

**FILED**

BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER

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In the Matter of:

The Form A and Form E Applications for the  
Proposed Acquisition of Control of:

**GROUP HEALTH COOPERATIVE and  
GROUP HEALTH OPTIONS, INC.,**

By

**KAISER FOUNDATION HEALTH PLAN  
OF WASHINGTON**

Docket No. 16-0050

HEARINGS UNIT  
OFFICE OF  
INSURANCE COMMISSIONER

**FINAL ORDER APPROVING  
ACQUISITION OF CONTROL**

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**AND TO:** Mike Kreidler, Insurance Commissioner  
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## 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 in connection with the above-captioned matter. On January 3, 2017, at 10:00 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 the hearing, either in person or by telephone. Exclusive of documents and information subject to the Order re Confidentiality entered on January 3, 2017 (the "Confidentiality Order"),<sup>1</sup> the parties and all members of the public had reasonable opportunity to inspect all documentary evidence. The parties and all members of the public have also had the opportunity to participate in public forums regarding this transaction and submit written support or concerns regarding the transaction.

Darryl E. Colman, Insurance Enforcement Specialist in the OIC's Legal Affairs Division, represented the OIC. Maren Norton and Robin Larmer of Stoel Rives LLP represented Kaiser Foundation Health Plan of Washington ("Kaiser"). Michael McCormack of Bullivant Houser Bailey PC represented Group Health Cooperative ("GHC") and Group Health Options, Inc. ("GHO") (collectively, "Group Health").<sup>2</sup>

At the hearing, Ronald J. Pastuch, Holding Company Manager in the OIC's Company Supervision Division, testified for the OIC. Susan E. Mullaney, Regional President of Kaiser, testified on behalf of Kaiser. Susan Byington, 2015-2016 chair of the Group Health Cooperative board of trustees, testified on behalf of Group Health.

Kaiser filed with the OIC a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer and attached exhibits ("Form A") dated February 26, 2016, requesting approval of Kaiser's proposed acquisition of control of Group Health (the "Transaction"). The Transaction contemplates that, subject to the satisfaction of certain conditions to closing, including approval by the various individual voting GHC members and the OIC, Kaiser will become the sole corporate member of GHC and acquire control over GHC and its subsidiaries. In accordance with the terms of the Acquisition Agreement between Kaiser and GHC dated December 2, 2015 (the "Acquisition Agreement"), prior to the closing of the acquisition, Group Health Foundation ("GHF") will be removed as a direct subsidiary of GHC and become a direct subsidiary of Group Health Community Foundation ("GHCF"), a newly formed Washington non-profit corporation. These two non-profit companies will be separate from the Group Health and Kaiser organizations. Kaiser will pay transaction consideration in the amount of nearly \$1.8 billion to GHCF.

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<sup>1</sup> Pursuant to RCW 48.02.100, and Page 6, ¶ 4, of the First Order: Case Management Order, entered on March 10, 2016, the Washington State Insurance Commissioner Mike Kreidler ("Commissioner") designated William G. Pardee, Presiding Officer in the OIC's Hearings Unit, as Special Master in this matter to handle preliminary matters concerning the adjudicative proceeding, including but not limited to: Conducting prehearings and/or conferences; ruling on motions, discovery, and evidentiary issues; and handling issues that arise during adjudicative proceedings. The Commissioner retained his role as the presiding officer under RCW 34.05.461(1)(a), however, to enter a final order in these proceedings following the adjudicative hearing in this matter.

<sup>2</sup> GHC is the controlling person within the GHC holding company system. As used herein, the terms "GHC" or "Group Health" shall refer collectively to Group Health Cooperative and each of its subsidiaries (except Group Health Foundation, which will be separated from the GHC holding company system prior to closing of the proposed transaction).

Kaiser's Form A and supplemental documents, including orders of the undersigned, the Special Master, and written communications to and from the OIC, the Special Master, and the undersigned to and from the parties, were made available to the public at <https://www.insurance.wa.gov/laws-rules/administrative-hearings/judicialproceedings> (with the exception of limited documents deemed to be confidential under 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 website and also by request to the OIC for copies of those documents and materials. The documents specified above, and all other documents, information and materials that Kaiser was required by statute, or by later request of the OIC, the Special Master or the undersigned, to submit and that 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 (with the exception of limited documents deemed to be confidential per the Confidentiality Order).

Also entered into evidence in this proceeding were Kaiser'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 Kaiser's supplements to the Form E. Pursuant to the Confidentiality Order, the Form E, its supplements, and all documents, materials, and information provided in connection therewith, reported therein, and submitted thereunder shall remain confidential and exempt from disclosure.

#### **LEGAL STANDARDS GOVERNING THE OIC'S REVIEW**

Pursuant to RCW 48.31B.015(4)(a), the OIC shall approve Kaiser's acquisition of control of Group Health (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 this subsection (4)(a)(ii):

(A) The informational requirements of RCW 48.31B.020(3)(a) and the standards of RCW 48.31B.020(4)(b) apply;

(B) The merger or other acquisition may not be disapproved 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 any 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 which 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 may be to substantially lessen competition in a line of insurance in Washington or tend 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) prohibits the Commissioner from entering 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: "(i) The [Transaction] will yield substantial economies of scale or economies in resource use 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 (ii) 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." (Brackets added).

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, the Special Master or the undersigned; Kaiser's Form E and supplemental information associated with the Form E; all written communications between Kaiser, GHC, the OIC, the Special Master, 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 Special Master the authority to conduct all activities related to this adjudicative proceeding that occurred prior to the public hearing herein. 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. Kaiser is a Washington non-profit corporation that is exempt from federal income tax as an entity described under Internal Revenue Code Section 501(c)(3). Kaiser has no current operations and it serves as a supporting organization to its parent organization, Kaiser Foundation Health Plan, Inc. ("KFHP"), a California non-profit public benefit corporation and health care services plan that was founded in 1945. Together with Kaiser Foundation Hospitals ("KFH"), a California non-profit public benefit corporation, and the independent and exclusively contracted Permanente Medical Groups, KFHP and its subsidiary health plan entities operate what is known as the "Kaiser Permanente Medical Care Program" (or together "Kaiser Permanente"). Kaiser Permanente is an integrated health care delivery system with over 10 million members enrolled in its commercial, Medicare and Medicaid lines of business. Kaiser Permanente owns and directly operates 38 hospitals, 621 clinics, and outpatient facilities. The Permanente Medical Groups employ approximately 18,000 physicians.

3. GHC, a health maintenance organization founded in 1945, is a Washington non-profit corporation based in Seattle, Washington. GHC and its subsidiary health carrier GHO serve almost 600,000 residents of Washington and Northern Idaho, as of the date of the Form A filing. GHC is currently registered by the OIC as a health maintenance organization (HMO), and GHO is currently registered as a health care service contractor (HCSC). As demonstrated through their respective registrations, both satisfy the minimum requirements for licensure.

4. Pursuant to the Acquisition Agreement dated December 2, 2015 among GHC, GHCF, and Kaiser, Kaiser proposes to acquire GHC through the Transaction as described above under "Background." Exhibit KF-2.

5. The Acquisition Agreement provides for a transfer by Kaiser to GHCF, at closing, of an amount equal to \$1.8 billion, as transaction consideration. Exhibit KF-2. The Transaction consideration will be reduced by that portion of the Transaction consideration representing refundable membership dues previously paid by voting members to GHC (estimated at approximately \$1.2 million), which will be deposited with a paying agent prior to closing. *Id.* After closing, this subset of members may elect to be refunded \$175 of their membership dues or to donate that amount to GHF (which after closing will be controlled by GHCF). *Id.* Also, \$75 million of the transaction consideration will initially be deposited into an escrow account and held by a third party pursuant to an Escrow Agreement to satisfy potential claims for indemnification made by Kaiser for up to 15 months after closing. *Id.* The escrow balance remaining after the end of this escrow period will be transferred to GHCF. *Id.*

6. GHC is transferring control of GHC and its subsidiaries to Kaiser through issuance of a sole corporate membership interest in GHC. Exhibit KF-2. As there are no shareholders of a non-profit corporation, GHC required that the proceeds of the Transaction be paid to GHCF, a Washington non-profit corporation, to be used in accordance with the nonprofit purposes set forth in the GHCF articles of incorporation and bylaws. *Id.* This structure is commonly used in transactions involving the transfer of control of a non-profit corporation. The voting members of GHC overwhelmingly approved a resolution authorizing this Transaction.

7. Kaiser submitted to the OIC the Forms A and E dated February 26, 2016. Exhibits KF-2, KF-3. By letter dated March 24, 2016, the OIC requested additional information with respect

to both Forms A and E. Kaiser responded, providing the additional information requested, on April 15, 2016 and May 17, 2016. *Id.*

8. By letter dated June 3, 2016, Kaiser supplemented its Form E by providing a confidential report from the economist it engaged, Monica Noether, Ph.D., Vice President with Charles River Associates, who conducted an economic assessment of the competitive impact of the Transaction following the approach outlined in RCW 48.31B.020 and in response to questions raised by the OIC in its March 24, 2016 letter. Exhibit KF-3.

9. On July 22, 2016, Kaiser provided a second supplement to the Form A to revise and/or update certain information in the Form A to reflect developments subsequent to its submission. Exhibit KF-2.

10. On August 18, 2016, Risk & Regulatory Consulting LLC ("RRC"), on behalf of the OIC, requested additional information in connection with its review of the Form A. Exhibit KF-6. Kaiser responded to RRC's request on August 26, 2016, providing the additional information sought. Exhibits KF-7 through KF-10. On October 26, 2016, RRC issued a report regarding its assessment of the Form A, making certain findings of fact and recommendations to the OIC. Exhibit OIC-1. Kaiser then supplemented the Form A for the third and fourth time on November 10, 2016 and November 16, 2016 respectively. Exhibits KF-2, KF-11.

11. On December 1, 2016, the OIC recommended approval of the Transaction and the Form A subject to certain proposed conditions under the provisions of RCW 48.31B.015(4). Exhibit OIC-3. The OIC recommended approval of the Transaction and the Form E under RCW 48.31B.015(4)(a)(ii), without any specific proposed conditions. *Id.*

12. On December 7, 2016, the OIC Hearings Unit issued a Notice of Hearing indicating that a public hearing concerning the Transaction would take place on January 3, 2017.

13. Following the Transaction, Group Health will continue to satisfy all applicable license requirements in the state of Washington.

14. The effect of the Transaction would not substantially lessen competition in insurance or tend to create a monopoly in the state of Washington, and there is no evidence of a significant trend towards increased concentration.

15. A pre-merger notification statement under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, relating to the Transaction, was submitted to the United States Department of Justice and the Federal Trade Commission, and the Transaction has since been cleared by those agencies. Exhibit KF-12.

16. The financial condition of Kaiser will not jeopardize the financial stability of GHC or prejudice the interests of its members. Kaiser's financial condition will provide further financial stability for GHC's members.

17. Kaiser has no present plans or proposals following the closing of the Transaction to declare any extraordinary dividends, liquidate GHC, sell GHC's assets, or consolidate or merge GHC

with any person. Kaiser also has no current intention to make material changes in the business operations, corporate structure, or management of Group Health, including in GHC's subsidiary health plan GHO, except as specifically discussed in Form A or may arise in the ordinary course of business, none of which are unfair or unreasonable to members or not in the public interest. See Exhibit KF-2. Further, Kaiser has indicated that the expertise of Group Health physicians and employees will be integral to the continued delivery of excellent care. As such, the Transaction is not anticipated to result in significant job loss, although certain limited leadership changes have been identified in the Form A. See Exhibit KF-2.

18. Kaiser will at closing appoint a board of directors for GHC that contains no less than one-third GHC enrolled participants or consumers who are substantially representative of the enrolled population of GHC. Kaiser will also adopt corporate bylaws at closing that require the creation of a Consumer Advisory Committee of at least 25 people to provide GHC's members with an opportunity to participate in matters of policy and operation, to promote the effective use of health care services within the organization, and to suggest ways that the organization can better serve its members and the community as a whole. Kaiser will continue to recognize and engage with special interest groups formed by GHC members, including the group known as the "GHC Senior Caucus."

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

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

21. Kaiser and GHC have submitted all necessary documents to the OIC in connection with the proposed acquisition of control (i.e., Transaction), including those required by RCW 48.31B.020(3).

22. The OIC is satisfied with the necessary documents meeting the statutory requirements for an acquisition according to RCW 48.31B.015. Exhibit OIC-3. The OIC has recommended to the undersigned that the acquisition of GHC by Kaiser be approved as required by the standards set forth under RCW 48.31B.015, subject to the proposed conditions that are attached to the Declaration of Ronald J. Pastuch as Exhibit A. *Id.*

23. Notice of the Transaction was given to the public via the Internet (on the OIC's website), which provides information concerning the Transaction and the OIC's public hearing process. The notice included information regarding the hearing and remained posted on the website from the date of posting through the date of the hearing.

24. The Notice of Hearing informed and advised all interested persons the hearing would be a public proceeding commencing at 10:00 a.m. Pacific Time on January 3, 2017, 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 1-650-479-3208, followed by access code 25313049, and that interested persons may submit comments or concerns to the Commission by email or at a link provided in the notice.

25. The Commissioner conducted public forums around the state in connection with the OIC's review of the Form A statement and the Transaction on June 15, 2016, June 29, 2016, and on July 27, 2016, during which the public was invited to comment on the Transaction. Exhibits OIC-6 through OIC-8. Out of a total of 40 speakers at those forums, 31 were in favor of the Transaction, 0 were against it, and 9 were neither for nor against it. *Id.*

26. A number of people submitted correspondence to OIC in support of or raising concerns with the Transaction. Exhibit OIC-5.

27. GHC received some correspondence from its members, but no other communications were received from outside parties by Kaiser, GHC or the OIC concerning the Transaction.

28. 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 OIC-3). Mr. Pastuch presented his testimony in a clear, detailed and credible manner.

29. Susan E. Mullaney, Regional President of Kaiser, testified on behalf of Kaiser as to whether the Transaction met the legal requirements contained in RCW 48.31B.015 and RCW 48.31B.020, and also submitted her written Declaration (Exhibit KF-1). Ms. Mullaney presented her testimony in a clear, detailed, and credible manner.

30. Susan Byington, 2015-2016 chair of the Group Health board of trustees, testified on behalf of Group Health as to whether the Transaction met the legal requirements contained in RCW 48.31B.015 and RCW 48.31B.020, and also submitted her written Declaration (Exhibit GHC-1). Ms. Byington presented her testimony in a clear, detailed, and credible manner.

### 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 Special Master the authority to conduct all activities relative to the adjudicative proceeding in this matter prior to entry of the final order. 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. Kaiser 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, Kaiser properly filed its Form E and supplements thereto. 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 date 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, both GHC and GHO will be able to satisfy the requirements for issuance of a license in the state of Washington.

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. Per RCW 48.31B.015(4)(a)(iii), the financial condition of Kaiser does not jeopardize the financial stability of GHC or prejudice the interests of its members.

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

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

8. Per RCW 48.31B.015(4)(a)(vi), Kaiser's acquisition of GHC (Transaction) is not likely to be hazardous or prejudicial to the insurance-buying public, as contemplated by RCW 48.31B.015(4)(a)(vi). However, as a condition to approval, Kaiser has agreed to certain conditions. See Exhibit OIC-3. Specifically:

- a. Kaiser will provide a fully audited opening balance sheet (financial statement) for Kaiser within 90 days after closing of the Transaction, and going forward, will continue to submit all required financial filings.
- b. Kaiser will establish a Consumer Advisory Committee in order to afford its enrolled members an opportunity to participate in matters of policy and operation and to promote the effective use of health care services within GHC, and to suggest ways that the program can better serve its members. The proposed post-Transaction GHC bylaws also reflect this commitment, by specifically providing for the establishment of the Consumer Advisory Committee (Form A, Exhibit C, Sec. 2.9 – Exhibit KF-2).
- c. As represented in statements made by Kaiser and GHC leaders during the Commissioner's public forums around the state and on other occasions, Kaiser will continue to acknowledge the Senior Caucus as a recognized special interest group, consistent with historical GHC practice.
- d. KFH and KFHP have entered into a guaranty agreement under which they guarantee all of the liabilities, debts and obligations of each other and substantially all of the liabilities, debts and obligations of the other affiliated Kaiser health plans. Both regulated legal entities GHC and GHO will participate in and become a party to the guaranty agreement following closing of the Transaction, and be covered under such agreement in the same manner as an affiliated health plan, subject to OIC approval.

- e. Block post-Transaction cash contributions (excluding charity care directly provided and other forms of community benefit) by GHC and GHO to third party charitable organizations for the preceding calendar year will be reported to the OIC on or before May 1st of each year, and for 5 years after the date of this Order, such block post-Transaction cash contributions will be subject to the same notification and OIC approval requirements as extraordinary distributions under RCW 48.31B.030(2) through (3) and WAC 284-18-450 based on the cumulative effect of those payments, combined with any other distributions already covered by that statute and rule, on the extraordinary distribution determination.
- f. Any intercompany agreements between GHC and GHO and Kaiser affiliates will be subject to RCW 48.31B.030(1) and prior approval by the OIC.
- g. For 5 years following the date of this Order, GHC or GHO will not do any of the following (except for participating in the KFHP or KFH obligated groups for taxable or tax-exempt bond offerings on terms equitable as between all other participant entities) without prior written approval of the Commissioner:
  - i. Co-sign or guarantee any part of any current or future loan and/or credit facility entered into by any parent company;
  - ii. Assume any part of a loan from any parent company; or
  - iii. Pledge or hypothecate any GHC or GHO asset in connection with any current or future loan in which any parent company is a borrower or guarantor.

If the OIC denies approval of any of the above, GHC or GHO will be entitled to a hearing on whether the proposed transaction satisfies the requirements of RCW 48.31B.030.

- h. Except as may be authorized by the Commissioner upon application by GHC or GHO, for 3 years following the date of this Order, the GHC board governance committee will not adjust the criteria set forth in the Form A for future GHC board candidates to fill vacant seats.
- i. For 5 years following the date of this Order, no distribution, dividend, or direct payment to Kaiser will be made for the purpose of repayment of principal or accrued interest on the note set forth in Exhibit M to the Form A (Exhibit KF-2). After this 5 year period, any such repayment must have prior approval by the OIC at least 30 days prior to the proposed payment.
- j. Kaiser and its affiliates will not apply to transfer the state of domicile of GHC or GHO outside of Washington if, immediately following the re-domestication, a plurality of covered lives reside in Washington of all types of coverage in all jurisdictions from all regulated entities that are subsidiaries of GHC. This condition should remain in full force and effect until the earlier of: the date on which Kaiser ceases to maintain a majority of voting power, direct or indirect, over GHC or GHO, as established by the Commissioner's approval authorizing a change of control under RCW 48.31B.015; or the date this condition is terminated with the written consent of the Commissioner.

9. 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 Kaiser's request for approval of the Forms A and E, and the Transaction.

10. 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, Kaiser's proposed acquisition of control of GHC and GHO, under the terms and conditions described above and as filed in this matter, should be granted.

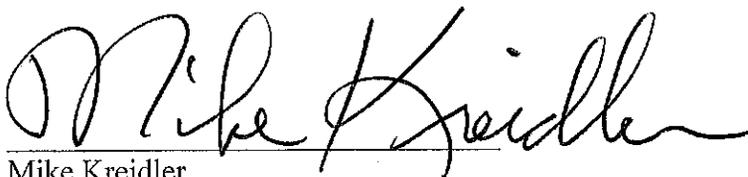
### **ORDER**

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 Kaiser's proposed acquisition of control of GHC and its subsidiaries to the effect that approval of Kaiser's proposed acquisition of control of GHC and its subsidiaries, upon the terms and conditions filed herein, should be granted, **NOW THEREFORE,**

**IT IS HEREBY ORDERED** that the application of Kaiser for the Commissioner's approval of its acquisition of control of GHC and its subsidiaries (Form A), and the 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), pursuant to the terms of an Acquisition Agreement dated December 2, 2015 and other documents filed herein that are all included in evidence in this proceeding, are **HEREBY APPROVED** effective this 13th day of January, 2017.

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 13th day of January, 2017 and is effective the same date.



Mike Kreidler  
Washington State Insurance Commissioner  
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:

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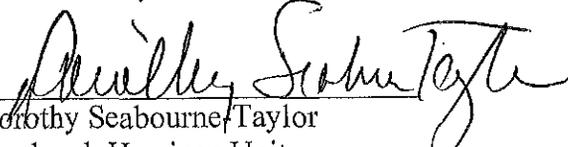
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Dated this 13<sup>th</sup> day of January, 2017, in Tumwater, Washington.

  
Dorothy Seabourne Taylor  
Paralegal, Hearings Unit