

FILED

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Hearings Unit, DIC
Patrick D. Petersen
Chief Hearing Officer

OFFICE OF THE INSURANCE COMMISSIONER
STATE OF WASHINGTON

In the Matter of the Proposed Acquisition
of Control of:

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

by

COLLABHEALTH PLAN SERVICES,
INC., a Colorado corporation.

OIC No. 13-0039

PREFILED TESTIMONY OF
CHRISTINE TOMCALA

I. INTRODUCTION

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

A. My name is Christine Marie Tomcala Brusstar.

2. Q. Please provide your business address.

A. Soundpath Health, Inc.
32129 Weyerhaeuser Way S., Suite 201
Federal Way, WA 98001

3. Q. Please describe your educational background.

A. I hold a B.S. in Health Care Administration, as well as an M.B.A., from the
University of Michigan.

4. Q. Do you hold any professional designations?

A. I received the Certified Managed Care Executive (CMCE) designation, which
is conferred by participation in the AHIP (America's Health Insurance Plans)
Executive Leadership Fellowship Program through Northwestern University-
Kellogg School of Management.

PREFILED TESTIMONY OF
CHRISTINE TOMCALA - 1

CARNEY
BADLEY
SPELLMAN

LAW OFFICES
A PROFESSIONAL SERVICE CORPORATION
701 Fifth Avenue, Suite 3600
Seattle, WA 98104-7010
T (206) 622-8020
F (206) 467-8215

5. Q. **With whom are you currently employed?**
- A. I am currently employed by Soundpath Health, Inc.
6. Q. **How long have you been working for Soundpath?**
- A. I have been with Soundpath since June 2010.
7. Q. **What is your current title and how long have you served in this capacity? What additional industry experience do you have?**
- A. My current title is Chief Executive Officer and I have served in this capacity since August 2011. My previous position at Soundpath Health was Chief Operating Officer. Prior to moving to Washington, I worked at HealthPlus of Michigan for 25 years, serving as Vice President of Government Programs and Member Services for the last ten years. Preceding that, I worked at Michigan Hospital Association Service Corporation.
8. Q. **What are your responsibilities with Soundpath?**
- A. As stated, I am Chief Executive Officer and therefore am responsible to the Board of Directors for all operations and financial management.
9. Q. **Are you familiar with the Soundpath financial statements, including the internally prepared financial statements of Soundpath for January 31, 2013 and the Statutory Annual Statement for December 31, 2012?**
- A. Yes, I am familiar with the financial statements generally and with these two financial statements, specifically.
10. Q. **Are you one of the officers of Soundpath who signs the jurat page of the Statutory Annual Statements and did you sign the Statutory Annual Statement for December 31, 2012?**
- A. Yes I am and I did.
11. Q. **Will you be filing the Statutory Annual Statement for December 31, 2012 on March 1, 2013?**
- A. Yes.
12. Q. **Has Soundpath received a copy of the Form A Statement that the Applicant filed with the Washington State Office of the Insurance Commissioner in connection with the proposed acquisition of control of Soundpath?**
- A. Yes.

13. Q. In your opinion, does the Form A Statement filed by the Applicant, as supplemented, accurately describe the transaction?

A. Yes, to the best of my knowledge it does.

II. BACKGROUND ON SOUNDPATH HEALTH, INC.

14. Q. Could you briefly describe the current operations of Soundpath?

A. Soundpath holds a contract with the Centers for Medicare and Medicaid Services (CMS) to serve as a Medicare Advantage health plan in a nine-county area in Washington. Approximately 16,500 Medicare beneficiaries have chosen Soundpath Health to provide their Medicare benefits and some additional services. Soundpath contracts, through groups and individually, with more than 5,000 physicians and approximately 75 facilities to provide care to our members. Soundpath currently employs 77 staff members, based at our office in Federal Way, to administer this program.

15. Q. What geographic areas does Soundpath serve?

A. Soundpath serves nine counties in Washington, including Whatcom, Snohomish, King, Pierce, Thurston, and Lewis in western Washington, and Chelan, Douglas, and Grant in eastern Washington.

16. Q. Please describe Soundpath's operations and business in Washington.

A. All of the operations outlined in #14 above are based in Washington for the benefit of Washington residents.

III. EFFECTS OF THE MERGER

17. Q. Does Soundpath currently satisfy the requirements to maintain its status as a registered health carrier in Washington?

A. Yes, it does. In order to facilitate this transaction, Soundpath has acquiesced to certain accounting changes requested by the OIC. We have sound and good faith bases for our accounting positions but elected to accept some of the OIC's requests to remove impediments to this stock sale. Doing so, however, has resulted in a lower capital and surplus profile. As of December 31, 2012, our risk-based capital nonetheless exceeds the mandatory agency action threshold permitting Soundpath to remain a going concern. It is estimated that, if the proposed transaction is approved and closed, Soundpath's risk-based capital would exceed 425% of the authorized control level – a very healthy level of surplus.

18. Q. To your knowledge, will Soundpath continue to satisfy the prerequisites to maintain its registration as a health carrier in Washington?
- A. As part of their Form A Statement, the Applicant has indicated that it has no plans to change the operations of Soundpath following the merger. Accordingly, Soundpath would qualify for registration as a health carrier in Washington after the stock sale.
19. Q. Has Soundpath received any objections or concerns regarding Collabhealth's proposed acquisition of control of Soundpath?
- A. We have received no formal grievances or challenges. Two members have expressed concern related to our partnering with a faith-based organization. Members retain the opportunity to disenroll from Soundpath if they so choose, per Medicare rules.
20. Q. Could you please outline the benefits of the transaction from the standpoint of Soundpath?
- A. In addition to strengthening Soundpath's financial position, the Applicant will be investing in additional resources, providing tools that will allow us to better serve our members. Further, the Applicant has vowed to continue to employ the current Soundpath team, keeping jobs in the State of Washington and maintaining a local presence for our members.
21. Q. Have you reviewed and discussed with Mr. Peters, Soundpath's Interim Chief Financial Officer, the statistics provided by Mr. Peters in preparation for the hearing on March 1, 2013?
- A. Yes.
22. Q. As the Chief Executive Officer of Soundpath, to the best of your knowledge do you believe that the estimated premium to surplus ratio, estimated risk based capital, and estimated adjusted capital and surplus projected by Mr. Peters for the day following the closing of the transaction with CollabHealth are accurate, based on certain assumptions, including that (1) the transaction closes in accordance with the terms of the agreements filed by the Applicant with the Form A; (2) the deposit method of accounting is used, instead of the reinsurance method of accounting; (3) the operating results and change in non-admitted assets of Soundpath for the month of February 2013 result in no change in Capital and Surplus for the month; and (4) the Canada Life Assurance Company Agreement is terminated effective January 1, 2013 without additional costs to Soundpath.

- A. Yes. I believe his estimates fairly represent what we believe will be the Company capitalization level and capital ratio, and that such capitalization will satisfy applicable regulations and OIC requirements.

IV. STATUTORY STANDARDS

23. 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 Soundpath's ability to satisfy the requirements for registration as a health carrier?

- A. No. To the contrary, it will add significantly to the company's capital and surplus.

24. 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. CollabHealth has no presence in the Washington Medicare Advantage market, so market shares will not change.

25. Q. **Third, is the financial condition of the Applicant such as might jeopardize the financial stability of Soundpath or prejudice the interest of its subscribers?**

- A. No. The Applicant's ultimate parent company is financially strong.

26. Q. **Fourth, are there any plans or proposals that you are aware of which the Applicant has to liquidate Soundpath, 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 Soundpath, that are unfair and unreasonable to Soundpath's subscribers and not in the public interest?**

- A. No.

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

- A. No. CollabHealth has conducted extensive due diligence as part of this transaction. As part of that, Soundpath has become familiar with the person who will have management responsibility after the acquisition. He has significant experience in the insurance and healthcare industries. I have no

reservations about his competence, experience, or integrity. Further, the management team currently running Soundpath is anticipated to remain in place.

28. Q. Sixth, do you believe that the acquisition is likely to be hazardous or prejudicial to the insurance-buying public?
- A. No, I have no reason to believe that would be the case.

V. CLOSING REMARKS

29. Q. Is there anything else you'd like to add, Ms. Tomcala?
- A. Yes, I would like to thank Judge Petersen, Commissioner Kreidler, and the staff of the Washington State Office of the Insurance Commissioner for reviewing the Applicant's Form A Statement. I would also like to urge the approval of the Form A Statement as being in the best interests of Soundpath's Washington enrollees.

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 26th day of February, 2013.



Christine M. Tomcala, Chief Executive Officer
Soundpath Health, Inc.

CERTIFICATE OF SERVICE

I, Christine Williams, under oath hereby declare as follows: I am an employee at Carney Badley Spellman, P.S., over the age of 18 years, and not a party to nor interested in this action. On February 26, 2013, I caused to be delivered in the manner indicated a copy of the foregoing document on the following parties:

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|---|--|
| ORIGINAL TO: Patricia Petersen Chief Hearing Officer Office of Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501 <i>Via email and messenger</i> | COPIES TO: Kathryn N. Reynolds Office of the Insurance Commissioner P.O. Box 40255 Olympia, WA 98504-0255 <i>Via email and messenger</i> Ronald J. Pastuch Holding Company Manager Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501 <i>Via email and messengers</i> Robert B. Sullivan Polsinelli Shughart 700 W 47th Street, Suite 1000 Kansas City, MO 64112 <i>Via email and U.S. mail</i> |
|---|--|

I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF WASHINGTON THAT THE FOREGOING IS TRUE AND CORRECT.

DATED this ____ day of February, 2013.

Christine Williams, Legal Assistant

PREPARED TESTIMONY OF
CHRISTINE TOMCALA - 7

CARNEY
BADLEY
SPELLMAN

LAW OFFICES
A PROFESSIONAL SERVICE CORPORATION
701 Fifth Avenue, Suite 3600
Seattle, WA 98104-7010
T (206) 622-8020
F (206) 467-8215