

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 Commissioner has the general supervision, control and regulation of corporations, companies, associations, societies, exchanges, partnerships, or persons authorized to transact the business of insurance, indemnity or suretyship in this state. 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 a domestic insurer, KSSI, by the Applicant. The Form A Statement filed by the Applicant with the Commissioner more fully sets out the terms and conditions of the proposed acquisition, pursuant to the Kansas Insurance Holding Company Act, K.S.A. 40-3301, *et seq.*
- b. 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.

- c. In the Form A Statement, which the Applicant filed with the Department and the Department received on April 3, 2019, the Applicant requests approval of the acquisition of control of KSSI.
- d. The Applicant submitted various exhibits to the Form A Statement, including, without limitation, an audited financial statement for the Applicant, organizational charts, and NAIC biographical affidavits.
- e. KSSI is domiciled in Kansas, with its statutory home office address in Coffeyville, Kansas. Currently, Health Care Investors, LLC (“HCI”), an Oklahoma limited liability company, owns 20% of the issued and outstanding voting shares of KSSI. In turn, Tom Coble of Ardmore, Oklahoma owns 100% of HCI.
- f. The Applicant is a for-profit Tennessee corporation that, through subsidiaries, owns and operates numerous diversified health care services. These services include skilled nursing facilities; rehabilitation therapy services; pharmacy services; insurance; geropsych hospitals; some health care, hospice, and Institutional Special Needs Plans.

2. Structure of Acquisition of Control

- a. According to the Form A Statement and exhibits, the Form A arises out of a Securities Purchase Agreement between HCI, Tom Coble, and the Applicant, through its subsidiary, American Health Holdings, LLC. (“AHH”). The Agreement provides that AHH will acquire HCI’s ownership of 20% issued and outstanding voting shares of KSSI.

- b. Post-transaction, the Applicant will hold a 20% ownership interest in KSSI, and Tom Coble will own 11.3% of AHH, which translates to a 2.26% interest in KSSI. Subsequent information from KSSI indicated that Tom Coble's interest in AHH is 7.0% as of April 2020.
 - c. Post-transaction, Medicalodges, Inc., R.H. Montgomery Properties, Inc., Central Kansas Select, LLC., Klaton Enterprises, LLC., and the Applicant, through its subsidiary AHH, will be the ultimate controlling persons of KSSI.
- 3. **Consideration for the Acquisition.** As consideration for HCI's 20% issued and outstanding shares of KSSI, AHH undertook to pay off a \$480,429.77 note evidencing Coble's debt to one of the KSSI founders, incurred in connection with Coble's acquisition of his original interest in KSSI. AHH paid off that indebtedness in December 2018, in exchange for Coble issuing a new note to the Applicant for \$480,429.77, which the Applicant will forgive upon the transaction closing.
- 4. **Future Plans of Applicant**
 - a. In the Form A filing, the Applicant indicated that it anticipates that KSSI will continue to run as a Medicare Advantage healthcare maintenance organization in the State of Kansas. Further, the Applicant indicated that it does not have any plans or proposals to cause to declare an extraordinary dividend, liquidate KSSI, sell KSSI's assets, merge KSSI with any other entity, or make any other material change to KSSI's business operations, corporate structure, or management.
 - b. In the Form A filing, the Applicant indicated that it does not have any plans or proposals to change the existing directors and executive officers of KSSI.

APPLICABLE LAW

5. 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

6. 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.
7. The evidence shows that after the change of control, KSSI 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.
8. The evidence shows that the financial condition of the Applicant does not jeopardize the financial stability of KSSI or prejudice the interest of its policyholders.

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

IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:

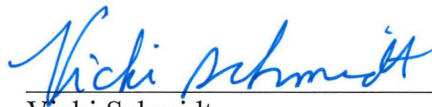
1. The application by the Applicant through its subsidiary AHH to acquire control of the KSSI in the manner set forth in the Form A Statement and exhibits is hereby approved pursuant to K.S.A. 40-3304, provided that the acquisition is effected no later than 90 days after this Order.
2. The Commissioner 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 21st DAY OF AUGUST, 2020, IN THE CITY OF TOPEKA,
COUNTY OF SHAWNEE, STATE OF KANSAS.



Vicki Schmidt
Commissioner of Insurance

Approved by the Kansas Insurance
Department Legal Division:




Paige Blevins
Staff Attorney

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Order was forwarded via first class mail, postage prepaid on the 21st day of August 2020, to:

Robin Bradley, Secretary and COO
American Health Companies, Inc.
201 Jordan Road, Suite 200
Franklin, TN 37067
rbradley@amhealthpartners.com

Tom Coble
Healthcare Investors, LLC
1908 12th Avenue N.W., Ste. E
Ardmore, OK 73401



Toni Garrard
Senior Administrative Assistant