

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

FILED

2016 APR -4 A 11:49

HEARINGS UNIT
OFFICE OF
INSURANCE COMMISSIONER

In the Matter of:

The Form A Application for the Proposed
Acquisition of Control of:

**ARCADIAN HEALTH PLAN, INC.,
a subsidiary of HUMANA INC.,**

and

The Form E Application for the Proposed
Acquisition of Control of:

HUMANA INC. a Non-Domiciliary Insurer,

By

AETNA INC., a Pennsylvania corporation.

Docket No. 16-0027

**FINAL ORDER APPROVING
ACQUISITION OF CONTROL**

TO: Steven T. Whitmer
Timothy Farber
Locke Lord LLP
111 South Wacker Drive
Chicago, IL 60606

Jeffrey L. Gingold
Gingold Law Firm, PLLC
400 Harborview Drive SE, Suite 237
Bainbridge Island, WA 98110

Joseph C. Ventura
Associate General Counsel
Humana Inc.
500 West Main Street, 21st Floor
Louisville, KY 40202

Linda S. Cooper
Government Relations Director
Aetna Inc.
4500 E. Cotton Center Blvd., F-829
Phoenix, AZ 85040

Gregory Martino
Assist. V.P. Government Affairs
Aetna Inc.
151 Farmington Avenue
Hartford, CT 06156

Michael J. Homison
Elena Coyle
Skadden, Arps, Slate, Meager & Flom LLP
4 Times Square
New York, NY 10036

AND TO: Mike Kreidler, Insurance Commissioner
James T. Odiorne, J.D., CPA, Chief Deputy Insurance Commissioner
AnnaLisa Gellermann, Deputy Commissioner, Legal Affairs Division
Darryl E. Colman, Insurance Enforcement Specialist, Legal Affairs Division
Doug Hartz, Deputy Commissioner, Company Supervision
Ronald Pastuch, Holding Company Manager, Company Supervision
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

BACKGROUND

Pursuant to RCW 48.04.010, RCW 48.31B.015, RCW 48.31B.020 and RCW 34.05.434, a public hearing was held on the above-entitled matter before the undersigned. On Wednesday, March 23, 2016, at 9:00 a.m. Pacific Time, the public hearing commenced in the Washington State Office of the Insurance Commissioner ("the OIC"), 5000 Capitol Blvd., Tumwater, Washington 98501. All parties in the instant matter, and all members of the public, were given the right to be present at such hearing, either in person or by telephone. Exclusive of documents and information deemed confidential, and sealed or redacted pursuant to the Order on Parties' Joint Submissions on Confidentiality Issues (the "Confidentiality Order"), filed in this matter on March 15, 2016, the parties in the instant matter, and all members of the public, had reasonable opportunity to inspect all documentary evidence, examine witnesses, and present oral and written statements expressing any support or concerns about this proposed acquisition.

Darryl E. Colman, Esq., Insurance Enforcement Specialist in the OIC's Legal Affairs Division, represented the OIC. Steven T. Whitmer, Esq. and Timothy Farber, Esq. of Locke Lord LLP, and co-counsel located in Washington State, Jeffrey L. Gingold, Esq. of Gingold Law Firm PLLC, represented Aetna Inc. ("Aetna" or "Applicant"). Michael J. Homison, Esq. and Elena Coyle, Esq. of Skadden, Arps, Slate, Meager & Flom LLP, represented Humana Inc. ("Humana") and Arcadian Health Plan, Inc. ("Arcadian").

At the hearing, Ronald J. Pastuch, Holding Company Manager in the OIC's Company Supervision Division, testified for the OIC. Gregory S. Martino, Assistant Vice President, State Government Relations of Aetna, testified on behalf of the Applicant. Joseph C. Ventura, Associate General Counsel & Assistant Corporate Secretary of Humana testified on behalf of Humana and Arcadian. Sydney Smith Zvara, Executive Director of the Association of Washington Health Care Plans, Dr. A. Carroll Haymon of Iora Health Systems, and E. Suzanne Daley, Senior Director, Payor Contracting, Providence Health & Services, Inc., testified at the hearing as members of the public.

Pursuant to RCW 48.02.100 and WAC 284-02-070(2)(d)(i), the Washington State Insurance Commissioner ("Commissioner") delegated to the undersigned authority to handle all preliminary activities in this adjudicative proceeding prior to the hearing, to preside over the hearing, and enter a final order whether to approve or disapprove the proposed acquisition in the instant matter.

On August 3, 2015, Applicant filed with the OIC a Form A Statement Regarding the Acquisition of

Control of or Merger with A Domestic Health Carrier and attached exhibits ("Form A"),¹ requesting approval of Applicant's proposed acquisition of control of Arcadian, a health care service contractor domiciled in the State of Washington and a direct, wholly-owned subsidiary of Humana, a publicly-traded Delaware holding company for various insurance companies, health maintenance and dental maintenance organizations and related organizations, in connection with Applicant's acquisition of Humana (the "Transaction").

The Transaction contemplates that Echo Merger Sub, Inc., a direct, wholly-owned subsidiary of Aetna established specifically for the Transaction ("Merger Sub 1"), will merge with and into Humana (the "First Merger"). As a result of the First Merger, Humana (the surviving entity of the First Merger) will become a direct, wholly-owned subsidiary of Aetna. Immediately following the closing of the First Merger, Humana (as the surviving entity of the First Merger) will merge with and into Echo Merger Sub, LLC, a direct, wholly-owned subsidiary of Aetna established specifically for the Transaction (the "Second Merger"), with Echo Merger Sub, LLC remaining as the surviving entity of the Second Merger (the "Surviving Company"). Following the Second Merger, the Surviving Company will remain a direct, wholly-owned subsidiary of Aetna and will be renamed "Humana LLC."

The terms and conditions governing the Transaction are described in the Agreement and Plan of Merger dated July 2, 2015 among Aetna, Merger Sub 1, the Surviving Company and Humana (the "Acquisition Agreement"), which is attached as Exhibit 1 to the Form A. The capital stock of Arcadian is not being transferred or otherwise directly acquired by Aetna. Instead, Humana, the current holder of all capital stock of Arcadian, will undergo the First Merger and the Second Merger. Following the Second Merger, the Surviving Company will own one hundred percent of the capital stock of Arcadian. Under the terms of the Acquisition Agreement, following the closing of the Transaction, Applicant will be the ultimate parent company of, and will thus control, Arcadian.

Applicant's Form A, and all supplemental documents filed herein, including orders of the undersigned and written communications to and from the OIC and the undersigned to the parties, were made available to the public at <https://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/a-b/> (with the exception of limited documents, or portions thereof, which were deemed to be confidential, and either redacted or sealed pursuant to the Confidentiality Order), remained available to the public through the date of the hearing, and shall remain available to the public on the OIC's foregoing website and also by request to the OIC Hearings Unit for copies of those documents and materials. The documents specified above, and all other documents, information and materials which Applicant was required by statute, or by later request of the OIC or the undersigned, to submit and which were reviewed by the OIC in making its recommendation to the undersigned in testimony at hearing, and by the undersigned in issuing the final order herein, are included in the hearing file, were entered into evidence in this proceeding, and as stated above, have been and will remain available to the public.

Also entered into evidence in this proceeding were Applicant's confidential Pre-Acquisition Notification Form Regarding the Potential Competitive Impact of a Proposed Merger or Acquisition by a Non-Domiciliary Insurer Doing Business in this State or by an Involved Insurer ("Form E"), and

¹ The Form A, with exhibits referenced therein, is Exhibit 8 in the record of the instant proceeding.

Applicant's Amended Form E.² Pursuant to the Confidentiality Order, both the Form E and Amended Form E shall remain confidential and exempt from disclosure.

**THE OVERARCHING LEGAL STANDARD GOVERNING
THE OIC'S REVIEW OF BOTH THE FORM A AND FORM E**

Pursuant to RCW 48.31B.015(4)(a), the OIC shall approve Aetna's acquisition of control of Arcadian (or the Form A), unless after a public hearing thereon, the OIC concludes that:

- (i) After the change of control, the domestic insurer referred to in subsection (1) of this section would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;
- (ii) The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly therein. In applying the competitive standard in (a)(ii) of this subsection:
 - (A) The informational requirements of RCW 48.31B.020(3)(a) and the standards of RCW 48.31B.020(4)(b) apply;
 - (B) The commissioner may not disapprove the merger or other acquisition if the commissioner finds that any of the situations meeting the criteria provided by RCW 48.31B.020(4)(c) exist; and
 - (C) The commissioner may condition the approval of the merger or other acquisition on the removal of the basis of disapproval within a specified period of time;
- (iii) The financial condition of an acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders;
- (iv) The plans or proposals that the acquiring party has to liquidate the insurer, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest;
- (v) The competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control; or
- (vi) The acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

Pursuant to RCW 48.31B.020(4)(a), the Commissioner may enter an order requiring an involved insurer to cease and desist from doing business in Washington with respect to the line or lines of insurance involved in the violation or denying the application of an acquired or acquiring insurer for a license to do business in Washington if there is substantial evidence that the effect of the acquisition

² Both the Form E and Amended Form E are Exhibit 9 in the record of the instant proceeding.

may substantially lessen competition in a line of insurance in Washington or tends to create a monopoly therein, or if the insurer fails to file adequate information in compliance with RCW 48.31B.020(3). In determining whether the Transaction violates this competitive standard, the Commissioner shall consider the criteria in RCW 48.31B.020(4)(b). However, RCW 48.31B.020(4)(c) requires the Commissioner not enter an order requiring an involved insurer to cease and desist from doing business in Washington with respect to the line or lines of insurance involved in the violation or denying the application of an acquired or acquiring insurer for a license to do business in Washington if: (1) The Transaction will yield substantial economies of scale or economies in resource that cannot be feasibly achieved in any other way, and the public benefits that would arise from the economies exceed the public benefits that would arise from not lessening competition; or (2) the Transaction will substantially increase the availability of insurance, and the public benefits of the increase exceed the public benefits that would arise from not lessening competition.

At the public hearing in this matter the undersigned received evidence related to the statutory considerations above.

FINDINGS OF FACT

Having considered the oral and written evidence presented at the public hearing on this matter and the documents on file herein, including the Form A, all contracts, information and materials submitted with the Form A, and subsequent to the filing of the Form A at the request of the OIC and/or the undersigned; Applicant's Form E and Amended Form E; all written communications between Applicant, Humana, Arcadian, the OIC and the undersigned; and the complete hearing record, including written and oral testimony and argument of the parties and the OIC, the undersigned finds as follows:

1. The Commissioner has duly and properly delegated to the undersigned the authority to conduct all activities related to this adjudicative proceeding which occurred prior to the public hearing herein, to preside over the public hearing, and to enter the final order whether to approve or disapprove the Transaction. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied.

2. The Aetna family of companies was founded in 1853 in Hartford, Connecticut. In 1982, Aetna, the current corporate parent, was organized as a Pennsylvania corporation. Aetna is a publicly-owned and traded company whose stock is traded on the New York Stock Exchange under the trading symbol "AET." Aetna is a group of diversified health care benefits companies, that provides individuals, employers, health care professionals, and others with innovative benefits, products, and services, and serves an estimated 46 million people with information and resources to help them make better informed decisions about their health care.

3. Humana, a Delaware corporation, was incorporated on July 27, 1964, and on December 1, 1992, became an insurance holding company system. Humana is a publicly-traded holding company for its various insurance companies, health maintenance and dental maintenance organizations and related organizations, and is the ultimate controlling person in its insurance holding company system.

4. Humana offers insurance and HMO plans through its subsidiaries. Humana is a health and well-being company whose focus is on making it easy for people to achieve their best health with clinical excellence through coordinated care. Humana has a long history of providing health plan choices to Medicare beneficiaries. Humana's strategy integrates care delivery, the member experience, and clinical and consumer insights to encourage engagement, behavior change, proactive clinical outreach and wellness for millions of people it serves across the country. Humana insures over 14 million Americans, which includes providing Medicare benefits to over 3.2 million beneficiaries through the Medicare Advantage program and stand-alone Medicare Part D coverage to over 4.5 million members.

5. Incorporated on April 6, 2004, Arcadian is a Washington domiciled health care service contractor. On March 31, 2012, Arcadian became a direct, wholly-owned subsidiary of Humana. Since its inception, Arcadian has been registered to write health care coverages in the state of Washington, and is licensed in 12 states including the state of Washington. Arcadian provides Medicare Advantage plans to residents of California, Maine and New Hampshire. As of December 31, 2015, Arcadian had over 7,800 members in total, located in Maine and New Hampshire. Since the filing of the Form A, Arcadian entered into a Novation Agreement, effective January 1, 2016, pursuant to which all of the Medicare Advantage membership of Humana Health Plan of California, Inc. ("HHP-CA"), an affiliate of Arcadian was novated to Arcadian (the "Novation Transaction"). The Novation Transaction included over 66,000 members located in California.

6. Pursuant to the Agreement and Plan of Merger dated July 2, 2015 among Aetna, Merger Sub 1, the Surviving Company and Humana, Aetna proposes to acquire Arcadian through its acquisition of Humana (i.e., Transaction), as described above under "Background."

7. As described in the Acquisition Agreement and Aetna's Form 8-K, in consideration for the First Merger, each outstanding share of Humana's common stock (other than shares held, directly or indirectly, by Humana or Aetna, and other than those shares with respect to which appraisal rights are properly exercised) will be converted into the right to receive (i) 0.8375 shares of Aetna's common stock and (ii) \$125.00 in cash, without interest. Aetna expects to finance the cash portion of the Transaction with approximately \$3.4 billion of cash that is projected to be available to Aetna and Humana at the time of the First Merger closing and by issuing approximately \$16 billion of new term loans, debt and commercial paper. Aetna will also assume indirectly through Humana LLC, the Surviving Company of the Second Merger, all of Humana's outstanding debt, which principal amount totals approximately \$3.8 billion. All of such foregoing debt, whether incurred as a result of the above financing, issuance of new term loans, debt and commercial paper by Aetna, or Aetna's assumption indirectly through Humana LLC of all of Humana's outstanding debt, will be the obligation of Aetna, the ultimate parent company, or of Humana LLC, a direct wholly-owned subsidiary of Aetna, and not an obligation of Arcadian. The announced aggregate consideration for the Transaction is approximately \$37 billion, based on the closing price of Aetna's common shares on the New York Stock Exchange on July 2, 2015.

8. Per the Transaction, the capital stock of Arcadian is not being transferred or otherwise directly acquired by Aetna. Instead, Humana, the current holder of all capital stock of Arcadian, will undergo the First Merger and the Second Merger. Following the Second Merger, the Surviving Company will own one hundred percent of the capital stock of Arcadian. Under the terms of the

Acquisition Agreement, following the closing of the Transaction, Applicant will be the ultimate parent company of, and will thus control Arcadian.

9. On July 31, 2015, Applicant submitted the Form A to the OIC. On August 3, 2015, the OIC received Applicant's Form A.

10. In conjunction with its filing of the Form A with the OIC, Applicant filed a chart reflecting the organizational structure of Applicant and its affiliates following the closing of the Transaction based on Aetna's and Humana's respective current organizational structures.

11. On August 27, 2015, the OIC sent notice to Aetna requesting additional information. On September 10, 15 and 23, 2015, the OIC received the additional information from Aetna.

12. On September 14, 2015, the OIC received Aetna's Form E regarding the proposed acquisition of control of Humana by Aetna. Subsequently, on October 6, 2015, the OIC received Aetna's Amended Form E.

13. On February 12, 2016, the OIC sent a letter to the OIC Hearings Unit and the undersigned regarding the Form A, the Form E, and the supplementary information, and requested a public hearing to decide this matter.

14. On February 26, 2016, the OIC Hearings Unit issued a Notice of Hearing indicating that a public hearing concerning the Transaction would take place on March 23, 2016.

15. On February 26, 2016, and in accordance with RCW 48.31B.015(4)(b), Applicant provided a copy of the Notice of Hearing to Arcadian and Humana, more than seven days prior to the public hearing.

16. Following the Transaction, Arcadian can satisfy the requirements for issuance of a license by the OIC to operate a health care service contractor. Arcadian's minimum net worth as of the public hearing is \$3 million. According to its financial statement dated December 31, 2015, and filed with the OIC, Arcadian reportedly has \$77.7 million in admitted assets and \$35 million in net worth, and the capital and surplus of Arcadian is approximately \$35,016,523.

17. The effect of the Transaction would not lessen competition in insurance or tend to create a monopoly in the state of Washington.

18. For eight of the thirteen business lines collectively written by Aetna and its affiliates (the "Aetna Companies") and Arcadian and its affiliates (the "Humana Companies") in Washington, there is no competitive overlap between the Aetna Companies and Humana Companies. These business lines include: [1] Federal Employees Health Benefits Program (Life and A&H Reporter); [2] Medicare Title XVIII Exempt from State Taxes (Life and A&H Reporter); [3] Comprehensive Group (Health Only Reporters); [4] Dental Only (Health Only Reporter); [5] Disability, Long-Term Care, Stop Loss & Other Health (Health Only Reporter); [6] Medicare Supplement (Health Only Reporter); [7] Title XVIII Medicare (Health Only Reporter); and [8] Vision Only (Health Only Reporter).

19. For the following four business lines, the competitive overlap and the share increase between the Aetna Companies and Humana Companies in Washington is very small: [1] Ordinary Life Insurance (Life and A&H Reporter); [2] Group Life Insurance (Life and A&H Reporter); [3] Guaranteed Renewable Accident & Health (Life and A&H Reporter); and [4] Non-Renewable Stated Reasons Only (Life and A&H Reporter).

20. For the Accident & Health Group Policies Only (Life and A&H Reporter) line of business, in Washington, the Aetna Companies have a 17.20% share, and the Humana Companies have a 0.02% share. Their combined share would be 17.22%.

21. The OIC reviewed a market analysis of the Transaction and found no competitive standard issues. Arcadian ceased writing new business in Washington after 2013 and has not issued any new contracts since then. There is no prima facie evidence of the competitive standard on the Washington health insurance market. The OIC concluded that the combination of Aetna and Humana affiliates would not exceed the standards for market impact on the health market in Washington according to RCW 48.31B.020(4). The market share information indicates that the combination of Aetna and Humana affiliates would have 4.27 percent of the total Washington accident & health market during 2015. Aetna-Humana would hold 9.35 percent Medicare Advantage coverage in Washington, but that percentage does not trigger a prima facie competitive standard violation.

22. A pre-merger notification statement under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976 as amended, relating to the Transaction, has been submitted to the United States Department of Justice and the Federal Trade Commission and, to date, is awaiting clearance.

23. The financial condition of Applicant will not jeopardize the financial stability of Arcadian or prejudice the interests of its policyholders. Applicant's financial condition will provide further financial stability for Arcadian's policyholders.

24. Applicant has no present plans or proposals following the closing of the Transaction to cause Arcadian to declare any extraordinary dividend, to liquidate Arcadian, to sell any material portion of the assets of Arcadian, to merge it with any other person or persons or to make any other material change in Arcadian's business, corporate structure, management or general plan of operations that are unfair or unreasonable to Arcadian's subscribers and not in the public interest.

25. No replacement of the current directors and executive officers of those persons who would control the operation of Arcadian is currently planned as part of the Transaction or immediately after the Transaction, other than replacing any of whom resign following the closing of the Transaction.

26. The competence, experience and integrity of those persons who would control the operation of Arcadian after the closing of the Transaction are not such that it would not be in the interest of the policyholders of Arcadian, or of the public, to approve the Transaction.

27. There are no grounds upon which to find that the acquisition would be hazardous or prejudicial to the insurance-buying public.

28. Applicant, Humana, and Arcadian have submitted all necessary documents to the OIC in connection with the proposed acquisition of control (i.e., Transaction).

29. The OIC's Company Supervision Division ("Company Supervision") is satisfied with the necessary documents meeting the statutory requirements for an acquisition according to RCW 48.31B.015. Company Supervision has recommended to the undersigned that the acquisition of Arcadian by Applicant be approved as required by the standards set forth under RCW 48.31B.015.

30. The OIC requires that notice of the Transaction be given to the public via the Internet (on the OIC's website). On March 1, 2016, the OIC posted an electronic notice on the OIC's website concerning the Transaction and information about the OIC's public hearing process. Such notice included information regarding the hearing, via the Notice of Hearing dated February 26, 2016, and announcement posted on the website. The notice remained posted on the website from the date of posting through the date of the hearing.

31. The Notice of Hearing informed and advised all interested persons the hearing would be a public proceeding commencing at 9:00 a.m. Pacific Time on Wednesday, March 23, 2016, in the Office of the Insurance Commissioner, 5000 Capitol Blvd., Tumwater, Washington 98501. The Notice of Hearing also stated: That interested persons could attend the hearing without prior approval or listen to the hearing by telephone by dialing 1-877-668-4493, followed by access code 253 130 49; that interested persons may submit comments on, or objections to the Transaction, to the undersigned, which are included in the hearing record and have been considered prior to the issuance of the final order in this matter; and that any comments and/or objections were to be submitted by 5:00 p.m. Pacific Time, Monday March 21, 2016, by fax, U.S. Mail, personal delivery, or email to the OIC Hearings Unit Paralegal.

32. John Henry, Managing Director, Total Benefit Solutions, submitted correspondence dated March 17, 2016 in support of the Transaction. Exhibit 3.

33. Dhyan D. Lal, Division Vice President, Network Strategy and Contracting, of CHI Franciscan Health, submitted correspondence dated March 11, 2016 in support of the Transaction. Exhibit 4.

34. William Borden, Executive Director, Safe Crossings Foundation, submitted correspondence dated March 17, 2016 in support of the Transaction. Exhibit 5.

35. Erin Cohan, Director of Intergovernmental Affairs, Center for American Progress & Center for American Progress Action Fund, submitted e-mail correspondence dated February 5, 2016, raising concerns about the Transaction. Exhibit 7.

36. No other communications were received from outside parties by Applicant, Humana, Arcadian or the OIC concerning the Transaction.

37. Ronald J. Pastuch, Holding Company Manager, Company Supervision, testified on behalf of the OIC as to whether the Transaction met the legal requirements contained in RCW 48.31B.015 and RCW 48.31B.020, and also submitted his written Declaration (Exhibit 6). Mr.

Pastuch presented his testimony in a clear, detailed and credible manner, and exhibited no apparent biases.

38. Gregory S. Martino, Assistant Vice President, State Government Relations of Aetna, testified on behalf of Applicant as to whether the Transaction met the legal requirements contained in RCW 48.31B.015 and RCW 48.31B.020, and also submitted his written Affidavit (Exhibit 1). Mr. Martino presented his testimony in a clear, detailed and credible manner, and exhibited no apparent biases.

39. Joseph C. Ventura, Legal Counsel & Assistant Corporate Secretary of Humana, testified on behalf of Humana and Arcadian as to whether the Transaction met the legal requirements contained in RCW 48.31B.015 and RCW 48.31B.020, and also submitted his written Affidavit (Exhibit 2). Mr. Ventura presented his testimony in a clear, detailed and credible manner, and exhibited no apparent biases.

40. Sydney Smith Zvara, Executive Director of the Association of Washington Health Care Plans, testified concerning her positive business dealings with Humana, and her lack of objection to the Transaction. Ms. Zvara presented her testimony in a clear, detailed and credible manner and exhibited no apparent biases.

41. Dr. A. Carroll Haymon of Iora Health Systems testified concerning her productive working relationship with Humana and personal experience treating patients, and her lack of objection to the Transaction. Dr. Haymon presented her testimony in a clear, detailed and credible manner, and exhibited no apparent biases.

42. E. Suzanne Daley, Senior Director, Payor Contracting, Providence Health & Services, Inc., testified concerning her productive relationship with the parties in this matter, and her lack of objection to the Transaction. Ms. Daley presented her testimony in a clear, detailed and credible manner and exhibited no apparent biases.

CONCLUSIONS OF LAW

Pursuant to RCW Title 48, and specifically RCW Chapter 48.31B, the OIC has jurisdiction over the Transaction, which was the subject of the adjudicative proceeding herein. Further, the Commissioner has properly delegated to the undersigned the authority to conduct all activities relative to the adjudicative proceeding in this matter, to review and consider all documents and evidence filed and request supplemental information as appropriate, to preside over the public hearing herein, and to issue the final order in this matter. Having considered all of the evidence and testimony presented herein, including all information and material presented by the parties and the OIC, and the entire hearing file, based upon the above Findings of Fact the undersigned hereby makes the following Conclusions of Law:

1. Applicant properly filed its Form A, along with the exhibits and supplemental materials filed with and subsequent to the Form A, in a form required by, and containing the information required by the OIC and the applicable provisions of RCW Chapter 48.31B, and specifically RCW 48.31B.015 and RCW 48.31B.020. In addition, Applicant properly filed its Form

E and Amended Form E. Therefore, I conclude that the necessary filings, Form A and Form E, are complete.

2. Based upon the evidence of the content of the Notice of Hearing and the dates it was published, reasonable notice of the public hearing in this matter was given.

3. Per RCW 48.31B.015(4)(a)(i), following the Transaction, Arcadian will be able to satisfy the requirements for issuance of a license as a health care service contractor.

4. Per RCW 48.31B.015(4)(a)(ii) and RCW 48.31B.020(4)(a), the Transaction will not substantially lessen competition or tend to create a monopoly in the insurance industry in the state of Washington.

5. Pursuant to RCW 48.31B.020(2)(b)(iv)(B), for the following eight lines of business, the Transaction qualifies for a statutory exemption from review by the Commissioner: [1] Federal Employees Health Benefits Program (Life and A&H Reporter); [2] Medicare Title XVIII Exempt from State Taxes (Life and A&H Reporter); [3] Comprehensive Group (Health Only Reporters); [4] Dental Only (Health Only Reporter); [5] Disability, Long-Term Care, Stop Loss & Other Health (Health Only Reporter); [6] Medicare Supplement (Health Only Reporter); [7] Title XVIII Medicare (Health Only Reporter); and [8] Vision Only (Health Only Reporter).

6. For the following four business lines, the competitive overlap and the share increase between the Aetna Companies and Humana Companies in Washington is so small that, pursuant to RCW 48.31B.020(2)(b)(iv)(A) and/or (C), the Transaction qualifies for a statutory exemption from review by the Commissioner: [1] Ordinary Life Insurance (Life and A&H Reporter); [2] Group Life Insurance (Life and A&H Reporter); [3] Guaranteed Renewable Accident & Health (Life and A&H Reporter); and [4] Non-Renewable Stated Reasons Only (Life and A&H Reporter).

7. For the Accident & Health Group Policies Only (Life and A&H Reporter) line of business in Washington, per RCW 48.31B.020(4)(b)(i)(B), there is not a prima facie indication of a potential violation of competitive standards. Applicant's acquisition of Arcadian will not substantially lessen competition nor tend to create a monopoly in Washington for this line of business.

8. Per RCW 48.31B.015(4)(a)(iii), the financial condition of Applicant does not jeopardize the financial stability of Arcadian or prejudice the interests of its policyholders.

9. Per RCW 48.31B.015(4)(a)(iv), Applicant has no present plans or proposals following the closing of the Transaction to cause Arcadian to declare any extraordinary dividend, to liquidate Arcadian, to sell any material portion of the assets of Arcadian, to merge Arcadian with any other person or persons, or to make any other material change in Arcadian's business, corporate structure, management or general plan of operations that are unfair or unreasonable to Arcadian's subscribers and not in the public interest.

10. Per RCW 48.31B.015(4)(a)(v), the competence, experience, and integrity of those persons who would control the operation of Arcadian following the Transaction are not such that it would not be in the interest of policyholders of Arcadian or of the public to permit the acquisition of control.

11. Per RCW 48.31B.015(4)(a)(vi), Aetna's acquisition of Arcadian is not likely to be hazardous or prejudicial to the insurance-buying public, as contemplated by RCW 48.31B.015(4)(a)(vi).

12. Reasonable notice of this proposed acquisition of control (i.e., Transaction) was given to the public as contemplated by RCW Chapters 34.05 and 48.31B, and no reasonable or relevant objections exist for denying Applicant's request for approval of the Forms A and E, and the Transaction.

13. The provisions of the Insurance Code of the State of Washington, and specifically RCW Chapter 48.31B and, in particular RCW 48.31B.015 and RCW 48.31B.020, governing approval of proposed acquisitions of control, have been met so as to support the approval of the Transaction. Further, pursuant to the above Findings of Fact and Conclusions of Law, there is insufficient basis for denial of the Transaction. For these reasons, Applicant's proposed acquisition of control of Arcadian and Humana, under the terms and conditions described above and as filed in this matter, should be granted.

ORDER

On the basis of the foregoing Findings of Fact and Conclusions of Law, to the effect that the statutory criteria for approval of the Transaction have been met, and that there are not sufficient bases for denial of approval of Applicant Aetna Inc.'s proposed acquisition of control of Arcadian Health Plan, Inc., and Applicant Aetna Inc.'s proposed acquisition of control of Humana Inc., to the effect that approval of Applicant Aetna Inc.'s proposed acquisition of control of Arcadian Health Plan, Inc. and Humana Inc., upon the terms and conditions filed herein, should be granted. NOW THEREFORE;

IT IS HEREBY ORDERED that the Application of Aetna Inc. for the Commissioner's approval of its acquisition of control of Arcadian Health Plan, Inc. (Form A), a Washington domestic health care service contractor, and the Application of Aetna Inc., for the Commissioner's approval of its acquisition of control of Humana Inc. (Form E), pursuant to the terms of an Agreement and Plan of Merger dated July 2, 2015 and other documents filed herein which are all included in evidence in this proceeding, is **HEREBY APPROVED effective this 4th day of April, 2016.**

This Order is entered pursuant to RCW Title 48, and specifically RCW 48.31B.015, RCW 48.31B.020 and RCW 48.04.010; and RCW Title 34, and specifically RCW Chapter 34.05, and regulations applicable thereto.

THIS ORDER IS ENTERED at Tumwater, Washington, this 4th day of April, 2016 and is effective as of the same date.



William G. Pardee
Presiding Officer

CERTIFICATE OF SERVICE

The undersigned certifies under the penalty of perjury under the laws of the state of Washington that I am now and at all times herein mentioned, a citizen of the United States, a resident of the state of Washington, over the age of eighteen years, not a party to or interested in the above-entitled action, and competent to be a witness herein.

On the date given below I caused to be filed and served the foregoing Final Order Approving Acquisition of Control on the following people at their addresses listed below:

Tim Farber
Steven Whitmer
Locke Lord LLP
111 South Wacker Drive
Chicago, IL 60606

Linda S. Cooper
Government Relations Director
Aetna, Inc.
4500 E Cotton Center Blvd, F-829,
Phoenix, AZ 85040

Jeffrey L. Gingold
Gingold Law Firm, PLLC
400 Harborview Drive SE, Suite 237
Bainbridge Island, WA 98110-2467

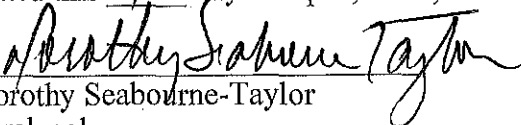
Greg Martino
Assist V.P. Government Affairs
Aetna, Inc.
151 Farmington Avenue
Hartford, CT 06156

Joseph C. Ventura
Associate General Counsel
Humana Inc.
500 West Main Street, 21st Floor
Louisville, KY 40202

Michael J. Homison
Elena Coyle
Skadden, Arps, Slate, Meager & Flom
4 Times Square
New York, NY 10036

Mike Kreidler, Insurance Commissioner
James T. Odiorne, J.D., CPA, Chief Deputy Insurance Commissioner
Doug Hartz, Deputy Commissioner, Company Supervision Division
Ron Pastuch, Holding Company Manager, Company Supervision Division
AnnaLisa Gellermann, Deputy Commissioner, Legal Affairs Division
Charles Brown, Senior Staff Attorney, Legal Affairs Division
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Dated this 4th day of April, 2016, in Tumwater, Washington.


Dorothy Seabourne-Taylor
Paralegal
Hearings Unit