

FORM A

STATEMENT REGARDING THE
ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

Blue Cross Complete of Michigan

BY

Complete Health, LLC
(Applicant)

Filed with the Michigan Department of Insurance and Financial Services

Dated: April 3, 2015

Correspondence Concerning this Statement Should Be Addressed to:

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ITEM 1 METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.

The name of the domestic insurer to which this application relates is Blue Cross Complete of Michigan (“BCC”), a Michigan nonprofit corporation. BCC is a licensed health maintenance organization (“HMO”) operating pursuant to Chapter 35 of the Michigan Insurance Code. Its address is 600 E. Lafayette Blvd., Detroit, MI 48226. As shown in the enclosed organization charts (**Exhibit 1**), BCC is a wholly owned subsidiary of Blue Care Network of Michigan and indirectly a wholly owned subsidiary of Blue Cross Blue Shield of Michigan Mutual Insurance Company (“BCBSM”).

The applicant, Complete Health, LLC (“Complete Health”) is a Michigan limited liability company, formed on December 18, 2014. At present, 50% of the ownership interest of Complete Health is held by Michigan Medicaid Holdings Company (“MMH”), which is in turn a wholly owned subsidiary of BCBSM. Complete Health is thus an affiliate of BCC. The remaining 50% of the ownership interest of Complete Health is held by AmeriHealth Caritas Health Plan (“AmeriHealth”), a Pennsylvania General Partnership. BCBSM holds an indirect 38.7% stake in AmeriHealth, with the remaining interest being indirectly held by Independence Health Group, a Pennsylvania nonprofit corporation.

Complete Health proposes to acquire control of BCC pursuant to an Agreement and Plan of Merger (“Agreement”) (**Exhibit 2**) by and among MMH, ACHP, Applicant, BCN, and BCC, with an intended closing date of **April 30, 2015**. The transaction will consist of the merger of BCC with and into Complete Health, after which Complete Health will continue as the surviving entity. The copy of the Agreement provided is unsigned—the parties intend to sign the Agreement when and if the Michigan Department of Insurance and Financial Services (“DIFS”) has approved of the transaction but prior to closing. Complete Health will provide executed copies to DIFS for its files once available.

This Statement is submitted for the purpose of obtaining the approval from the Michigan Director of Insurance for the proposed acquisition pursuant to § 1311 of the Michigan Insurance Code (the “Code”) and the applicable provision of Michigan insurance regulations.

ITEM 2 IDENTITY AND BACKGROUND OF THE APPLICANT

(a) State the name and address of the applicant seeking to acquire control over the insurer.

Complete Health, LLC
200 Stevens Dr.
Philadelphia, PA 19113

(b) If the applicant is not an individual, state the nature of its business operations for the past 5 years or for such lesser period as such person and any predecessors thereof shall have been in existence. Describe the business intended to be done by the applicant and the applicant's subsidiaries.

Complete Health, LLC, a Michigan limited liability company, was formed on December 18, 2014, for the purpose of merging with BCC; it has had no business operations since that time other than as relates to this Form A filing and the proposed merger with BCC. Upon merger, Complete Health intends to engage in the financing and delivery of health care services to covered individuals as a health maintenance organization. It has no plans at this time to acquire subsidiaries post-merger.

As noted above, Complete Health is owned on a 50-50 basis (indirectly) by BCBSM and (directly) by AmeriHealth. Both of these entities, as well as other affiliates of Complete Health, which includes BCC, are engaged in, among other things, the business of provision of health insurance benefits and the delivery of health care services.

BCC is presently engaged in providing managed care benefits under a contract with the State of Michigan. Following merger, Complete Health as the surviving entity intends to continue engaging in business consistent in all material respects with BCC's current operations.

(c) Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant, including the ultimate controlling person(s). No affiliate need be identified if its total assets are equal to less than 1/2 of 1% of the total assets of the ultimate controlling person affiliated with the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. corporation, trust, partnership), primary business (e.g. holding company, insurance agency, manufacturer) and the state or other jurisdiction of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.

Attached as **Exhibit 1** are organizational charts that present, pre-Closing and post-Closing, the identities of and interrelationships among Complete Health and its affiliates. Copies of holding company charts for both parents of Complete Health are already on file with DIFS. Complete

Health and its direct parent, MMH, were previously omitted from that chart as they were otherwise inactive and held assets of less than one million dollars.

ITEM 3 IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

State the following with respect to 1) the applicant if she or he is an individual 2) if the applicant is not an individual, all persons who are, or who have been selected to be, directors, executive officers (or others who perform or will perform functions appropriate to those positions), or owners of 10% or more of the voting securities of the applicant, and, 3) in all instances where individuals will be the direct or indirect source of funding for the acquisition:

(a) Name and business address;

(b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;

(c) All occupations, positions, offices or employment during the last 5 years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.

(d) Whether or not such person has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case. Whether or not such person has had any civil judgments against the person resulting in \$25,000 or more in civil fines or penalties or injunctive or other equitable relief.

(e) Upon the request of the Commissioner, individuals shall provide fingerprint cards pursuant to Section 249a for state, multi-state, and federal criminal history record checks.

As stated above, Complete Health is a Michigan-domiciled limited liability company. Its members are MMH and AmeriHealth.

MMH is wholly owned by BCBSM. The identities, addresses, occupations and positions held in the last five years, and convictions in the last 10 years of BCBSM's directors are already on file with DIFS.

As shown in the attached pre-closing holding company charts, AmeriHealth is an indirect subsidiary of BMH LLC, a Delaware limited liability company, in which BCBSM holds a 38.7% share and the balance of which is owned by Independence Health Group. The identities, addresses, occupations and positions held in the last five years, and convictions in the last 10 years of the directors of Independence Health Group are also already on file with DIFS.

The joint members of Complete Health—being MMH and AmeriHealth—will, simultaneously with closing, enter into an Operating Agreement in the form as attached hereto as **Exhibit 3**. The Operating Agreement contemplates that Complete Health, post-merger, will be governed by a 6-member board of managers. Two of the six seats on the board are to be filled by election of the subscribers as required by MCL 500.3511. BCC has only one subscriber-elected member at present (i.e. Joleen Immerfall), who will take her seat as one of the two subscriber-elected member-managers of Complete Health upon merger. The remaining subscriber-elected seat will initially be empty, but ultimately be filled as stated in the Operating Agreement through a subscriber election to occur as soon as practicable after the date of merger. As to the remaining four seats, three will be filled by the designees of MMH, and one by the designee of AmeriHealth.

The five initial board members of the post-merger entity are thus to be as follows:

1. Joleen Immerfall
 - Ms. Immerfall's biographical affidavit was most recently submitted to DIFS on August 21, 2014; her fingerprints are already on file.
2. Mark Bartlett (current Executive Vice President, CFO, and President of Emerging Markets of BCBSM)
 - Mr. Bartlett's biographical affidavit was most recently submitted to DIFS on June 6, 2013; his fingerprints are also already on file.
3. Lynda Rossi (current Executive Vice President, Strategy, Government, and Public Affairs of BCBSM)
 - Ms. Rossi's biographical affidavit was most recently submitted to DIFS on April 15, 2013; her fingerprints are also already on file.
4. Eileen Coggins (current Senior Vice President of Compliance and Risk Management at AmeriHealth Caritas)
 - Ms. Coggins's biographical affidavit is attached as part of **Exhibit 4**. Her fingerprints were submitted to DIFS separately in the days prior to filing.
5. J. Michael Jernigan (current Regional President of AmeriHealth)
 - Mr. Jernigan's biographical affidavit is attached as part of **Exhibit 4**. His fingerprints were submitted to DIFS separately in the days prior to filing.

The executive officers of Complete Health upon merger are to be as follows:

Heidi M. Chan, President

Steven H. Bohner, Vice President and Treasurer
Robert H. Gilman, Vice President and Secretary

NAIC biographical affidavits for Messrs. Bohner and Gilman are already on file with DIFS as both are currently officers of AmeriHealth Michigan, Inc. and were most recently filed on December 8, 2012. Ms. Chan's Biographical Affidavit is also attached as **Exhibit 4**.

ITEM 4 NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. Describe any transaction where funds were or are to be obtained for such purpose, including any pledge of the insurer's stock or pledge of the stock of any of its subsidiaries or controlling affiliates. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.

Prior to the proposed merger, MMH and ACHP will fund Complete Health from existing cash deposits, with each contributing approximately \$16,000,000 prior to merger (and thus, providing a combined, approximate, \$32,000,000 in initial investment).

BCC is presently indebted to its direct parent, BCN, in the amount of approximately \$30,000,000 under a Surplus Note, dated June 25, 2014. Under the contemplated Agreement, that Note is to be satisfied by payment from BCC's cash on hand in an amount that will not reduce the net worth of BCC to an amount less than \$1.00. Approval for such payment is respectfully requested from DIFS as part of this filing. The capital of BCC will be immediately replenished upon merger with the above-noted capital contributions paid to MMH and ACHP such that BCC will continue to maintain at least a 300% RBC level.

(b) Explain the criteria used in determining the nature and amount of such consideration.

As BCC is organized as a nonprofit corporation under Michigan law, a review of the proposed transaction is underway by the Michigan Attorney General, and appraisers have been retained to provide a valuation of BCC's value as relates to compensating BCC's current direct and nonprofit parent, Blue Care Network of Michigan, for the value of those assets transferred to Complete Health on merger. The parties ultimately intend to defer to the Michigan Attorney General with respect to the amount of consideration to be paid in return for the merger of BCC with its assets in place into Complete Healthcare.

(c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, the applicant must specifically request that the identity be kept confidential.

Not applicable as the source of consideration is not a loan.

ITEM 5 FUTURE PLANS FOR INSURER

(a) Describe any plans or proposals which the applicant may have for the insurer to declare a dividend, (whether or not extraordinary), to liquidate the insurer, to sell its assets, to merge it with any person or persons, or to make any other material change in its business operations or corporate structure or management.

Neither Complete Health nor its parent company, MMH, has any plans or proposals at this time for the post-merger entity to declare a dividend, nor to liquidate the insurer, nor to sell its assets, nor to merge it with any person or persons (other than to merge it with Complete Health as set forth in this filing), nor to make any other material change in its business operations or corporate structure.

As shown in the enclosed Operating Agreement (**Exhibit 3**), management of the post-merger entity is to be located in a six-member board of managers. BCC currently has a three-member board. To satisfy MCL 500.3511's requirement that one-third of the board of an HMO be elected by subscribers, two seats of the board have been designated as subscriber-elected. As BCC currently only has one subscriber-elected member (Ms. Immerfall), one of the two subscriber-elected seats will be filled by a subscriber election held as soon as practicable following merger. The remaining board of directors will be as identified above in response to Item 3.

The policies of BCC in place as relates to Chapter 35 compliance will continue in place post-merger without change, except that such policies will thereafter be the policies of Complete Health as the surviving entity. These include BCC's current and filed:

- Conflict of Interest Policy;
- Plan of Operation;
- Insolvency Plan;
- Marketing Plan;
- Service Areas;
- Contracted Provider Network;
- Provider Contracts;
- Quality Assessment Program;
- Quality Improvement Program;
- Health Professional Credentialing Process; and
- Complaint and Grievance Procedure.

BCC's statutory deposit requirement is currently satisfied under an October 4, 2007 Trust Indenture Agreement (**Exhibit 5**), which agreement requires (consistent with ¶5) that any transfer of Trusteed Assets must be approved by the Director. The Applicant intends, however, consistent with state law and the Agreement, that no transfer will occur with respect to the Trusteed Assets, but instead that, upon merger, all property, debts, choses in action, and any other interest of or belonging to each constituent entity is to be vested in the surviving company without further act or deed and without reversion or impairment. See MCL 450.4704(b). The applicant respectfully requests that DIFS include in its order relative to this Form A application

language recognizing such vesting, and, based on the above, further affirming that the surviving entity, by continuing in place the policies, licenses and regulatory obligations of BCC, shall be deemed compliant with Chapter 35 of the Code to the same extent as BCC prior to merger.

BCC is presently operated consistent with an Administrative Services Agreement with AmeriHealth. That agreement and AmeriHealth's services to BCC thereunder will continue in place post-merger. The parties, however, are in the course of reviewing potential amendments to that TPA agreement. If amended, a separate Form D filing will be made with respect to intended amendments but in no case is the proposed merger made contingent on such amendments.

(b) Provide a 5 year business plan which describes the types of business to be written by the insurer, marketing plan, projected direct, assumed, ceded, and net written premiums by line, pro-forma statutory balance sheets and income statements. Also, describe proposed changes to the insurer's reinsurance program (if any), amount, timing, and type of capital contributions (if any), proposed changes to the insurer's executive officers and directors, and compliance plan with the "books and records in Michigan" requirement of Section 5256.

The applicant intends, post-merger, to continue BCC's current program of providing managed care Medicaid services under an agreement with the State of Michigan; there is no intent for the post-merger entity to write lines of insurance or otherwise expand its business beyond the scope of BCC's current operations, including BCC's filed marketing plan. Attached as **Exhibit 6** is a *pro forma* balance sheet, profit and loss statement, and cash flow statement for the next five years. (These balance sheets reflect projections for BCC's operations in its current form as well as post-merger.)

The applicant does not propose to make any changes to BCC's current reinsurance arrangement, nor to make any capital contributions.

BCC's current board of directors will be replaced post-merger by a six-member board of managers as discussed above.

The Applicant intends to satisfy the books and records requirement as applicable to HMOs (i.e. MCL 500.3548) by maintaining books and records at its principal place of doing business in Michigan – i.e., 100 Galleria Officentre, Suite 210, Southfield, MI 18034 – which is to be the statutory home address of the surviving entity post-merger.

ITEM 6 VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates, and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.

BCC is presently organized as a Michigan nonprofit corporation; Blue Care Network of Michigan owns all of the issued and outstanding shares of capital stock of Blue Cross Complete. As noted in the attached draft of Agreement and Plan of Merger (**Exhibit 2**), upon closing, each share of capital stock issued and outstanding shall be cancelled, extinguished, and converted into the right to receive per share consideration, with the value attributable to such right being determined, as earlier described, consistent the ongoing Attorney General valuation process. All unissued shares of capital stock of BCC held in treasury will be cancelled and extinguished.

Complete Health is organized as a two-member limited liability company, with each member holding an equivalent ownership interest. Those two members are MMH (as noted above, a wholly-owned subsidiary of BCBSM), and AmeriHealth. The membership interests and percentage interests of the two members will be converted upon the merger into membership interests and percentage interests of the surviving entity on a 1-1 basis. There is no plan at this time to change the share of ownership interests in Complete Health as between MMH and AmeriHealth post-merger.

By way of further answer, Complete Health notes that the joint members of Complete Health—being MMH and AmeriHealth—will, simultaneous with closing, enter into an Operating Agreement, substantially in the form as attached hereto as **Exhibit 3**, governing their obligations and the operations of Complete Health post-merger.

Upon merger, Complete Health will change its name to Blue Cross Complete of Michigan, LLC.

ITEM 7 OWNERSHIP OF VOTING SECURITIES

State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates, or any person listed in Item 3.

The stock of BCC is currently owned in full by Blue Care Network of Michigan, which entity, in turn, is a wholly owned subsidiary of BCBSM. BCBSM also owns, indirectly, 69.35% of the ownership interest in Complete Health, with the remaining 30.65% interest being held, indirectly through intermediates, by Independence Health Group. Except as contemplated in the enclosed Agreement and Plan of Merger, there is no right for BCBSM, Independence Health Group, or any of their subsidiaries, to acquire any additional ownership share of Complete Health post-merger.

**ITEM 8 CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH
RESPECT TO VOTING SECURITIES OF THE INSURER**

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom the contracts, arrangements or understanding have been entered into.

The joint members of Complete Health—being MMH and AmeriHealth—will, simultaneous with closing, enter into an Operating Agreement, substantially in the form as attached hereto as **Exhibit 3**, governing their obligations and the operations of Complete Health post-merger.

ITEM 9 RECENT PURCHASES OF VOTING SECURITIES

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any shares so purchased are hypothecated.

Not applicable.

ITEM 10 RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

Not applicable.

ITEM 11 AGREEMENTS WITH BROKER DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

Not applicable.

ITEM 12 FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements and exhibits shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.

(b) The financial statements shall include the audited annual financial statements of the persons (both corporate and individual) identified in Item 2(c), including individuals who are applying to be the ultimate controlling persons, for the preceding 5 fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year as of a date not earlier than 90 days prior to the filing of the statement. The statements may be prepared on either an individual basis, or, unless the Commissioner otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business. The consolidated financial statements shall include the consolidating work sheets.

The annual financial statements of the applicant corporate entity shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial positions of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

(c) File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory, managing general agent, controlling producer, or management contracts concerning the insurer, annual reports and proxy statements to the stockholders of the insurer and the applicant for the last two fiscal years.

Annual financial statements for the 5 preceding fiscal years for BCBSM and its subsidiaries are already on file with DIFS as part of BCBSM's Form B filings. Independence Health Group, Inc.—the nonprofit ultimate controlling parent of the IBC companies as shown in **Exhibit 1**—became an upstream parent to the previous ultimate controlling parent of those companies, Independence Blue Cross, in mid-2014. The most recent consolidated financials for Independence Health Group, Inc. are attached under seal, as **Exhibit 7**. Prior financial statements for Independence Blue Cross were filed with DIFS as part of the Form B filings of AmeriHealth Michigan, Inc., or else are available through the Pennsylvania Department of Insurance Website (and can be provided in hard copy printed form if requested).¹

The applicant, Complete Health, was formed on December 18, 2014 for the purpose of merging with BCC and thus has no separate financial statements. It has not yet been capitalized by its

¹ See, e.g., http://www.portal.state.pa.us/portal/server.pt/document/1353474/54704_2012_a_pdf.

members and has not otherwise commenced operations but, as discussed above, will receive capital contributions from its members prior to closing. BCC's historical financial information, previously filed with DIFS as part of its annual and quarterly statements, will become the historical financial information of Complete Health upon merger.

The following are attached here as Exhibits:

Exhibit No.	Description
1	Pre- and post-merger holding company charts
2	Proposed Agreement and Plan of Merger
3	Complete Health Operating Agreement
4	Biographical Affidavits of Board and Officers
5	Trust Indenture Agreement
6	Proformas
7	Independence Health Group Financial Statements

ITEM 13 SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Section 1311 of the Insurance Code of 1956, as amended, Complete Health LLC has caused this application to be duly signed on its behalf in the City of _____, and State of _____ on the 27th day of March, 2015.

COMPLETE HEALTH LLC

By: Heidi M. Chan
Heidi M. Chan
Its: President

Attest:

Robert H. Gilman
By: Robert Gilman
Its: Secretary

CERTIFICATION

The undersigned deposes and says that she has duly executed the attached application dated March 27, 2015, for and on behalf of the Applicant; that she or he is the President of such company and that (s)he is authorized to execute and file such instrument. Deponent further says that she is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his or her knowledge, information, and belief.

Heidi M. Chan
Heidi M. Chan

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