

FINAL ORDER
EFFECTIVE 12/19/2019

BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS

In the Matter of the Proposed)
Acquisition of Control of)
)
CENTENE VENTURE COMPANY KANSAS)
)
NAIC No. 16528)
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by:)
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ASCENSION CARE MANAGEMENT, LLC.)
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Docket No. 81582

ORDER

Now on this 19 day of December, 2019, the above matter comes before the Commissioner of Insurance of the State of Kansas (the “Commissioner”) upon the filing of a pre-acquisition notice pursuant to K.S.A. 40-3304 and K.A.R. 40-1-28 in the form of a “Form A” Statement Regarding the Acquisition of Control of a Domestic Insurer dated December 2, 2019, (“Form A Statement”) by Ascension Care Management, LLC (“Applicant”). The Form A Statement relates to the proposed acquisition of control of Centene Venture Company Kansas (“Domestic HMO”), a Kansas domestic health maintenance organization, by the Applicant.

Pursuant to the authority granted to the Commissioner by K.S.A. 40-3301 and 40-3304(d)(1) and in accordance with the Kansas Administrative Procedures Act, K.S.A. 77-501, *et. seq.*, the Commissioner hereby asserts the following declarations of public interest and policy, findings of fact, conclusions of law, and orders the following:

DECLARATION OF PUBLIC INTEREST AND POLICY

The following statements of fact and conclusions of law are made with the intent to promote the policies and objectives enumerated in K.S.A. 40-3301.

FINDINGS OF FACT

The findings of fact and conclusions stated herein are based upon the statements made by the Applicant in the Form A Statement and accompanying documents made under oath and filed with the Kansas Insurance Department (the “Department”) by the Applicant pursuant to K.S.A. 40-3304(b) and K.A.R. 40-1-28.

1. Background Information

- a. The purpose of the filing of the Form A Statement is to seek authority from the Commissioner for the proposed acquisition of control of the Domestic HMO by the Applicant. The terms and conditions of the proposed acquisition are more fully set forth in the Form A Statement filed by the Applicant with the Commissioner pursuant to the Kansas Insurance Holding Company Act, K.S.A. 40-3301, *et seq.*
- b. The Applicant initially filed the Form A Statement with the Department in draft form. The Department received the fully executed Form A Statement on December 3, 2019. In the Form A Statement, the Applicant requests approval of the acquisition of control of the Domestic HMO by the Applicant.
- c. The Applicant submitted various exhibits to the Form A Statement, including, without limitation, the Joint Venture Formation Agreement (“Agreement”), audited financial statements, organizational charts, and NAIC biographical affidavits.

DECLARATION OF PUBLIC INTEREST AND POLICY

The following statements of fact and conclusions of law are made with the intent to promote the policies and objectives enumerated in K.S.A. 40-3301.

FINDINGS OF FACT

The findings of fact and conclusions stated herein are based upon the statements made by the Applicant in the Form A Statement and accompanying documents made under oath and filed with the Kansas Insurance Department (the “Department”) by the Applicant pursuant to K.S.A. 40-3304(b) and K.A.R. 40-1-28.

1. Background Information

- a. The purpose of the filing of the Form A Statement is to seek authority from the Commissioner for the proposed acquisition of control of the Domestic HMO by the Applicant. The terms and conditions of the proposed acquisition are more fully set forth in the Form A Statement filed by the Applicant with the Commissioner pursuant to the Kansas Insurance Holding Company Act, K.S.A. 40-3301, *et seq.*
- b. The Applicant initially filed the Form A Statement with the Department in draft form. The Department received the fully executed Form A Statement on December 3, 2019. In the Form A Statement, the Applicant requests approval of the acquisition of control of the Domestic HMO by the Applicant.
- c. The Applicant submitted various exhibits to the Form A Statement, including, without limitation, the Joint Venture Formation Agreement (“Agreement”), audited financial statements, organizational charts, and NAIC biographical affidavits.

- d. Representatives of the Financial Surveillance and Legal Divisions of the Department reviewed significant documents, and the Commissioner has had the benefit of her staff's technical expertise and advice.
- e. The Applicant is a limited liability company domiciled in Missouri with its statutory home office in St. Louis, Missouri. The Applicant is 100% owned by Ascension Health Alliance ("Ascension"), a Missouri nonprofit corporation organized as a public benefit corporation on a membership basis in 2011, and is an IRC Section 501(c)(3) organization. As stated in the Form A Statement, the Applicant owns and operates businesses that are part of the population health management platform of Ascension.
- f. The Domestic HMO is a Kansas corporation with its statutory home office address in Topeka, Kansas. Currently, the Domestic HMO is a wholly owned subsidiary of Centene Corporation, a Delaware corporation. Centene Corporation is the ultimate parent of an insurance holding company system that forms a diversified, multi-national healthcare enterprise that provides a portfolio of services to government-sponsored and commercial healthcare programs, focusing on under-insured and uninsured individuals. The Domestic HMO is a wholly-owned subsidiary of Next Door Neighbors, Inc., which is a wholly-owned subsidiary of Next Door Neighbors, LLC ("Holding Company"), a Delaware limited liability company. Currently, the Holding Company is a wholly owned subsidiary of Centene through Centene's ownership of 600 common units representing all of the common units issued by the Holding Company.

2. Structure of the Transaction

- a. According to the Form A Statement and exhibits, the Applicant proposes to acquire control of the Domestic HMO through the acquisition of 40% of the Holding Company, which owns 100% of Next Door Neighbors, Inc., which in turn owns 100% of the Domestic HMO.
 - b. Effective May 31, 2019 (“Effective Date”), Centene, the Holding Company, and the Applicant entered into a Joint Venture Formation Agreement (“Agreement”) under which the Holding Company will issue 400 common units in the Holding Company to the Applicant as of the date the transactions described in the Agreement are consummated (“Closing”). As a result of the issuance of 400 common units in the Holding Company to the Applicant, the Applicant will own 40% of the Holding Company’s total issued common units (a total of 1,000 common units with Centene and the Holding Company owning 600 common units and 400 common units, respectively). Accordingly, as of the Closing, the Applicant will indirectly control 40% of the Domestic HMO.
3. **Consideration for the Agreement.** Under the terms of the Agreement, the Applicant will contribute \$20 million to the Holding Company as of the Closing. In addition, Centene will contribute to the Holding Company as of the Closing an amount in cash equal to the difference between 1) \$30 million; and 2) the amount of cash capital contributions Centene has made to the Holding Company prior to the Closing. As of the Effective Date, the parties agreed that Centene had made \$25 million of cash capital contributions to the Holding Company.

4. **Source of the Merger Consideration.** As stated in the Form A filing, the Applicant anticipates that the Applicant's \$20 million cash contribution to the Holding Company will be made from readily available cash and is not represented by borrowed funds.
5. **Future Plans.** As part of the Form A, the Applicant indicated that it does not have any plans to liquidate the Domestic HMO or merge the Domestic HMO with any other entity. Further, the Applicant indicated that it does not have any plans to sell the assets of the Domestic HMO or make any other material change in its business operations, corporate structure or management, except as described below. Finally, the Applicant indicated that it does not have any plans to cause the Domestic HMO to declare any extraordinary dividend.
- a. **Material Change in Business Operations.** Currently, the Domestic HMO does not transact any HMO business in Kansas or any other jurisdiction. As part of the Form A, the Applicant indicated that the Domestic HMO will begin offering Medicare Advantage products effective January 1, 2020. The Applicant also indicated that the Centers for Medicare and Medicaid Services ("CMS") accepted the Domestic HMO's bid to provide Medicare Advantage products to Medicare enrollees in Kansas, including the Domestic HMO's rating structure.
- b. **Corporate Management.** The Applicant indicated that there are no present plans to change the existing executive officers of the Domestic HMO. After the Closing, it is anticipated that three additional individuals will join the Domestic HMO's current three-person board of directors. The Applicant identified the three additional individuals who will join the Domestic HMO's current board of directors and the Applicant's current board of director members and executive

officers. The Applicant provided the necessary biographical affidavits and background investigation reports for each of these individuals.

APPLICABLE LAW

6. K.S.A. 40-3304(a)(1) provides:

“No person other than the issuer shall make a tender offer for or a request or invitation for tenders of, or enter into any agreement to exchange securities or, seek to acquire, or acquire, in the open market or otherwise, any voting security of a domestic insurer if, after the consummation thereof, such person would, directly or indirectly, or by conversion or by exercise of any right to acquire, be in control of such insurer, and no person shall enter into an agreement to merge with or otherwise to acquire control of a domestic insurer or any person controlling a domestic insurer unless, at the time any such offer, request, or invitation is made or any such agreement is entered into, or prior to the acquisition of such securities if no offer or agreement is involved, such person has filed with the commissioner of insurance and has sent to such insurer, a statement containing the information required by this section and such offer, request, invitation, agreement or acquisition has been approved by the commissioner of insurance in the manner hereinafter prescribed. The requirements of this section shall not apply to the merger or consolidation of those companies subject to the requirements of K.S.A. 40-507 and 40-1216 to 40-1225, inclusive, and amendments thereto.”

CONCLUSIONS OF LAW

7. Representatives of the Financial Surveillance and Legal Divisions of the Department inspected and reviewed the contents of the Form A Statement and exhibits and determined those filings comply with the provisions of the Kansas Insurance Holding Company Act, K.S.A. 40-3301, *et seq.* and K.A.R. 40-1-28. Additionally, the Department determined that the Applicant provided the information required under Kansas law to enable the Commissioner to render a decision.
8. The evidence shows that after the change of control, the Domestic HMO would be able to satisfy all the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed.

9. The evidence shows that the financial condition of the Applicant does not jeopardize the financial stability of the Domestic HMO or prejudice the interest of its policyholders.
10. The evidence shows that the Applicant has no current plans or proposals to liquidate the Domestic HMO, sell its assets or consolidate or merge it with any person, or make any material change in Domestic HMO's current active business operations, corporate structure, or management.
11. The evidence shows that the competence, experience and integrity of those persons who would control the operation of the Domestic HMO are such that it would not be harmful to the interest of policyholders of the Domestic HMO and of the public to permit the acquisition of control by the Applicant.
12. The evidence shows that the acquisition of control of the Domestic HMO by the Applicant is not likely to be hazardous or prejudicial to the insurance-buying public.

IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:

1. The application by the Applicant to acquire control of the Domestic HMO in the manner set forth in the Form A Statement and exhibits is hereby approved pursuant to K.S.A. 40-3304, provided that the Agreement is effected no later than June 19, 2020.
2. The Commissioner retains jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such further order or orders as may be deemed proper.

NOTICE OF RIGHTS

This Final Order is effective upon service. Pursuant to K.S.A. 77-529, the Applicant may petition the Commissioner for reconsideration of this Final Order within fifteen (15) days after service of the Final Order. A petition for reconsideration must state the specific grounds upon which relief is requested. Additionally, a party to this agency proceeding may seek judicial review of this Final Order by filing a petition in the District Court, pursuant to K.S.A. 77-601, *et seq.* Reconsideration of this Final Order is not a prerequisite for judicial review. A petition for judicial review is not timely unless filed within thirty (30) days following the service of this Final Order, unless the Applicant petitions the Commissioner for reconsideration, in which case a petition for judicial review is not timely unless filed within thirty (30) days following service of an order rendered upon reconsideration, or an order denying the request for reconsideration. In the event the Applicant files a petition for judicial review, the agency officer to be served on behalf of the Department is:

Justin McFarland, General Counsel
Kansas Insurance Department
1300 SW Arrowhead Road
Topeka, Kansas 66604

IT IS SO ORDERED THIS 19 DAY OF DECEMBER, 2019, IN THE CITY OF TOPEKA,
COUNTY OF SHAWNEE, STATE OF KANSAS.



Vicki Schmidt
Commissioner of Insurance

By:




Paige Blevins
Staff Attorney

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Final Order was forwarded via first class mail, postage prepaid on the 14th day of December 2019, to:

James P. Rankin, Esq.
Foulston Siefkin LLP
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Topeka, KS 66603
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Attorney for Applicant



Toni Garrard
Legal Assistant