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HEARINGS UNIT
OFFICE OF
INSURANCE COMMISSIONER

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

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

NOTICE OF HEARING

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

This Notice is provided pursuant to RCW 48.04.010, RCW 48.31B.015, RCW 48.31B.020, and RCW 34.05.434.

1. On March 1, 2016, Kaiser Foundation Health Plan of Washington ("Kaiser"), a Washington non-profit corporation that currently has no operations, filed an application, or Statement Regarding the Acquisition of Control of a Domestic Health Carrier and a Domestic Insurer ("Form A"), with the Office of the Insurance Commissioner ("OIC"). In the Form A, Kaiser seeks the OIC's approval to acquire control of Group Health Cooperative ("GHC") and Group Health Options, Inc. ("GHO").
2. On March 1, 2016, Kaiser Foundation Health Plan of Washington ("Kaiser") filed an application, or 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 a Domestic Insurer ("Form E"), regarding its proposed acquisition of GHC and GHO.
3. On March 10, 2016, the First Order: Case Management Order was issued scheduling and immediately adjourning the public hearing regarding the Form A application to a later date in order to fulfill the scope of the requirements of the public hearing intended by RCW 48.31B.015(4)(b).
4. On April 22, 2016, the Second Order: Case Scheduling, Consolidated Hearings for Form A and Form E Applications, and Other Miscellaneous Matters was issued scheduling and immediately adjourning the public hearing on the Form E Application, consolidating the hearings on the Form A and Form E Applications, and establishing a case schedule for the hearing date and other deadlines which would be "triggered" by the final recommendation from the OIC on the Form A and Form E applications.
5. On December 1, 2016, the OIC's final recommendation on Kaiser's Form A and Form E applications was filed.
6. On December 2, 2016, a Stipulation to Modify the Second Order: Case Scheduling, Consolidated Hearings for Form A and Form E Applications, and Other Miscellaneous Matters was filed by Kaiser, GHC, and the OIC requesting that the hearing on the approval of Kaiser's Form A and Form E applications be expedited so that the transaction can close by February 1, 2017.
7. **A hearing on both the Form A and Form E is scheduled for Tuesday, January 3, 2017, beginning at 10:00 a.m., Pacific Time, and continuing, if necessary, on Wednesday, January 4, 2017, at 10:00 a.m., Pacific Time, until completed. The hearing shall take place at the offices of the OIC, 5000 Capital Blvd., Tumwater, Washington before Presiding Officer, Insurance Commissioner Mike Kreidler. This is a public proceeding. Interested persons may listen to the hearing by telephone by dialing 1-650-479-3208, followed by access code 253 130 49.**
8. The purpose of the hearing is to consider Kaiser's request for approval of its proposed acquisition of GHC and GHO under RCW 48.31B.015 and RCW 48.31B.020, or Forms A and E. The hearing will be held pursuant to Title 48 RCW, specifically RCW Chapters 48.04 and 48.31B, Title 34 RCW,

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and applicable regulations, including WAC 284-02-070, and the Model Rules of Procedure, Chapter 10-08 WAC.

9. By Tuesday, December 13, 2016, the duly authorized representatives of the OIC, GHC, GHO, and Kaiser, shall exchange witness and exhibit lists. By Tuesday, December 20, 2016, OIC, GHC, GHO, and Kaiser, shall file hearing briefs and pre-filed testimony for consideration at the hearing. Assuming not confidential, or subject to being sealed or redacted (burden is on party submitting document(s) to identify as such), such documents will be published on the OIC's website at the address above. A proposed Order shall be presented to the Commissioner for consideration at the time of the hearing.

10. As to the Form A, at least one authorized representative of Kaiser (officers, directors, or in-house counsel are acceptable) and the OIC shall testify as to the criteria set forth in 48.31B.015(4)(a), which provides that the OIC shall approve a merger or acquisition of control, unless after a public hearing thereon, the OIC finds 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.

11. As to the Form E, at least one authorized representative of both Kaiser (officers, directors, or in-house counsel are acceptable) and the OIC shall testify as to the criteria set forth in 48.31B.020(4)(a), which provides that the OIC shall approve an acquisition unless there is substantial evidence that the effect of the acquisition may substantially lessen competition in a line of insurance in this state or tend to create a monopoly therein, and the insurer fails to file adequate information under RCW

48.31B.020(3). In determining whether the proposed acquisition violates this competitive standard, the OIC shall consider the criteria in RCW 48.31B.020(4)(b). RCW 48.31B.020(4)(c) requires that the OIC not deny such an acquisition if (1) The acquisition 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 (2) The acquisition 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.

12. Authorized representatives of Kaiser, GHC, GHO, and the OIC shall also testify as to whether Kaiser, GHC, GHO, or the OIC, or any employees, officers or directors, or other affiliates, have received comments, complaints or concerns concerning the proposed acquisitions at issue in the Form A and Form E, and the nature and source.

13. The parties may examine witnesses and fully respond and present evidence and argument on all issues.

14. A party failing to attend or participate in any stage of the proceeding may be held in default. RCW 34.05.434(2)(i).

15. Pursuant to WAC 284-02-070(1)(c), accommodation will be made for persons needing assistance due to difficulty with language or disability. Further, pursuant to WAC 10-08-040(2) and in accordance with RCW Chapter 2.42, if a limited English speaking or hearing impaired or speech impaired party or witness needs an interpreter, a qualified interpreter will be appointed. There will be no cost to the party or witness therefore, except as may be provided by RCW Chapter 2.42. A Request for Accommodation form, with instructions, is attached to the original of this Notice.

16. All case related documents and correspondence shall be directed to the Hearings Unit, Office of the Insurance Commissioner, P.O. Box 40255, Olympia, Washington 98504-0255. All interested individuals and entities who have questions or concerns concerning this proceeding should direct them to the Hearings Unit paralegal, Dorothy Seabourne-Taylor, at the same address. Ms. Seabourne-Taylor's telephone number is (360) 725-7002.

Dated: December 7, 2016



William G. Pardee
Special Master

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 Notice of Hearing on the following people at their addresses listed below:

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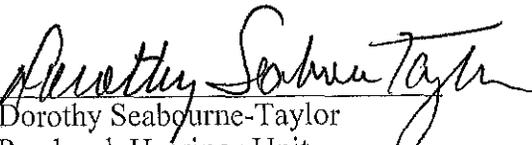
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Ron Pastuch, Holding Company Manager, Company Supervision Division
AnnaLisa Gellermann, Deputy Commissioner, Legal Affairs Division
Darryl Coleman, Insurance Enforcement Specialist, Legal Affairs Division
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Dated this 7th day of December, 2016, in Tumwater, Washington.


Dorothy Seabourne-Taylor
Paralegal, Hearings Unit

OFFICE OF INSURANCE COMMISSIONER
HEARINGS UNIT
Fax: (360) 664-2782

To request an interpreter, complete and mail this form to:

Presiding Officer
Hearings Unit
Office of Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

REQUEST FOR ACCOMMODATION FOR LANGUAGE OR DISABILITY

I am a party in Matter No. 16-0050 before the Insurance Commissioner.

I request accommodation for the following disability (insert your disability):

I request an interpreter for myself or a witness who will be testifying at the evidentiary hearing.

Please check the statements that apply:

I am a non-English-speaking person and cannot readily speak or understand the English language. My primary language is _____ (insert your primary language). I need an interpreter who can translate to and from the primary language and English.

I am unable to readily understand or communicate the spoken English language because:

- I am deaf.
- I have an impairment of hearing.
- I have an impairment of speech.

[Please state below or on the reverse side any details which would assist the Commissioner or Presiding Officer in arranging for a suitable accommodation for your disability, an interpreter or in providing appropriate mechanical or electronic amplification, viewing, or communication equipment.]

Date: _____ Signed: _____

Please print or type your name: _____

Address: _____

Telephone: _____