

FORM A

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

**Trusted Health Plan Michigan, Inc.**

By

**Health Alliance Plan of Michigan**

Filed with the Michigan Department of Insurance and Financial Services

Dated: June 10, 2019

Name, Title, Address and Telephone Number of Individual  
to Whom Notices and Correspondence Concerning this Statement  
Should be Addressed:

Health Alliance Plan  
Attn: William R. Barnes  
Deputy General Counsel  
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Detroit, MI 48202  
(313) 664-8904  
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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.

**This Form A relates to the acquisition of control by HAP of Trusted Health. The business address for HAP is 2850 West Grand Boulevard, Detroit, Michigan 48202. The business address for Trusted Health, a Michigan domiciled health maintenance organization (“HMO”), is 600 Renaissance Center, Suite 2100, Detroit, Michigan 48243.**

**On May 24, 2019, the Applicant, Trusted Health Plans, Inc.<sup>1</sup>, and Trusted Health entered into a Stock Purchase Agreement (the “Purchase Agreement”), pursuant to which, subject to receipt of applicable regulatory approval, HAP will acquire 100% of the issued and outstanding shares of capital stock of Trusted Health. The executed Purchase Agreement is attached hereto as Exhibit A.**

**Pursuant to the Purchase Agreement, HAP shall assume all obligations and liabilities of Trusted Health, including obligations of Trusted Health in connection with its agreement with the Michigan Department of Health and Human Services for the Comprehensive Health Care Program, effective January 1, 2016, as amended effective on February 28, 2017, November 27, 2017, July 1, 2018, and October 1, 2018, by and between the Company and the State of Michigan (Contract No. 07B6600032) (the “MDHHS Contract”).**

## **ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT**

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

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<sup>1</sup> Trusted Health Plans, Inc., a Delaware corporation, owns 100% of the issued and outstanding shares of capital stock of Trusted Health.

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.

**a. Health Alliance Plan of Michigan  
2850 West Grand Boulevard  
Detroit, Michigan 48202**

**b. Applicant was incorporated June 27, 1978, as a Michigan nonprofit corporation and operates an HMO. The Applicant is not licensed to write business in any other state. The Applicant, together with its subsidiaries, offers group HMO and PPO plans, administration of self-funded employer health plans, individual health plans, Medicare Advantage plans, and a Medicaid HMO plan. The Applicant covers approximately 570,000 members and has 1,100 employees. The Applicant currently offers a Medicaid HMO in Region 6, through its subsidiary HAP Midwest Health Plan; the acquisition will expand the Applicant's Medicaid business to Region 10.**

**The Applicant intends to continue the same business in the future. The transaction is consistent with the Applicant's current business plan, and its mission which is "[e]nhancing the health and well-being of the lives we touch."**

**c. Organizational charts presenting the identities of, and inter-relationships among, HAP and its affiliates before and after giving effect to the Proposed Acquisition are attached as Exhibits C and D, respectively. There are no court proceedings involving reorganization or liquidation pending with respect to the Applicant or its affiliated entities.**

### **ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

On the biographical affidavit, include a third party background check and 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 if the applicant is not an individual.

(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) Material 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 or 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.

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

**Copies of Biographical statements for the members of the Board of Directors and Executive Officers of HAP are attached hereto as Exhibit B. A list of the members of the current Board of Directors is included in Exhibit B. The Executive Officers are Teresa L. Kline, CEO; Michelle Johnson-Tidjani, Secretary and General Counsel of Henry Ford Health System; Douglas Clark, Interim CFO and William R. Barnes, Deputy General Counsel – Hap.**

**None of HAP's Directors or Executive Officers have been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years. Background checks are conducted periodically for all Executive Officers.**

**HAP submitted updated biographical affidavits with original signatures for the members of the HAP Board of Directors and the HAP Executive Officers to DIFS on March 8, 2019. HAP submitted an updated biographical affidavit with an original signature for Doug Clark, the Interim CFO, to DIFS on April 1.**

**HAP submitted fingerprint cards to DIFS for members of the HAP Board of Directors and the HAP Executive Officers with the biographical affidavits in March and April, 2019.**

**There will be no change to the HAP Board of Directors or to the Executive Officers upon the closing of the acquisition of Trusted Health.**

#### **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.

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

(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.

a. **HAP will fund the Proposed Acquisition through its currently available surplus funds. No borrowing or other type of debt financing will be utilized.**

b. **Applicant performed a comprehensive due diligence investigation and reviewed, among other things, the financial statements, operations and legal documents of Trusted Health. HAP and Henry Ford Health System senior management negotiated the purchase price at arm's length with the owners of Trusted Health Plans, Inc. (the parent of Trusted Health). Both parties were assisted by legal, financial and actuarial advisors. The Applicant utilized widely accepted valuation techniques to obtain an indication of value for determining the amount of consideration and also took into account such additional factors and information as Applicant deemed relevant under the circumstances. The HAP Board of Directors approved the acquisition of Trusted Health on May 14, 2019.**

c. **Not applicable.**

#### **ITEM 5. FUTURE PLANS FOR INSURER**

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.

**HAP proposes to merge Trusted Health into HAP Midwest Health Plan, Inc. ("HAP Midwest") effective January 1, 2020 and to simultaneously rename the surviving corporation as "HAP Empowered Health Plan, Inc." HAP Midwest and Trusted Health are each Medicaid-only plans and the surviving corporation will continue as a Medicaid-only plan.**

#### **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.

**HAP will purchase 100% of the issued and outstanding shares of capital stock of Trusted Health. Applicant performed a comprehensive due diligence investigation and reviewed, among other things, the financial statements, operations and legal documents of**

**Trusted Health. Applicant utilized widely accepted valuation techniques to obtain an indication of value for determining the amount of consideration and also took into account such additional factors and information as applicant deemed relevant under the circumstances. As a result, the basis and term of the Purchase Agreement were determined by arm's length negotiations between the parties and their respective advisors.**

#### **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.

**Pursuant to the Purchase Agreement, HAP will purchase 100% of the issued and outstanding shares of capital stock of Trusted Health.**

#### **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 understandings have been entered into.

**None. There are no such agreements other than the Purchase Agreement.**

#### **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 such description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefore. State whether any shares so purchased are hypothecated.

**None. There have been no acquisitions, direct or indirect, during the twelve calendar months preceding the filing of this Form A, of any voting securities of Trust Health that were effected by HAP, its affiliates or any person identified in Item 3.**

## **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.

**There have been no recommendations to purchase any voting security of Trusted Health made during the twelve calendar months preceding the filing of this Form A by HAP, its affiliates or any person identified in Item 3.**

## **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.

**None. There have been no agreements, contracts or understanding with any broker-dealers.**

## **ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS**

(a) Financial statements, exhibits, and three-year financial projections of the insurer(s) shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached. Also provide a three-year narrative business plan which describes the types of business to be written by the insurer, and marketing plan. The financial projections shall include 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 to continue the same business in the future. The transaction is consistent with the Applicant's current business plan, and its mission which is "[e]nhancing the health and well-being of the lives we touch." See below for a list of Financial Statements and Exhibits 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 if the information is available. The statements may be prepared on either an individual basis, or, unless the Director 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.

Any ultimate controlling person who is an individual may file personal financial statements that are reviewed rather than audited by an independent public accountant. The review shall be conducted in accordance with standards for review of personal financial statements published in the *Personal Financial Statements Guide* by the American Institute of Certified Public accountants. Personal financial statements shall be accompanied by the independent public accountant's Standard Review Report stating that the accountant is not aware of any material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles.

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position 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.

**See below for a list of Financial Statements and Exhibits attached.**

(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 or the insurer and the applicant for the best two fiscal years, and any additional documents or papers required by Form A forms and instructions for Sections 4 and 6.

**There have been no 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 or management contracts concerning Trusted Health by the Applicant.**

**The following documents are being provided:**

**Exhibit A      The Stock Purchase Agreement**

**Exhibit B      Biographical Affidavits**

**Exhibit C      Organizational chart of HAP, prior to the Proposed Acquisition**



- Exhibit D**      **Organizational chart of HAP, post-Acquisition**
- Exhibit E**      **Annual Financial Statement of Applicant for the Year ended December 31, 2014**
- Exhibit F**      **Annual Financial Statement of Applicant for the Year ended December 31, 2015**
- Exhibit G**      **Annual Financial Statement of Applicant for the Year ended December 31, 2016**
- Exhibit H**      **Annual Financial Statement of Applicant for the Year ended December 31, 2017**
- Exhibit I**      **Annual Financial Statement of Applicant for the Year ended December 31, 2018**
- Exhibit J**      **First Quarter of 2019 Financial Statement of HAP**
- Exhibit K**      **Report of the Independent Auditors of HAP for 2014**
- Exhibit L**      **Report of the Independent Auditors of HAP for 2015**
- Exhibit M**      **Report of the Independent Auditors of HAP for 2016**
- Exhibit N**      **Report of the Independent Auditors of HAP for 2017**
- Exhibit O**      **Report of the Independent Auditors of HAP for 2018**
- Exhibit P**      **Three-Year Financial Projections for HAP and Trusted Health consolidated and for Trusted Health**


**ITEM 13. AGREEMENT REQUIREMENT FOR ENTERPRISE RISK MANAGEMENT.**

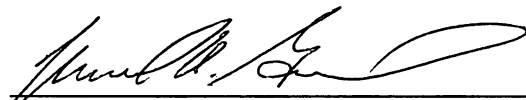
Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.

**ITEM 14. SIGNATURE AND CERTIFICATION SIGNATURE**

Pursuant to the requirements of Section 1311 of the Insurance Code of 1956, as amended, Applicant has caused this application to be duly signed on its behalf in the City of Detroit and State of Michigan on the 10th day of June, 2019.

Health Alliance Plan of Michigan

By   
Teresa L. Kline  
President & Chief Executive Officer

Attest:   
Michael A. Genord, M.D., Senior Vice  
President and Chief Medical Officer

**CERTIFICATION**

The undersigned deposes and says that she has duly executed the attached application dated June 10, 2019, for and on behalf of Health Alliance Plan of Michigan; that she is the President & Chief Executive Officer and that she is authorized to execute and file such instrument. Deponent further states that she is familiar with the instrument and the contents thereof, and the facts therein set forth are true to the best of her knowledge, information and belief.

Signature   
Type or Print Teresa L. Kline  
President & Chief Executive Officer