to the Nebraska Department of Insurance.

7 12. On October 25, 2012, the OIC submitted the Form A filing to the Antitrust
8 Section of the Office of the Attorney General ("AGO") according to RCW
9 48.31C.030(5)(a)(ii). In that subsection, the AGO is to seek input from the Insurance
10 Commissioner if the AGO undertakes the review of the proposed acquisition, which the AGO
11 responded it would review the transaction. On January 31, 2013, the OIC received a letter
12 from the Washington Attorney General's Office regarding its review of the proposed
13 acquisition of Soundpath. The Assistant Attorney General concluded that based on their
14 review, there does not appear to be sufficient evidence to conclude that the proposed
15 acquisition warrants legal action by the AGO.

16 13. On January 29, 2013, the OIC submitted the Form A filing to the Hearings
17 Unit and requested a hearing be scheduled to determine the matter.

18 14. On February 6, 2013, the Commissioner issued a Solicitation Permit #13-0057
19 for the proposed solicitation of 1,000 Class R shares of preferred stock of Soundpath to
20 CollabHealth for the total purchase price of \$12,085,000. The OIC submitted a copy of the
21 Permit to the Hearings Unit.

22 15. I have reviewed and analyzed these submittals. My analysis was performed
23 under the criteria set forth in RCW 48.31C.030(5). From my analysis,

 a. The domestic health care service contractor would be able to satisfy the
requirements for the issuance of a license to write its current lines of business for which it is
presently licensed. Soundpath is presently registered to write health care services according to

1 Chapter 48.44 RCW. Soundpath's minimum capital and surplus as of its latest quarterly
2 financial statement (September 30, 2012) filed to the OIC is \$3 million according to RCW
3 48.44.037(1). According to that quarterly financial statement, Soundpath's total capital and
4 surplus was reportedly at \$4.7 million (unaudited) as of September 30, 2012. Soundpath's
5 2012 Annual Statement has yet to be filed as of the date of this Declaration. Its 2012 Annual
6 Statement filing is due on March 1st to the OIC. Soundpath's 2011 risk-based capital ratio
7 exceeded its company action level as defined under RCW 48.43.305 and RCW 48.43.310.
8 However in April 2012, Soundpath's financial position was deemed to be in financially
9 hazardous condition due to various operating results that may affect the continued operation
10 of the insurer [carrier] according to WAC 284-16-300 through WAC 284-16-320. Under the
11 present plan described in this Form A filing, it appears many of Soundpath's compliance
12 issues will be corrected going forward and its current capital and surplus may exceed its
13 required minimum capital and surplus and risk-based capital requirements on the date of
14 acquisition. Soundpath may continue to operate as a licensed health care service contractor in
15 Washington after the proposed acquisition.

16 b. The effect of the proposed acquisition of control would not lessen
17 competition in this state or tend to create a monopoly therein. A market analysis was
18 performed on the domestic health care service contractors and its related direct writings,
19 CollabHealth and any related direct writings, and the Washington health insurance market.
20 CollabHealth has an affiliated property and casualty insurer licensed in Washington and one
21 affiliated captive insurer. Its licensed property and casualty insurer is currently writing
22 medical professional liability business in Washington; however, its writings represented
23 approximately 2.2 percent of the medical professional liability market, and therefore, it has
little market presence in Washington State.

During 2011, Soundpath is one of the competing players in the Medicare Advantage
market and operated in five Washington State counties. During 2012 and February 2013,

1 Soundpath expanded its network to provide Medicare Advantage coverages to approximately
2 17,000 and 16,330 enrollees in nine to eleven Washington counties, respectively, according to
3 the federal Centers for Medicare and Medicaid Services. CollabHealth has no market
4 presence of the Medicare Advantage market in any state including Washington.

5 Based on this information and AGO's conclusion on its review of the Form A
6 information, there would be no violation of the competitive standard set forth in RCW
7 48.31C.020(1).

8 c. The financial condition of the Applicant appears that it would not jeopardize
9 the financial stability of the domestic carrier or prejudice its subscribers' interest.
10 CollabHealth's opening financial statement information indicates its assets and total
11 stockholders' equity at \$32.1 million as of October 17, 2012. CHI's consolidated financial
12 statements were also filed with the Form A filing and it reportedly has assets of \$15.2 billion
13 and net assets of \$7.5 billion as of September 30, 2012. According to Fitch Ratings, its latest
14 2012 bond issuance ratings are AA- with a stable rating outlook. Based on these facts, the
15 current financial condition of CollabHealth or CHI would not jeopardize the financial stability
16 of Soundpath or prejudice its subscribers' interest.

17 d. Other than the agreements previously mentioned, we are not aware of any
18 plans or proposals by the Applicant to liquidate the domestic health care service contractor,
19 sell its assets other than its Asset Purchase Agreement, consolidate, or merge it with any
20 person, or make any other material changes in its business, corporate structure, or
21 management other than its Administrative Services Agreement and Employee Lease
22 Agreement that are unfair and unreasonable to the domestic health care service contractor's
23 subscribers and not in the public interest. CollabHealth intends that Soundpath will continue
conducting its business and operations as it does today.

e. We verified the competence, experience and integrity of those persons who
would control the operation of the domestic health care service contractor through various

1 searches through internet search engines such as Google and Bing. From our review of the
2 background check information from a third party verification firm, we reviewed for any
3 criminal background of the named individuals who are listed in the Form A Statement and the
4 individuals identified in the Form A filing. We did not find any criminal history associated
5 with any named individual. As to other background checks, we did not receive any criminal
6 history associated with any named individual.

7 f. We are not aware that the acquisition is likely to be hazardous or prejudicial
8 to the insurance-buying public. Soundpath would continue to operate as it is currently
9 conducting its business and operations within the new organizational structure of
10 CollabHealth. Some of Soundpath's existing executive officers will remain; however, some
11 officers will be replaced by CollabHealth's directors or officers. Soundpath's continuation as
12 a health care service contractor would be impacted if CMS materially decreased or eliminated
13 the availability of current and future Medicare Advantage subscribers.

14 12. Depending on the testimony and evidence presented at the upcoming hearing,
15 we recommend to the presiding officer to approve the acquisition of Soundpath by the
16 Applicant.

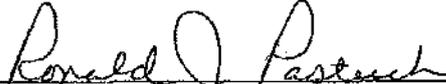
17 13. From a procedural standpoint, the OIC requires that notice of this proposed
18 acquisition be given to the public via the Internet (on the OIC's website). On February 14,
19 2013, OIC posted a notice on the Insurance Commissioner's website concerning the proposed
20 sale of Soundpath and hearing, via the Notice of Hearing and announcement posted on the
21 OIC's website. Also, the OIC posted a Public Notice to the Insurance Commissioner's
22 website regarding the upcoming hearing on February 21, 2013, a true and correct copy of
23 which is attached hereto as Exhibit "A". That notice informs the public of the March 1, 2013,
hearing and the nature of the hearing and access to the filed documents, a true and correct
copy of which is attached hereto as Exhibit "B". That Public Notice has remained on the
OIC's website since February 21, 2013, and will remain posted on the website through the

1 date of the hearing. The OIC also provided information for the public regarding the
2 Soundpath acquisition and the OIC process for evaluating that acquisition for the upcoming
3 March 1, 2013, hearing.

4 14. The Notice of Hearing informs and advises all interested parties that any
5 individual or entity is permitted to submit comments on, or objections to, this proposed
6 acquisition. The Notice of Hearing states that any questions or concerns should be directed to
7 Kelly A. Cairns, Paralegal to the OIC's Chief Hearing Officer.

8 15. As of the date of this Declaration, I personally have not received any
9 comments, questions, or objections through letter, correspondence, email, or phone, nor am I
10 aware of any comments, questions, or objections having been received by the OIC's Chief
11 Hearing Officer.

12 SIGNED this 25th day of February, 2013.

13 
14 Ronald J. Pastuch
15
16
17
18
19
20
21
22
23



About OIC
Connect with us
Laws & rules

"EXHIBIT A"

Public notices

February 2013

Hearing set to decide Catholic Health Initiative's request to buy Soundpath Health, Inc. - 2/20/13

December 2012

Hearing set to decide Wellpoint's request to buy Amerigroup WA, Inc. as part of \$4.7 billion purchase of Amerigroup Corp. - 12/7/12

October 2012

Hearing set for Government Personnel Mutual Life's request to acquire North Coast Life - 10/8/12

August 2012

Hearing set to consider Sagacor Life's request to acquire PEMCO Life - 8/16/12

March 2012

Hearing set to consider Humana's request to acquire Arcadian Health Plan - 3/13/12

December 2011

Industrial Alliance Pacific Insurance and Financial Services Inc. requests approval to change their port of entry from Washington State to Texas – Hearing set for February 1, 2012. - 12/23/11

Humana has applied to acquire Arcadian Health Plan, Inc. and its parent company, Arcadian Management Services, Inc. - 12/22/11

Safeco Companies seek approval to move their state of incorporation from Washington State to New Hampshire - 12/12/11

October 2011

Hearing scheduled for disclaimer of control of Commonwealth Insurance Company of America - 10/14/11

September 2011

Hearing set for disclaimer of control of Commonwealth Insurance Company of America - 9/9/11

Q

About OIC
Connect with us
Laws & rules

"EXHIBIT A"

Notice

Mike Kreidler
Washington state Insurance Commissioner

Contact Public Affairs: 360-725-7055

02/20/2013

Hearing set to consider Catholic Health Initiative's request to buy Soundpath Health, Inc.

OLYMPIA, Wash. – The Insurance Commissioner has scheduled a hearing on March 1, 2013, at 10:00 a.m. Pacific Standard Time in his Olympia, Washington office to consider whether he should approve or deny the request to acquire Washington-based Soundpath Health Inc.

Catholic Health Initiatives (CHI) through its subsidiary, CollabHealth Plan Solutions, is proposing to acquire common shares of Soundpath Health from Soundpath's current owners, Northwest Physicians Network and Physicians of Southwest Washington. The acquisition would allow CHI and CollabHealth Plan Solutions to own approximately 56 percent of common shares of Soundpath Health and become controlling entity of Soundpath Health.

Catholic Health Initiatives is a national nonprofit health system with headquarters in Englewood, Colo. The faith-based system operates in 19 states and includes 81 hospitals; 40 long-term care, assisted, and residential-living facilities; two community health-services organizations; two accredited nursing colleges; and home health agencies. In fiscal year 2012, CHI provided more than \$715 million in charity care and community benefit, including services for the poor, free clinics, education and research. With total annual revenues of more than \$10.7 billion and approximately 86,000 employees, CHI ranks as the nation's second-largest faith-based health system.

If approved, CHI through CollabHealth Plan Solutions, Northwest Physicians Network and Physicians of Southwest Washington would be co-owners of Soundpath Health.

The public is notified that all interested parties may submit letters of support or concerns or objections and/or may participate in the hearing by appearing in person or by telephone at no charge.

To view the Notice of Hearing, which includes advice on how to participate in the hearing process, and to view all documents filed in this matter including the Purchase Agreement between the parties, and all other documents such as organizational charts and finances, current and past states' regulatory actions and other litigation filed in this proceeding, go to Soundpath Health #13-0039 at

<http://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/s-1/>.

###

EXHIBIT "B"

About OIC
Connect with us
Laws & rules

Hearings cases with documents: S - T

Note: You may request copies of any documents referenced or included in any proceeding by contacting the Hearings Unit at 360-725-7002 or hearings@oic.wa.gov.

Name/docket no.	Type of action	Status	Documents are in PDF format
Safeco Insurance Company of America, First National Insurance Company of America, General Insurance Company of America, and Safeco Surplus Lines Insurance Company	Application for Washington Insurance Commissioner's Approval to Change State of Incorporation from Washington to New Hampshire (Redomestication)	Applications for Redomestication Approved	Final Order Approving Applications Notice of Hearing Updated Restated Articles of Incorporation for all companies Updated biographical affidavits Pre-Filed Direct Testimony of Mr. Richard P. Quinlan Declaration of Gayle Pasero Objection of Rose Howell Executed Restated Articles of Incorporation for all companies Withdrawal of Order Re Public Notice Order Re Public Notice Notice of Appearance Notice of Receipt of Application Safeco Annual Statement 2008* Safeco Annual Statement 2009* Safeco Annual Statement 2010*

<p>Soundpath Health, Inc. 13-0039</p>	<p>Form A Application Proposed acquisition of Soundpath Health, Inc. by CollabHealth Plan Services, Inc.</p>	<p>Pending Hearing scheduled for Friday, March 1, 2013 at 10 am PST</p>	<p>Notice of Hearing (400KB) Notice of Appearance (Parker) (44KB) Letter from Timothy Parker, Esq. (46KB) OIC Solicitation Permit (98KB) Notice of Receipt of Application (73KB) OIC Transmittal letter to HU, requesting hearing (73KB) Attorney General letter re antitrust review (38KB) CollabHealth memo re confidentiality (833KB) CollabHealth additional supplemental info (151KB) CollabHealth response to deficiency letter with supplemental info (177KB) OIC deficiency letter (83KB) Form A transmittal letter (62KB) Form A Application (w/out exhibits) (364KB) Form A supporting documents (exhibits to application and supplemental responses)</p>
<p>STA Travel, Inc. 12-0052</p>	<p>OIC Notice of Hearing</p>	<p>Proceedings terminated</p>	<p>Order Terminating Proceedings (153KB) Notice of Receipt (63KB) OIC Notice of Hearing (178KB)</p>
<p>Starmount Life Insurance Company D06-204</p>	<p>Appeal OIC's Proposed Consent Order/Fine</p>	<p>Proceedings Terminated</p>	<p>Final Decision Proposed Order Notice of Hearing Receipt of Demand</p>