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HEARINGS UNIT
OFFICE OF
INSURANCE COMMISSIONER

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HEARINGS UNIT

In the Matter of:

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

ARCADIAN HEATH 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.

No. 16-0027

LIST OF ADMITTED EXHIBITS

HEARING DATE: 3/23/16

LIST OF EXHIBITS

No.	Description
1	Affidavit of Gregory Martino on Behalf of Applicant
2	Affidavit of Joseph C. Ventura on Behalf of Humana, Inc. and Arcadian Health Plan, Inc.
3	Letter dated March 17, 2016 from John Henry of Total Benefit Solutions
4	Letter dated March 11, 2016 from Dhyan D. Lal of CHI Franciscan Health
5	Letter dated March 17, 2016 from William Borden of Safe Crossings Foundation
6	Declaration of Ronald J. Pastuch
7	E-mail dated February 5, 2016 from Eric Cohan, Center for American Progress & Center for American Progress Action Fund
8	Form A Application with exhibits
9	Form E Application

BEFORE THE STATE OF WASHINGTON
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: **The Non-Domiciliary Insurer Subsidiaries of HUMANA INC.,** By **AETNA INC., a Pennsylvania corporation.**	Docket No. 16-0027 **AFFIDAVIT OF GREGORY MARTINO ON BEHALF OF APPLICANT**

I, Gregory Martino, hereby declare under penalty of perjury as follows:

1. I am an officer of Aetna Inc., a Pennsylvania corporation ("Applicant" or "Aetna"), holding the title of Assistant Vice President, State Government Relations.

2. I present this Affidavit on Applicant's behalf to show the evidence supporting the approval of the above-entitled action in compliance with Washington Revised Code § 48.31B.015. I am authorized to give this Affidavit by the powers vested in me under my duties on behalf of Applicant.

DESCRIPTION OF TRANSACTION

3. On or about July 31, 2015, Applicant submitted the Form A Statement and attached exhibits ("Form A Statement") to the Washington Office of the Insurance Commissioner (the "Department"). The Form A Statement is incorporated herein by reference.

EXHIBIT 1

4. As explained in the Form A Statement, Applicant proposes to acquire control of Arcadian Health Plan, Inc. ("Arcadian"), a health care service contractor domiciled in the State of Washington and a direct, wholly-owned subsidiary of Humana Inc. ("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").

5. Specifically, the Transaction contemplates that Echo Merger Sub, Inc., a direct, wholly-owned subsidiary of Aetna established specifically for the Transaction (the "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."

6. The terms and conditions governing the Transaction are described in the Agreement and Plan of Merger dated July 2, 2015 among Aetna, the Merger Sub 1, the Surviving Company and Humana (the "Acquisition Agreement"), which is attached as Exhibit 1 to the Form A Statement.

7. The capital stock of Arcadian is not being transferred or otherwise directly acquired by Aetna. Instead, as described in paragraph 5, 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.

8. 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. 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 is attached as Exhibit 4-B to the Form A Statement.

DESCRIPTION OF AFFIANT

9. From 1988 through 2000, I worked for the Pennsylvania Insurance Department. During that period, I held various titles, including Director for Market Conduct, Deputy Insurance Commissioner and, for a six-month period, Acting Insurance Commissioner.

10. From 2000 to the present, I have been employed by Aetna and its affiliates in the Law and Regulatory Affairs department, which includes Government Affairs. My responsibilities have included, among other things, overseeing the processes for seeking and obtaining state insurance regulatory approvals and permits of various kinds, including Form A applications in connection with acquisitions by Aetna. In addition, I have been responsible for overseeing a wide range of regulatory and compliance matters and interacting with governmental and regulatory agencies. I have also worked with Aetna's corporate development and integration teams on various other mergers and acquisitions.

DESCRIPTION OF APPLICANT

11. 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 one of the nation's leading diversified health care benefits companies, providing individuals, employers, health care professionals, and others with innovative benefits, products, and services and serving an estimated 46 million people with information and resources to help them make better informed decisions about their health care.

12. Aetna offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, group life and disability plans, medical management capabilities, Medicaid health care management services and health information exchange technology services.

13. Aetna's customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers, governmental units, government-sponsored plans, labor groups and expatriates.

14. Aetna's operations are conducted in three business segments: Health Care, Group Insurance and Large Case Pensions. Detailed descriptions of each of Aetna's business segments and the nature of Aetna's business for the past five years are set forth in Item 1 of each of Aetna's Annual Reports on Form 10-K for 2010 through 2014, copies of which were attached to the Form A Statement as Exhibit 5 (A-E).

15. The Merger Sub 1 was incorporated on June 26, 2015 as a Delaware corporation and is a direct, wholly-owned subsidiary of Aetna, established specifically to facilitate the Transaction. The Merger Sub 1 will be merged out of existence through the closing of the Second Merger and the Transaction.

16. The Surviving Company was formed on June 26, 2015 as a Delaware limited liability corporation and is a direct, wholly-owned subsidiary of Aetna, established specifically to facilitate the Transaction. The Surviving Company will be the surviving entity of the Second

Merger, will remain a direct, wholly-owned subsidiary of Aetna and will be renamed "Humana LLC" following the Transaction.

DESCRIPTION OF HUMANA AND ARCADIAN

17. Humana is a publicly-traded Delaware holding company for various insurance companies, health maintenance and dental maintenance organizations and related organizations.

18. Humana is a leading health and well-being company focused on making it easy for people to achieve their best health with clinical excellence through coordinated care. Humana has a long history of being a leader in providing innovative and high quality health plan choices to Medicare beneficiaries. The company'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.

19. Arcadian is licensed by the Department as a health care service contractor and is a direct, wholly-owned subsidiary of Humana.

REQUIREMENTS OF WASHINGTON REVISED CODE §§ 48.31B.015 & 48.31B.020

20. On July 31, 2015, Applicant delivered a copy of the Form A Statement to Humana and Arcadian.

21. On February 26, 2016, the Washington Insurance Commissioner ("Commissioner") provided a Notice of Hearing to Applicant stating that a public hearing concerning the Transaction would take place on March 23, 2016. That same day, a copy of the

Notice of Hearing was provided to Arcadian and Humana, more than seven days prior to the hearing in accordance with Washington Revised Code § 48.31B.015(4)(b).

22. Below, I present facts demonstrating that each of the six Requirements set forth in Washington Revised Code § 48.31B.015(4)(a) are satisfied and that the Transaction will not violate the standards set forth in Washington Revised Code § 48.31B.020(4)(a).

A. Requirement 1: Arcadian Will Continue To Satisfy The Requirements For Issuance Of A License As A Health Care Service Contractor. Wash. Rev. Code § 48.31B.015(4)(a)(i).

23. Arcadian is currently licensed by the Department as a health care service contractor. As demonstrated through its license, Arcadian satisfies the minimum requirements for licensure as a health care service contractor. *See* Wash. Rev. Code § 48.44.010 *et seq*.

24. As indicated in the Form A Statement, Applicant does not plan to effect any change in Arcadian's business, corporate structure, management or general plan of operations that would have any adverse impact on the ability of Arcadian to continue to satisfy the requirements of the Washington Revised Code for the issuance of a license as a health care service contractor, the operations of which are as described above.

25. Aetna and its affiliates have robust and proactive compliance departments, which provide substantial quality assurance and ensure that all Aetna companies adhere to the highest standards of business conduct. These standards include sound corporate governance policies to address the interests of Aetna's constituents. After the Transaction, Aetna will apply these same quality assurance and compliance standards to Arcadian.

B. Requirement 2: The Transaction Will Not Substantially Lessen Competition Or Create A Monopoly In Insurance In Washington. Wash. Rev. Code §§ 48.31B.015(4)(a)(ii), 48.31B.020(4)(a).

26. Aetna and its affiliates (the "Aetna Companies") as well as Arcadian and its affiliates (the "Humana Companies") together offer coverage in Washington reported under

thirteen lines of business. As discussed below, the Transaction will not substantially lessen competition with respect to any of these thirteen business lines in Washington

27. In my discussion of competition, I will refer to the year-end 2014 Share Analysis attached as Exhibit 7 to Applicant's Form E filing. The data in such Exhibit 7 was obtained from SNL Financial, which obtained the data directly from the National Association of Insurance Commissioners ("NAIC"). At least one of the Aetna Companies or the Humana Companies reported premium in thirteen lines of business in 2014.

28. For *eight* of the thirteen business lines collectively written by the Aetna Companies and Humana Companies in Washington, there is no competitive overlap between the Aetna Companies and Humana Companies. Pursuant to Washington Revised Code § 48.31B.020(2)(b)(v)(B), for these eight lines of business, the Transaction qualifies for a statutory exemption from review by the Commissioner. Specifically, in Washington, the Humana Companies do not issue coverage reported under [1] Federal Employees Health Benefits Program (Life and A&H Reporter) or [2] Medicare Title XVIII Exempt from State Taxes (Life and A&H Reporter). For their part, in Washington, the Aetna Companies do not issue coverage reported under [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), or [8] Vision Only (Health Only Reporter). Because there is no overlap in these eight lines of business in Washington, there is no increase in concentration or share. Accordingly, there is no risk of any anticompetitive effects from the proposed acquisition with respect to these eight lines of business.

29. For *another four* of the thirteen business lines, the competitive overlap between the Aetna Companies and Humana Companies in Washington is small and the share increase is so modest that there is no prospect of any anticompetitive impact. Pursuant to Washington Revised Code §§ 48.31B.020(2)(b)(v)(A) and/or (C), for these four lines of business, the Transaction qualifies for a statutory exemption from review by the Commissioner. For the [1] Ordinary Life Insurance (Life and A&H Reporter) line of business, there would be a share increase of 0.00%, and the combined share would be 0.04%: the Aetna Companies have a 0.03% share, and the Humana Companies have a 0.00% share (the Humana Companies reported $46,000 in 2014 premium). For the [2] Group Life Insurance (Life and A&H Reporter) line of business, there would be a share increase of 0.01%, and the combined share would be 5.86%: the Aetna Companies have a 5.85% share, and the Humana Companies have a 0.01% share. For the [3] Guaranteed Renewable Accident & Health (Life and A&H Reporter) line of business, there would be a share increase of 0.05%, and the combined share would be 0.16%: the Aetna Companies have a 0.05% share, and the Humana Companies have a 0.11% share. For the [4] Non-Renewable Stated Reasons Only (Life and A&H Reporter) line of business, there would be a share increase of 0.00%, and the combined share would be 0.02%: the Aetna Companies have a 0.02% share, and the Humana Companies have a 0.00% share (the Humana Companies reported $1,000 in 2014 premium). The small absolute shares and small share increases for these lines in Washington fall well below the level at which competitive concerns could arise. Accordingly, there is no risk of any anticompetitive effects from the proposed acquisition with respect to these four lines of business.

30. For the remaining *one* line of business, Applicant's acquisition of Arcadian will not substantially lessen competition nor tend to create a monopoly in Washington, as demonstrated below.

31. For the Accident & Health Group Policies Only (Life and A&H Reporter) line of business, Applicant's acquisition of Arcadian will not substantially lessen competition nor tend to create a monopoly in Washington. Specifically, 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%. The share increase is *de minimus* and far below a level that could give rise to anticompetitive effects. Applying the standards of Washington Revised Code § 48.31B.020(4)(b)(i)(B), there is not even a prima facie indication of a potential violation of competitive standards. The combined firm will continue to face vigorous competition after the merger from, among others, UnitedHealth Group (28.42% share), Cigna (10.36% share), and other firms that report in this line. These rivals have every economic reason and incentive to compete against the merged firm by expanding sales whenever a competitive opportunity arises. Also, the defined line of business includes firms presently offering related but different insurance than that offered by Aetna and Humana. These firms could readily expand the breadth of their insurance offerings and increase the number of direct competitors. Rivals are likely to continue competing effectively – indeed, were the merged firm to attempt to raise prices or reduce quality significantly, it would merely open the door for the existing rivals and new entrants to capture more of the line of business. The transaction will in no way present any increased barriers to growth by other competitors in Washington. For these and other reasons stated in Applicant's Form E filing, Applicant's acquisition of Arcadian poses no risk of anticompetitive effects in this business line in Washington.

32. Finally, 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, on the date of this Affidavit, is awaiting clearance.

C. <u>Requirement 3:</u> The Financial Condition Of Applicant Will Not Jeopardize The Financial Stability Of Arcadian Or Prejudice The Interests Of Arcadian's Policyholders. Wash. Rev. Code § 48.31B.015(4)(a)(iii).

33. The financial condition of Applicant will not jeopardize the financial stability of Arcadian or prejudice the interests of its policyholders. Additionally, Applicant is aware of no information suggesting that its financial condition would prejudice the interests of Arcadian's policyholders.

34. To the contrary, Applicant believes that the financial condition and resources of Aetna will materially strengthen the financial stability of the Humana subsidiaries, including Arcadian, and will enhance the interests of Arcadian's policyholders.

35. The audited consolidated financial statements of Aetna reflect its strong financial condition. Per its financial statements, for the year ending December 31, 2015, Aetna had a net income of approximately $2,390,200,000. (*See* Aetna 2015 Form 10-K at 81.) Also, Aetna earned approximately $60,336,500,000 in revenues in 2015 (*id.*), and it had cash and cash equivalents of approximately $2,524,300,000 at December 31, 2015 (*id.* at 84).

36. Furthermore, as reported in its Health Annual Statement for December 31, 2015, the capital and surplus of Arcadian is approximately $35,016,523. Accordingly, Arcadian's financial strength will provide further financial stability for its policyholders.

D. Requirement 4: The Transaction Is Fair And Reasonable To Arcadian's Policyholders And Is In The Interest Of The Public. Wash. Rev. Code § 48.31B.015(4)(a)(iv).

(a) The Terms Of The Acquisition Agreement Are Fair And Reasonable To The Policyholders Of Arcadian And Are In The Interest Of The Public.

37. The terms of the Acquisition Agreement are fair and reasonable to the policyholders of Arcadian and are in the interest of the public.

38. Specifically, following the closing of the Transaction, the combined organization will be better positioned to help drive higher-quality and better-value health care by leveraging best-in-class practices from the two organizations, including Humana's chronic-care capabilities that measurably improve health outcomes for larger populations, reducing administrative costs and enabling the combined organization to better compete with more cost-effective products.

39. The combined organization will also be well-positioned to offer a broader choice of affordable, consumer-centric health care products by bringing together Aetna's and Humana's complementary capabilities and product focuses, helping to improve health outcomes, constrain cost growth, and promote wellness. The Transaction will provide Aetna with an enhanced ability to work with providers and create value-based payment agreements that result in better care to consumers, and spread cutting-edge clinical practices and quality care.

40. The Transaction will bring together two companies that are highly complementary. Aetna has traditionally been best known for its leadership and expertise in commercial health insurance, while Humana has been best known for its leadership and expertise in Medicare. After the acquisition, Aetna will have a product portfolio balanced more evenly between commercial and government products (such as Medicare and Medicaid).

41. More specifically, the combination of Aetna and Humana in connection with the Transaction will:

- Bring together complementary capabilities, in particular Humana's Medicare Advantage focus and Aetna's commercial presence, in a highly competitive marketplace. Humana has built a high quality, consumer-friendly Medicare platform, and will make Aetna's Medicare business more effective and competitive by allowing Aetna to offer Humana's award-winning care and service model to the rapidly growing Medicare population. Similarly, Aetna's capabilities will make Humana's commercial business more effective and competitive.

- Combine two organizations with longstanding commitments to promoting wellness, health and access to high-quality health care for everyone, while supporting the communities in which they serve.

- Reduce costs and enable the combined organization to offer more competitive products to consumers. Aetna has a proven track record of successful merger integration execution and achievement of cost savings.

- Enhance Aetna's provider engagement capabilities. The Transaction will improve relationships with providers by combining clinical intelligence, value-based reimbursement models, data integration and analytics solutions from both organizations. Humana has developed an excellent array of care management and provider engagement models that complement Aetna's population health assets.

- Build on each organization's respective efforts to improve its clinical engagement and consumer experience capabilities. The Transaction will improve Aetna's ability to provide innovative, technology-driven products, services and solutions to build healthier populations, promote higher quality health care at lower cost, and offer greater transparency and convenience for consumers.

42. The experience of both companies confirms that combining technology with trusted provider partnerships, along with targeted disease and care management programs for high risk populations, works. Aetna and Humana have already had successful provider partnerships that resulted in improved health outcomes for consumers, and the Transaction will provide a greater ability to accelerate the implementation of value-based payment models built around keeping members as healthy and productive as possible.

43. Both Aetna and Humana have already demonstrated success in lowering costs as well as improving quality through alternative payment models. For example, in 2013, Humana experienced a 19-percent overall cost improvement for Medicare Advantage members who were

treated in an accountable care setting, compared with members who were treated by other providers.

44. These strengths of these two largely complementary companies will create a single entity better positioned to provide higher-value, lower-cost service to more consumers, well in advance of the Office of Health & Human Services' goal to establish 50 percent of Medicare payments through value-based payment arrangements via accountable care and alternative payment model arrangements.

45. In addition, Aetna has identified over $1.3 billion in efficiencies that it expects to achieve by 2019 through reducing general, administrative and sales expenses, primarily by reducing redundant corporate and administrative functions. Aetna has also identified over $225 million in medical cost efficiencies that it expects to achieve by 2019 through improved medical management, better alignment of provider networks and incentives, and increased pharmaceutical rebates.

46. As a result, the Transaction will benefit Aetna's and Humana's members and policyholders specifically and the insurance buying public in general.

47. In addition, through the Transaction, Arcadian will continue to provide its policyholders with a strong financial foundation. As explained above, Applicant believes that the financial condition and resources of Aetna will materially strengthen the financial stability of Arcadian.

48. Moreover, the basis and terms of the Transaction, including the nature and amount of consideration, were determined by arm's-length negotiations between the respective management and representatives of Applicant and Humana.

49. Applicant and Humana each engaged independent financial and legal advisors in connection with negotiating the Transaction and Acquisition Agreement, in addition to relying on their respective corporate counsel and other professionals.

50. Specifically, with respect to Applicant, Applicant performed a comprehensive due diligence investigation and reviewed, among other things, the financial statements, operations and legal documents of Humana and its subsidiaries.

51. Applicant utilized widely accepted valuation techniques to obtain an indication of value for determining the amount of consideration and also considered such additional factors and information as Applicant deemed relevant under the circumstances including, but not limited to, the financial position and results of operations of Humana and its subsidiaries, their past and current business operations, historical and potential earnings, financial prospects, and assets and liabilities.

52. Applicant utilized financial advisors and legal counsel to assist it in its due diligence and received the written opinion of each of Citigroup Global Markets Inc. and Lazard Fréres & Co. LLC, financial advisors, to the effect that, as of the date of the Acquisition Agreement, the Merger Consideration (as defined in the Acquisition Agreement) to be paid by Aetna to Humana's securityholders pursuant to the Acquisition Agreement was fair to the Applicant from a financial point of view.

53. As described in the Acquisition Agreement, in consideration for the Transaction, Applicant plans to acquire control of Arcadian through the acquisition of 100% of the issued and outstanding capital stock of Humana, Arcadian's ultimate parent company. Thus, upon and following completion of the Transaction, Applicant will indirectly own and control all the shares of Arcadian's issued and outstanding capital stock.

54. The respective Boards of Directors of Applicant and Humana have unanimously approved the transactions contemplated by the Acquisition Agreement.

55. Finally, the respective stockholders of Aetna and Humana have approved the transactions contemplated by the Acquisition Agreement, with Aetna's stockholders approving the transactions contemplated by the Acquisition Agreement with 99.01% of the shares voted at the meeting voting in favor.

(b) Applicant Has No Plans With Regard To Arcadian That Are Unfair Or Unreasonable.

56. 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.

57. From time to time following the closing of the Transaction, Applicant may assess the advisability of causing Arcadian to declare a dividend. Such determination and any declaration would be effected in compliance with all applicable statutory and regulatory requirements.

58. Also, following the closing of the Transaction, Arcadian will maintain its separate corporate existence and will be an indirect, wholly-owned subsidiary of Applicant. No specific material changes in the Board of Directors or senior management or operations of Arcadian are currently planned as part of the Transaction or immediately after the Transaction other than to replace any current Board members or employees who resign following the closing of the Transaction.

59. If any such changes were to occur following the closing of the Transaction, they would be communicated to the Department as appropriate and as required by law, and would be effected in compliance with all applicable statutory and regulatory requirements.

E. <u>Requirement 5:</u> The Competence, Experience And Integrity Of Those Who Will Control Arcadian Following The Closing Of The Transaction Indicate That The Transaction Is In The Best Interests Of Arcadian's Policyholders And In The Public Interest. Wash. Rev. Code § 48.31B.015(4)(a)(v).

(a) The Competence, Experience And Integrity Of Those Who Will Directly Control Arcadian Indicate That The Transaction Is In The Best Interests Of Arcadian's Policyholders And In The Public Interest.

60. The competence, experience and integrity of those persons who will directly control Arcadian following the closing of the Transaction are such that it would be in the interests of the policyholders of Arcadian and of the public to permit the proposed acquisition of Humana and its subsidiaries, including Arcadian.

61. The current *directors* of Arcadian are: Bruce Dale Broussard, Brian Andrew Kane and James Elmer Murray.

62. The current *executive officers* of Arcadian are: Bruce Dale Broussard, Johnathon Reid Hanzalik, Joan Olliges Lenahan, Kenny Waitem Kan, Alan James Bailey, Elizabeth Diane Bierbower, Jonathan Albert Canine, John Gregory Catron, Mark Sobhi El-Tawil, Jeffrey Carl Fernandez, Brian Andrew Kane, Brian Phillip LeClaire, Steven Edward McCulley, William Mark Preston, Richard Donald Remmers, George Renaudin, Donald Hank Robinson, Joseph Christopher Ventura, Timothy Alan Wheatley, Ralph Martin Wilson and Cynthia Hillebrand Zipperle.

63. I have reviewed the biographical affidavits of the current directors and executive officers of Arcadian. These biographical affidavits confirm that the current directors and executive officers of Arcadian are individuals who are competent, experienced and of high

integrity, and have years of experience with Arcadian and at other health insurers or businesses and will continue to make a significant contribution to Arcadian's management.

64. As explained above, no replacement of the current directors and executive officers 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.

(b) The Competence, Experience And Integrity Of Those Who Will Control Aetna, Indirectly Controlling Arcadian, Indicate That The Transaction Is In The Best Interests Of Arcadian's Policyholders And In The Public Interest.

65. The competence, experience, and integrity of those persons who will control Aetna, and thereby indirectly control Arcadian, following the closing of the Transaction are such that it would be in the interests of policyholders of Arcadian and of the public to permit the proposed acquisition of Humana and its subsidiaries, including Arcadian.

66. The current *directors* of Aetna are: Fernando Aguirre, Mark T. Bertolini, Frank M. Clark, Betsy Z. Cohen, Molly J. Coye, M.D., Roger N. Farah, Barbara Hackman Franklin, Jeffrey E. Garten, Ellen M. Hancock, Richard J. Harrington, Edward J. Ludwig, Joseph P. Newhouse and Olympia J. Snowe.

67. The current *executive officers* of Aetna are Mark T. Bertolini, J. David Buda, William J. Casazza, Judith H. Jones, Shawn M. Guertin, Karen (Rohan) Lynch and Sharon A. Virag.

68. Following the closing of the Transaction, Mark Bertolini will serve as Chairman and CEO of the combined company and the Applicant's Board of Directors will be expanded to sixteen directors to include four Humana directors who are independent with respect to Aetna and jointly designated by Humana and Aetna. None of the current directors and executive officers of Aetna will change as a result of the closing of the Transaction.

69. I have reviewed the biographical affidavits of the current directors and executive officers of Aetna and/or had personal interactions with them.

70. The current directors and executive officers of Aetna are individuals who are competent, experienced and of high integrity, and have years of experience with Aetna, its affiliated entities and/or other health insurers or businesses and will continue to make a significant contribution to Aetna's management or the oversight of Aetna, as applicable.

71. All of these persons have held positions with Aetna, its affiliated entities and/or other health insurers that require them to submit biographical affidavits and supporting materials to multiple state insurance regulators. No such regulator has ever taken exception to any of these persons serving in a position with Aetna.

72. If any such changes were to occur following the closing of the Transaction, they would be communicated to the Department as appropriate and as required by law, and would be effected in compliance with all applicable statutory and regulatory requirements.

F. <u>Requirement 6:</u> The Transaction Is Not Likely To Be Hazardous Or Prejudicial To The Insurance Buying Public. Wash. Rev. Code § 48.31B.015(4)(a)(vi).

73. Aetna is one of the nation's leading diversified health care benefits companies, and offers a broad range of health and wellness services that incorporate an integrated approach to lifelong well-being.

74. By leveraging the strengths of its core businesses, Aetna can better explore opportunities for existing and emerging new relationships and market interactions in health care that can further enhance wellness opportunities for millions of people across the nation with whom the company has relationships, including policyholders of Arcadian.

75. As described above, following the closing of the Transaction, the combined organization will help drive higher-quality and better-value health care by leveraging best-in-

class practices from the two organizations, including Humana's chronic-care capabilities that measurably improve health outcomes for larger populations, reducing administrative costs and enabling the combined organization to better compete with more cost-effective products.

76. The combined organization will also be well-positioned to offer a broader choice of affordable, consumer-centric health care products by bringing together Aetna's and Humana's complementary capabilities and product focuses, helping to improve health outcomes, constrain cost growth, and promote wellness. The Transaction will provide Aetna with an enhanced ability to work with providers and create value-based payment agreements that result in better care to consumers, and spread cutting-edge clinical practices and quality care.

77. In addition, as explained above, Applicant believes that the financial condition and resources of Aetna will materially strengthen the financial stability of Humana and its subsidiaries, including Arcadian, and will enhance the interests of the policyholders of Arcadian and the insurance buying public.

78. As a result, the Transaction will benefit Aetna's and Humana's policyholders specifically and the insurance buying public in general.

I state under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

FURTHER THE AFFIANT SAYETH NOT

Gregory Martino, Assistant Vice President,
State Government Relations, Aetna Inc.

SUBSCRIBED and SWORN to before me this 22 day of March, 2016.

Notary Public
My Commission expires: 3.11.17

Notary Public
State of Washington
MATTHEW E KLIFMAN
My Appointment Expires Mar 11, 2017

BEFORE THE STATE OF WASHINGTON
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: **The Non-Domiciliary Insurer Subsidiaries of HUMANA INC.,** By **AETNA INC., a Pennsylvania corporation.**	Docket No. 16-0027 **AFFIDAVIT OF JOSEPH C. VENTURA ON BEHALF OF HUMANA INC. AND ARCADIAN HEALTH PLAN, INC.**

I, Joseph C. Ventura, hereby declare under penalty of perjury as follows:

1. I am an officer of Humana Inc. ("Humana"), a publicly-traded Delaware holding company for various insurance companies, health maintenance and dental maintenance organizations and related organizations, holding the title of Associate General Counsel and Assistant Corporate Secretary. I am authorized to give this Affidavit by the powers vested in me under my duties on behalf of Humana.

2. I first became employed by Humana in January of 2009. My duties have included, among other things, the practice of securities law, mergers and acquisitions, and general corporate governance and oversight controls.

3. Arcadian Health Plan, Inc. ("Arcadian") is a health care service contractor domiciled in the State of Washington and a direct, wholly-owned subsidiary of Humana.

EXHIBIT 2

4. In my capacity as Associate General Counsel and Assistant Corporate Secretary of Humana, I have oversight responsibilities for Humana and all of Humana's subsidiaries, including Arcadian.

5. I present this Affidavit on behalf of Humana and Arcadian to show the evidence supporting the approval of the above-entitled action in compliance with Washington Revised Code §48.31B.015, and in support of the Form A Statement and attached exhibits ("Form A Statement") submitted to the Washington Office of the Insurance Commissioner (the "Department") on July 31, 2015. As explained in the Form A Statement, Aetna Inc. ("Aetna" or "Applicant") proposes to acquire indirect control of Arcadian in connection with Applicant's acquisition of Humana (the "Transaction").

DESCRIPTION OF HUMANA AND ARCADIAN

6. Humana, a Delaware corporation, was incorporated on July 27, 1964. Humana became an insurance holding company system on December 1, 1992. Humana is a publicly-traded Delaware 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. Humana offers insurance and HMO plans through its subsidiaries.

7. Humana is a leading health and well-being company focused on making it easy for people to achieve their best health with clinical excellence through coordinated care. Humana has a long history of being a leader in providing innovative and high quality 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. As of

December 31, 2015, Humana insures over 14 million Americans, which includes providing Medicare benefits to over 3.2 million beneficiaries through its Medicare Advantage program and stand-alone Medicare Part D coverage to over 4.5 million members.

8. Arcadian is licensed by the Department as a health care service contractor and is a direct, wholly-owned subsidiary of Humana.

9. Arcadian was incorporated in Washington on April 6, 2004 and acquired by Humana on March 31, 2012. 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 Statement, 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.

REQUIREMENTS OF WASHINGTON REVISED CODE § 48.31B.015

10. On July 31, 2015, Applicant delivered a copy of the Form A Statement to Humana and Arcadian.

11. On February 26, 2016, the Washington Insurance Commissioner ("Commissioner") provided a Notice of Hearing to Applicant stating that a public hearing concerning the Transaction would take place on March 23, 2016. That same day, a copy of the Notice of Hearing was provided to Arcadian and Humana, more than seven days prior to the hearing in accordance with Washington Revised Code § 48.31B.015(4)(b).

12. Below, I present facts demonstrating that Requirements 1, 4, 5 and 6 set forth in Washington Revised Code § 48.31B.015(4)(a)(i), (iv), (v), and (vi) are satisfied. I also present

facts supporting Requirement 3 set forth in Washington Revised Code § 48.31B.015(4)(a)(iii). I understand that other affiants will also be presenting facts demonstrating that these and the other Requirements set forth in Washington Revised Code § 48.31B.015 are satisfied and that the Transaction will not violate the standards set forth in Washington Revised Code § 48.31B.020(4)(a).

Requirement 1: Arcadian Will Continue To Satisfy The Requirements For Issuance Of A License As A Health Care Service Contractor. Wash. Rev. Code § 48.31B.015(4)(a)(i).

13. Arcadian is currently licensed by the Department as a health care service contractor. Arcadian also holds a Knox-Keene license issued by the California Department of Managed Health Care.

14. Arcadian currently satisfies the minimum requirements for licensure as a health care service contractor under Washington law and will continue to satisfy these requirements up to the closing of the Transaction, and I am not aware of any facts suggesting that Arcadian will not be able to continue to satisfy the minimum requirements for licensure as a health care service contractor under Washington law after the closing of the Transaction. *See* Wash. Rev. Code § 48.44.010 *et seq.*

15. Arcadian has no plans to effect any change in Arcadian's business, corporate structure, management or general plan of operations that would have any adverse impact on the ability of Arcadian to continue to satisfy the requirements of the Washington Revised Code for the issuance of a license as a health care service contractor, the operations of which are as described above.

<u>Requirement 2:</u> The Transaction Will Not Substantially Lessen Competition Or Create A Monopoly In Insurance In Washington. Wash. Rev. Code §§ 48.31B.015(4)(a)(ii), 48.31B.020(4)(a).

16. I understand that Applicant will address this Requirement through the affidavit and testimony of Gregory Martino, who is the Assistant Vice President, State Government Relations for Aetna.

<u>Requirement 3:</u> The Financial Condition Of Applicant Will Not Jeopardize The Financial Stability Of Arcadian Or Prejudice The Interests Of Arcadian's Policyholders. Wash. Rev. Code § 48.31B.015(4)(a)(iii).

17. I understand that Applicant will address this Requirement through the affidavit and testimony of Gregory Martino, who is the Assistant Vice President, State Government Relations for Aetna.

18. As reported in its Health Annual Statement for December 31, 2015, the capital and surplus of Arcadian is approximately $35,016,523. Accordingly, Arcadian's financial condition will provide further financial stability for its policyholders.

<u>Requirement 4:</u> The Transaction Is Fair And Reasonable To Arcadian's Policyholders And Is In The Interest Of The Public. Wash. Rev. Code § 48.31B.015(4)(a)(iv).

(a) The Terms Of The Acquisition Agreement Are Fair And Reasonable To The Policyholders Of Arcadian And Are In The Interest Of The Public.

19. The terms and conditions governing the Transaction, which are described in the Agreement and Plan of Merger dated July 2, 2015 among Aetna, Humana and the merger subsidiaries (the "Acquisition Agreement"), are fair and reasonable to the policyholders of Arcadian and are in the interest of the public.

20. Specifically, Humana and Arcadian believe that, following the closing of the Transaction, the combined organization will be better positioned to help drive higher-quality and better-value health care by leveraging best-in-class practices from the two organizations,

including Humana's chronic-care capabilities that measurably improve health outcomes for larger populations, reducing administrative costs and enabling the combined organization to better compete with more cost-effective products.

21. Humana and Arcadian also anticipate that the combined organization will also be well-positioned to offer a broader choice of affordable, consumer-centric health care products by bringing together Aetna's and Humana's complementary capabilities and product focuses, helping to improve health outcomes, constrain cost growth, and promote wellness.

22. As a result, the Transaction is expected to benefit Aetna's and Humana's members and policyholders specifically and the insurance buying public in general.

23. Moreover, the basis and terms of the Transaction, including the nature and amount of consideration, were determined by arm's-length negotiations between the respective management and representatives of Applicant and Humana.

24. Humana engaged independent financial and legal advisors in connection with negotiating the Transaction and Acquisition Agreement, in addition to relying on corporate counsel and other professionals.

25. Specifically, with respect to Humana, Humana performed an extensive due diligence investigation and reviewed, among other things, the financial statements, operations and legal documents of Applicant and its subsidiaries.

26. Humana utilized widely-accepted valuation techniques to obtain an indication of value for determining the amount of consideration and also considered such additional factors and information as Humana deemed relevant under the circumstances including, but not limited to, the financial position and results of operations of Applicant and its subsidiaries, their past and

current business operations, historical and potential earnings, financial prospects, and assets and liabilities.

27. As described in the Acquisition Agreement, in consideration for the Transaction, Applicant plans to acquire control of Arcadian through the acquisition of 100% of the issued and outstanding capital stock of Humana, Arcadian's ultimate parent company. Thus, upon and following completion of the Transaction, Applicant will indirectly own and control all the shares of Arcadian's issued and outstanding capital stock.

28. The Board of Directors of Humana has unanimously approved the transactions contemplated by the Acquisition Agreement.

29. Finally, the stockholders of Humana have approved the transactions contemplated by the Acquisition Agreement, with 99% of the approximately 124 million shares voting during the October 19, 2015 special stockholder meeting voting in favor of the Transaction.

(b) Applicant Has No Plans With Regard To Arcadian That Are Unfair Or Unreasonable.

30. It is my understanding that, following the closing of the Transaction, Arcadian will maintain its separate corporate existence and will be an indirect, wholly-owned subsidiary of Applicant. To my knowledge, no specific material changes in the Board of Directors or senior management or operations of Arcadian are currently planned as part of the Transaction or immediately after the Transaction, other than to replace any current Board members or employees who may resign following the closing of the Transaction.

31. If any such changes were to occur following the closing of the Transaction, it is my understanding that these changes would be communicated to the Department as appropriate and as required by law, and would be effected in compliance with all applicable statutory and regulatory requirements.

<u>Requirement 5:</u> The Competence, Experience And Integrity Of Those Who Will Control Arcadian Following The Closing Of The Transaction Indicate That The Transaction Is In The Best Interests Of Arcadian's Policyholders And In The Public Interest. Wash. Rev. Code § 48.31B.015(4)(a)(v).

32. It is my understanding that no specific material changes in the Board of Directors or senior management or operations of Arcadian are currently planned. With this understanding, it is my belief that the competence, experience and integrity of those persons who will directly control Arcadian following the closing of the Transaction, whom I understand will be the same individuals who control Arcadian today, are such that it would be in the interests of the policyholders of Arcadian and of the public to permit the proposed acquisition of Humana and its subsidiaries, including Arcadian.

33. The current *directors* of Arcadian are: Bruce Dale Broussard, Brian Andrew Kane and James Elmer Murray.

34. The current *executive officers* of Arcadian are: Bruce Dale Broussard, Johnathon Reid Hanzalik, Joan Olliges Lenahan, Kenny Waitem Kan, Alan James Bailey, Elizabeth Diane Bierbower, Jonathan Albert Canine, John Gregory Catron, Mark Sobhi El-Tawil, Jeffrey Carl Fernandez, Brian Andrew Kane, Brian Phillip LeClaire, Steven Edward McCulley, William Mark Preston, Richard Donald Remmers, George Renaudin, Donald Hank Robinson, Timothy Alan Wheatley, Ralph Martin Wilson, Cynthia Hillebrand Zipperle and myself.

35. I have reviewed the biographical affidavits of the current directors and executive officers of Arcadian, and I have had personal interactions with many of them. These biographical affidavits confirm that the current directors and executive officers of Arcadian, who I understand will continue to directly control Arcadian following the closing of the Transaction, are individuals who are competent, experienced and of high integrity, and have years of

experience with Arcadian and at other health insurers or businesses and will continue to make a significant contribution to Arcadian's management.

36. As explained above, it is my understanding that no replacement of the current directors and executive officers of Arcadian is currently planned as part of the Transaction or immediately after the Transaction, other than replacing any of whom may resign following the closing of the Transaction.

<u>Requirement 6:</u> The Transaction Is Not Likely To Be Hazardous Or Prejudicial To The Insurance Buying Public. Wash. Rev. Code § 48.31B.015(4)(a)(vi).

37. Humana and Arcadian believe that, following the closing of the Transaction, the combined organization will be better positioned to help drive higher-quality and better-value health care by leveraging best-in-class practices from the two organizations, including Humana's chronic-care capabilities that measurably improve health outcomes for larger populations, reducing administrative costs and enabling the combined organization to better compete with more cost-effective products.

38. Humana and Arcadian also anticipate that the combined organization will also be well-positioned to offer a broader choice of affordable, consumer-centric health care products by bringing together Aetna's and Humana's complementary capabilities and product focuses, helping to improve health outcomes, constrain cost growth, and promote wellness.

39. As a result, the Transaction is expected to benefit Aetna's and Humana's members and policyholders specifically and the insurance buying public in general.

I state under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

FURTHER THE AFFIANT SAYETH NOT

Joseph C. Ventura, Associate General Counsel and Assistant Corporate Secretary, Humana Inc.

SUBSCRIBED and SWORN to before me this 21st day of March, 2016.

Courtney Durall #497215
Notary Public
My Commission expires:

NOTARY PUBLIC COURTNEY DURALL STATE AT LARGE, KY

COURTNEY DURALL
STATE AT LARGE
KENTUCKY
MY COMMISSION EXPIRES SEPT. 16, 2017

Total Benefit℠
SOLUTIONS

March 17, 2016

Office of the Washington Insurance Commissioner
Attn: Mike Kreidler
P.O. Box 40255
Olympia, WA 98504-0255

Dear Commissioner Kreidler,

On behalf of Total Benefit Solutions, LLC, I would like to express our support of Aetna's efforts to acquire Humana. We hope that the OIC will approve the transaction as it is our firm belief that the acquisition will be beneficial to the affected consumers.

Total Benefit Solutions has worked with Aetna for over 17 years to offer group health plans to small and mid-size companies in Washington. During this time Aetna has proven their commitment to bringing an added level of choice, value, and innovation to the Washington State insurance market. Following are just some of the ways in which the consumers in our state have benefited from Aetna's presence.

Aetna provides employers with the option to offer any combination of up to five medical plans to their employees. By offering a wide array of plan options at various price points employees can be sure to get the option best suited for them and their families.

Aetna launched the Aetna Whole Health (AWH) product in Puget Sound. This innovative coverage allows employees in the Puget Sound area to choose from one of four AWH networks: Pacific Medical Centers (PacMed), Providence Swedish, the Polyclinic, and Rainier Health Network (CHI Franciscan Health and Northwest Physicians Network). The goal of each network is to manage care within their patients' network to secure the best and most coordinated care possible for maximum savings.

Aetna members benefit from both the size and breadth of its provider network, as well as its commitment to technology. The Aetna healthcare network has more than one million healthcare professionals, over 575,000 primary care doctors and specialists, over 5,400 hospitals, and a network of high-performing doctors and specialists recognized with Aexcel designation. In addition, Aetna provides access to the Teladoc telehealth doctors which gives 24/7/365 access to medical care through

EXHIBIT 3

Total Benefit™
SOLUTIONS

phone and video consults. Finally, Aetna provides numerous online and mobile services for members to access claims, coverage, and consumer health information.

I hope this information is of assistance during your preliminary review of the Aetna and Humana transaction. We support this transaction for the 32,000 Humana Medicare beneficiaries, and for the consumers of Washington State who would benefit from Aetna's ability to serve them from employment through retirement.

Sincerely,

John Henry
Managing Director of Total Benefit Solutions

CHI Franciscan Health

Our best care. Your best health.℠

1717 South J Street
P.O. Box 2197
Tacoma, WA 98401-2197

P 253.426.4101
chifranciscan.org

March 11, 2016

Commissioner Mike Kreidler
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

Re: Aetna's acquisition of Humana

Dear Mr. Kreidler,

There continues to be a significant amount of activity in the healthcare marketplace, both from the provider sector as well as the health plan sector. As the conversations continue regarding the impact of consolidation in the health care industry, we wanted to provide a perspective on how this will impact the industry in a positive way. Our view is that increased collaboration and closer partnerships between providers and payers will result in greater access to medical services, improved efficiency and cost, and most importantly - improve care for patients/members.

Aetna and CHI-Franciscan Health have a strong history of working together to meet the needs of the populations that we mutually serve in Pierce, King, and Kitsap Counties. It is encouraging to see a company, such as Aetna, create partnerships with providers in our community that have a real impact for individuals and families. Through the acquisition of Humana, we feel that this will enable Aetna to further deepen its strategic relationships with providers by merging competencies from both health plan organizations. This will result in an appropriate expansion of its geographic presence through a more cohesive provider network, allow Aetna to leverage best practices, increase operating efficiency, and will provide an opportunity for Aetna to engage with providers in a uniform and consistent manner to increase access to medical care, improve clinical outcomes, and enhance the patient experience.

We look forward to greater synergy, a growing partnership, and increasing our collaboration with Aetna to benefit their members, our patients, in the communities we serve.

Please don't hesitate to contact me with any questions.

Respectfully yours,

Dhyan D. Lal
Division Vice President, Network Strategy and Contracting
(253) 552-4128

EXHIBIT 4

safe CROSSINGS
FOUNDATION

March 17, 2016

Commissioner Mike Kreidler
Office of the Insurance Commissioner (OIC)
PO Box 40255
Olympia, WA 98504-0255

Dear Commissioner Kreidler:

As you may know, Safe Crossings Foundation provides support for kids and families in our community who have lost a loved one. As one of your community partners, I am writing today to support Aetna's stature in the Puget Sound region.

For the past five years Aetna has contributed to programs benefiting grieving children. Not only that, the company encourages its employees to do the same, and they respond through their acts of generosity and volunteerism.

Fortunately for Safe Crossings Foundation and the families we serve, many companies willingly step forward when invited to address a social need. Aetna is one of them, and we appreciate their longstanding friendship.

Sincerely,

William Borden
Executive Director

1402 3rd Avenue, Suite 1322 Seattle, WA 98101 206.652.4723 206.225.2053
info@safecrossingsfoundation.org www.SafeCrossingsFoundation.org

EXHIBIT 5

BEFORE THE STATE OF WASHINGTON
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: **The Non-Domiciliary Insurer Subsidiaries of HUMANA INC.,** By **AETNA INC., a Pennsylvania corporation.**	Docket No. 16-0027 DECLARATION OF RONALD J. PASTUCH

I, xxx, declare as follows:

1. I am over the age of 18 and make this declaration based on my personal knowledge. If called, I can competently testify to the contents of this declaration.

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 1993 as a field Insurance

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

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

5. On July 31, 2015, Aetna, Inc. ("Aetna" or "Applicant") filed an application for approval of the proposed acquisition of control of Arcadian Health Plan, Inc. ("Arcadian") in an application statement ("Form A") dated July 31, 2015. The OIC received this request for acquisition of control on August 3, 2015. Arcadian is a Washington domiciled health care service contractor incorporated on April 6, 2004, and began writing business on June 1, 2005. Arcadian has been registered to write health care coverages in Washington State since its inception. Arcadian is currently owned by Humana Inc. ("Humana") since March 2012.

6. Humana is a publicly traded Delaware corporation for various insurance companies, health maintenance and dental maintenance organizations, and health related organizations.

7. Aetna is a publicly traded Pennsylvania corporation for various insurance companies, health maintenance and dental maintenance organizations, and health related organizations.

8. Arcadian is licensed in 12 states including the state of Washington. According to its latest filed financial statement, the Company actively writes Medicare Advantage business in Maine and New Hampshire and smaller writings in other states including Washington. Its writings in Washington were $ 20,472 during 2015.

9. The proposed transaction comes at the request of Aetna whereby Aetna and Humana are part of a series of merger transactions. Humana would merge with and into an affiliate of Aetna, change its name to Humana and would become an affiliate of Aetna.

10. The OIC received three filings regarding this proposed transaction. On August 3, 2015, the OIC received the Form A statement from Aetna. On September 14, 2015, the OIC received a 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 Statement (Form E) regarding the proposed acquisition of control of Humana by Aetna. Subsequently on October 6, 2015, the OIC receive another Form E statement. The October 2015 Form E statement effectively replaced the September 2015 Form E statement.

11. On August 27, 2015, the OIC sent notice to Aetna for additional information to the Form A.

12. On September 10 and 15, 2015, the OIC received requested information regarding the biographical affidavit verifications of the named persons in the Form A.

13. On September 23, 2015, the OIC received the additional requested information from Aetna.

14. On February 12, 2016, OIC sent a letter to the OIC Hearing Unit and its presiding officer regarding the Form A, the Form E, and their supplementary information, and requested a hearing to decide on such matter.

15. I have reviewed and analyzed these submittals. My analysis was performed under the criteria set forth in RCW 48.31B.015(4). From my analysis,

a. After the change of control, the domestic health care service contractor would be able to satisfy the requirements for the issuance of a registration to write its current lines of business in Washington. As stated previously, Arcadian is presently registered to write health care coverages. Arcadian's minimum net worth as of the date of the Declaration is $3.0 million ($3,000,000). According to its latest financial statement as of December 31, 2015, and filed with the OIC, Arcadian reportedly has $77.7 million in admitted assets and $35.0 million in net worth.

b. The effect of the proposed acquisition of control would not lessen competition in this state or tend to create a monopoly therein. The OIC reviewed a market analysis of the acquisition 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.

We found 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 a combined Aetna-Humana would have 4.27 percent of the total Washington accident & health market during 2015. We also noted that Aetna-Humana would hold 9.35 percent Medicare Advantage coverage in Washington, but that percentage would not have triggered a prima facie competitive standard violation.

We also noted the federal Department of Justice and Federal Trade Commission agencies are currently reviewing this proposed merger and have requested additional information from Aetna. Neither of these federal agencies have issued their decision about this proposed merger.

c. The proposed financial condition of Aetna and its members appears that Aetna would not jeopardize the financial stability as a domestic health care service contractor or prejudice the interest of its policyholders [or subscribers]. According to Aetna's financial information submitted with its Application, Aetna plans to fund Arcadian with additional funds for Arcadian expansion. We found no evidence that Aetna plans to sell the Arcadian assets, consolidate, or merge it with any other person. However, we noted that Humana was planning to make a material change in its business by moving its California business from a Humana affiliate to Arcadian during 2016..

e. We verified the same persons who were listed in the Form A who are currently the directors and/or officers of Aetna. There are no reported changes to the listed persons' biographical affidavit. Our review of the third-party verification reports did not detect any representation that would question the competence, experience, and integrity of the current directors and officers of Aetna.

f. We are not aware that the acquisition (merger) is likely to be hazardous or prejudicial to the insurance buying public.

We noted the Insurance Commissioner's regulatory action on one Aetna affiliate during 2011 and 2012 which resulted in fines for non-compliant activity. That Aetna affiliate paid the fines timely. The OIC has no further regulatory action on that Aetna affiliate. Other Aetna affiliates received lesser fines for late filings.

We are aware of the federal Department of Justice (DOJ) is reviewing this proposed merger and has not yet issued its decision regarding the merger. When Humana purchased Arcadian, the federal DOJ conditioned its approval of that acquisition on the divestiture of existing Medicare Advantage business. Humana sold portions of the Arcadian business to three unrelated competitors in 2013; however, there were no Arcadian Washington subscribers affected by that divestment. We have no indication the federal DOJ will condition this proposed merger to include a divestiture of Arcadian to another health plan. If Humana or Aetna decides to sell Arcadian as a divestiture, the acquiring person intending to acquire control of Arcadian would be required to notify the Insurance Commissioner under RCW 48.31B.015(1). The commissioner determines whether the person or persons seeking to divest or acquire a controlling interest in an insurer must file and obtain approval of the transaction.

We also expect the current directors and officers to provide services that would not be hazardous or prejudicial to the existing policyholders [or subscribers].

13. Arcadian and Aetna have submitted all necessary documents to the OIC in connection with the proposed acquisition. The OIC is satisfied with the necessary documents meeting the statutory requirements for an acquisition according to RCW 48.31B.015. The OIC recommends to the presiding officer to approve the acquisition of Arcadian by Aetna according to the standards set forth under RCW 48.31B.015 for the presiding officer's consideration.

14. From a procedural standpoint, the OIC requires that notice of this proposed merger be given to the public via the Internet (on the Insurance Commissioner's website). On March 1,

2016, the OIC posted an electronic notice on the Insurance Commissioner's website concerning the proposed acquisition of Arcadian and information about the OIC's hearing process, a true and correct copy of which is attached hereto as Exhibit "A". Such notice included information regarding the hearing, via the Notice of Hearing dated February 26, 2016, and announcement posted on the website. We understand that notice will remain posted on the website from the date of this Declaration to the date of the hearing.

15. The Notice of Hearing informs and advises all interested parties that any individual or entity is permitted to submit comments on, or objections to, this proposed merger. The Notice of Hearing states that any questions or concerns should be directed to Dorothy Seabourne-Taylor, Paralegal to the Presiding Officer.

16. As of the date of this Declaration, I personally have not received any comments, questions, or objections through letter, correspondence, email, or phone, nor am I aware of any comments, questions, or objections having been received by the presiding officer.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

Dated this 17th day of March, 2016, at Tumwater, Washington.

Ronald J. Pastuch

RONALD J. PASTUCH
Holding Company Manager
Company Supervision Division

Pastuch, Ron (OIC)

From:	WA OIC <insurance.wa@public.govdelivery.com>
Sent:	Tuesday, March 01, 2016 12:01 PM
To:	Pastuch, Ron (OIC); Aas, Ann (OIC); Klotz, Kara (OIC)
Subject:	Courtesy Copy: Hearing set to consider Arcadian Health Plan acquisition

This is a courtesy copy of an email bulletin sent by Ron Pastuch.

This bulletin was sent to the following groups of people:

Subscribers of Public and hearing notices (408 recipients)

You are subscribed to Public and hearing notices from the Washington State Office of the Insurance Commissioner.

http://www.insurance.wa.gov/about-oic/public-notices/2016-notices/

The Insurance Commissioner has scheduled a hearing on March 23, 2016, at 9:00 a.m. Pacific Time in his Olympia, Washington office to consider whether he should approve or deny the request for acquisition of control involving Arcadian Health Plan.

Aetna Inc. filed an application for the acquisition of control of a domestic health care service contractor. This application is part of the proposed Aetna and Humana merger that was agreed in July 2015.

If approved, Arcadian Health Plan will be owned and operated by Aetna by virtue of a merger transaction between Humana Inc. merging with and into an Aetna affiliate. Aetna would be the ultimate controlling person of the Humana affiliates.

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 application, merger agreement between the parties, and all other documents such as organizational charts and finances, regulatory actions and any litigation filed in this proceeding, go to Arcadian Health Plan #16-0027 at

http://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/a-b/

Questions? Contact us

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From: Gellermann, AnnaLisa (OIC) [mailto:AnnaLisaG@oic.wa.gov]
Sent: Monday, February 08, 2016 8:55 AM
To: OIC DL Lawyers <OICDLLawyers@oic.wa.gov>
Subject: FW: Ctr for American Progress Report: Insurer Mergers Likely to Harm Consumers and Taxpayers

FYI

From: Hedrick, Sue (OIC)
Sent: Friday, February 05, 2016 4:15 PM
To: OIC DL Executive Management Team <OICDLExecutiveManagementTeam@oic.wa.gov>; Johns-Brown, Lonnie (OIC) <LonnieJ@oic.wa.gov>; Kwiatkowski, Sarah (OIC) <SarahK@oic.wa.gov>; Marquis, Stephanie (OIC) <StephanieM@OIC.WA.GOV>; Klotz, Kara (OIC) <KaraK@oic.wa.gov>
Subject: Ctr for American Progress Report: Insurer Mergers Likely to Harm Consumers and Taxpayers

Below is a note that came into the Commissioner's public inbox raising concerns with the proposed Aetna-Humana merger.

Sue

From: Erin Cohan [mailto:ecohan@americanprogress.org]
Sent: Friday, February 05, 2016 1:07 PM
To: Erin Cohan <ecohan@americanprogress.org>
Subject: CAP Report: Insurer Mergers Likely to Harm Consumers and Taxpayers

Dear State Insurance Commissioner:

As you scrutinize the proposed mega-mergers between health insurance companies, we hope that you will find informative our analysis "Bigger is Not Better, recently released by the Center for American Progress.

In the case of the Aetna-Humana merger, we find that premiums for Medicare Advantage plans are lower in areas where they compete than in areas where they do not – meaning that the merger would increase premiums for seniors. But just as important, the merger would foreclose future competition as these insurers enter more markets – affecting areas where they do not currently compete, but also commercial markets.

Please do not hesitate to contact us should you have any questions or if you would like to discuss this topic further with one of our health policy experts.

Warm regards,

Erin Cohan

Erin Cohan
Director of Intergovernmental Affairs
Center for American Progress & Center for American Progress Action Fund

Exhibit 7

202.741.6274
www.americanprogress.org

From: Center for American Progress [mailto:progress@americanprogress.org]
Subject: Insurer Mergers Likely to Harm Consumers and Taxpayers

January 21, 2016 | View Online

Bigger Is Not Better

Proposed Insurer Mergers Are Likely to Harm Consumers and Taxpayers

By Topher Spiro, Maura Calsyn, Meghan O'Toole

In July 2015, Aetna Inc. announced plans to buy Humana Inc. in a $37 billion deal that would merge two of the five largest health insurance companies in the United States. The same month, two more of these five major U.S. insurers—Anthem Inc. and Cigna Corp.—announced plans for a merger. Collectively, these four companies cover almost 90 million people. Not only would the merger reduce competition in areas where the insurers currently overlap, but it also would foreclose future competition in other areas and markets in which the insurers do not currently compete.

As a result, the Aetna-Humana merger likely would increase premiums for seniors and would reduce the number of choices in insurance products. What's more, the merger likely would increase costs to the Medicare program and increase the federal budget deficit because insurer bids likely would rise and the government would retain less in savings.

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