

FORM A

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

SummaCare of Michigan, Inc.

by

Beaumont Health
(Applicant)

Filed with the Michigan Department of Insurance and Financial Services

Dated: April 9, 2021

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

Joseph T. Aoun
Aoun Advisors, PLLC.
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ITEM I. 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 seeks the approval of the Director, pursuant to the requirements of Mich. Comp. Laws § 500.1311, for the Beaumont Health's acquisition of control of the SummaCare of Michigan, Inc., a Michigan nonprofit corporation ("SCM"). SCM is currently licensed in the state of Michigan as a health maintenance organization. SCM's statutory home office and main administrative office address is 1200 East Market Street, Suite 400, Akron, OH 44305.

SCM is a wholly-owned subsidiary of SummaCare, Inc., an Ohio nonprofit corporation ("SummaCare Ohio"). SummaCare Ohio has been issued a certificate of authority by the Ohio Department of Insurance to operate as a health insuring corporation under Chapter 1751 of the Ohio Revised Code.

The party seeking to acquire ultimate control of SCM is Beaumont Health, a Michigan nonprofit corporation ("Applicant"). Applicant intends to acquire ultimate control through the purchase of all of the corporate membership interests of SCM pursuant to a Membership Interest Purchase Agreement by and among Applicant, SCM and SummaCare Ohio. A copy of the final Membership Interest Purchase Agreement is attached as **Exhibit A**.

The closing of the transaction is subject to closing conditions that are customary for acquisitions of this nature, including, but not limited to, conditions relating to the receipt of regulatory approvals, accuracy at the closing date of representations and warranties made in the Membership Interest Purchase Agreement, compliance with pre-closing covenants and delivery of closing documentation.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

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

Beaumont Health
26901 Beaumont Boulevard
Southfield, Michigan 48033

- (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.

On September 1, 2014, Beaumont Health, a newly created Michigan nonprofit corporation, became the sole corporate member of William Beaumont Hospital, Oakwood Healthcare, Inc. and Botsford General Hospital, each a Michigan nonprofit corporation, and combined the operations of these principal subsidiaries. Currently, Beaumont provides a continuum of care as an integrated health care delivery system to southeastern Michigan residents through eight hospitals, a physician network and a wide variety of ambulatory care sites. Beaumont's services include inpatient and outpatient hospital services, physician services, and other health-related activities. Beaumont also has two wholly-owned captive insurance companies, one of which is domiciled in the State of Michigan and regulated by the Michigan Department of Insurance and Financial Services.

Beaumont is dedicated to providing high quality, efficient and accessible health care services in a caring environment and promoting the health and well-being of individuals and families, regardless of their financial circumstances, in the communities served by Beaumont's supported organizations. Beaumont's goal is to serve as a regional leader differentiated by its values, clinical capabilities and industry performance. The objectives in creating Beaumont centered on meeting the needs of the community by establishing the critical mass and enhanced scale necessary for population health management and to deliver quality outcomes, establish aligned incentives and assure access to capital.

For the most recent fiscal year ended December 31, 2020, Beaumont had consolidated revenues of \$4.58 billion, and its net assets were in excess of \$3.28

billion. Beaumont is formed on a directorship basis under Michigan law. Consequently, it does not have any corporate members or shareholders. Beaumont is governed by a Board of Directors comprised of community leaders.

SCM currently does not transact business. Although SCM was formed for the purposes of pursuing Medicare Advantage business in Michigan, it has not transacted that activity to date. In connection with the proposed transaction, SCM has submitted an application to participate in the Medicare program as a Medicare Advantage organization effective January 1, 2022 (the "MAPD Application"). The MAPD Application is currently under review by the Centers for Medicare and Medicaid Services. The next major submission relative to the MAPD Application is the proposed bid (premium) which is due **June 7, 2021**, and the parties hope to receive the Director's approval of the Form A and close the proposed transaction prior to bid submission.

Following receipt of all required state and regulatory approvals and the closing of the proposed transaction, Beaumont Health intends for SCM to provide Medicare Advantage HMO coverage to eligible beneficiaries in southeastern Michigan.

(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 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.

Please see the organizational charts attached as **Exhibit B** and **Exhibit C** that identify Applicant and its affiliates before and after the proposed transaction. The organizational charts indicate the type of organization and the state of domicile of each entity listed and the percentage of voting securities of each entity owned. Unless otherwise indicated, the entities identified in the organizational charts own or control 100% of the voting securities or membership interests of their immediate downstream affiliates.

There are no court proceedings involving a reorganization or liquidation pending with respect to any person listed on the organizational charts.

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, independent third party verification reports prepared by an NAIC approved vendor shall be provided. See https://www.naic.org/documents/industry_ucaa_third_party.pdf?19 for a list of third party vendors for background reports.

The names and business addresses of the directors and executive officers of the Applicant are set forth below:

TITLE	NAME	ADDRESS
President	John T. Fox	26901 Beaumont Blvd. Southfield, MI 48033
Chairperson	John Lewis	26901 Beaumont Blvd. Southfield, MI 48033
Vice Chairperson	Julie Fream	26901 Beaumont Blvd. Southfield, MI 48033
Vice Chairperson	Steven Howard	26901 Beaumont Blvd. Southfield, MI 48033
Secretary/Treasurer	John Nemes, C.P.A.	26901 Beaumont Blvd. Southfield, MI 48033
Director	Abdelrahim Asfour, M.D.	26901 Beaumont Blvd. Southfield, MI 48033
Director	Christopher Blake	26901 Beaumont Blvd. Southfield, MI 48033
Director	Gerson Cooper	26901 Beaumont Blvd. Southfield, MI 48033
Director	William Goldsmith	26901 Beaumont Blvd. Southfield, MI 48033
Director	Ronald Hall	26901 Beaumont Blvd. Southfield, MI 48033
Director	Geoffrey Hockman	26901 Beaumont Blvd. Southfield, MI 48033
Director	Ashok Jain, M.D.	26901 Beaumont Blvd. Southfield, MI 48033
Director	Harris Mainster, D.O.	26901 Beaumont Blvd. Southfield, MI 48033
Director	Timothy O'Brien	26901 Beaumont Blvd. Southfield, MI 48033
Director	Martha Quay	26901 Beaumont Blvd. Southfield, MI 48033

TITLE	NAME	ADDRESS
Director	Thomas Saeli	26901 Beaumont Blvd. Southfield, MI 48033
Director	Robert Welsh, M.D.	26901 Beaumont Blvd. Southfield, MI 48033
Director	Robert Williams, M.D.	26901 Beaumont Blvd. Southfield, MI 48033
Director	David Wood, M.D.	26901 Beaumont Blvd. Southfield, MI 48033
SVP, General Counsel, Assistant Secretary	Jane Jordan	26901 Beaumont Blvd. Southfield, MI 48033
EVP, Chief Operating Officer	Carolyn Wilson	26901 Beaumont Blvd. Southfield, MI 48033

Biographical affidavits of each of these individuals identified in Item 3(a), setting forth each such individual's current employment information (including position held and business address) and material employment information during the past five years (including position held, business address, and starting and ending dates of employment) are attached as **Exhibit D**.

None of the individuals with respect to whom biographical affidavits are provided have been convicted of any crime, other than minor traffic violations, during the past ten years, except as otherwise may be disclosed in the biographical affidavits. Applicant has also arranged for third party background checks to be performed with respect to each of the individuals identified in Item 3(a).

SCM is governed by a Board of Directors. Following the closing of the proposed transaction, the Applicant intends to change name of SCM (the new name has not yet been selected). The proposed directors and officers of HMO will be the following:

HMO Board of Directors (post-close)

Name	Title
John Fox	Chair
Carolyn Wilson	Vice Chair
David Wood, M.D.	Director

HMO Officers (post-close)

Name	Title
John Fox	President
Carolyn Wilson	Treasurer
David Wood, M.D.	Secretary

Biographical affidavits of each of the above individuals are attached as **Exhibit D**.

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.

Applicant will acquire all of the corporate membership interests of SCM in exchange for the Purchase Price, as more fully described in the Membership Interest Purchase Agreement (**Exhibit A**). The Purchase Price is a cash amount, subject to adjustment based upon SCM's Statutory Capital, as that term is defined in the Membership Interest Purchase Agreement. The total purchase consideration will be paid by wire transfer of immediately available funds at the closing, subject to post-closing adjustments.

Applicant has available cash or existing available borrowing capacity to fulfill its obligations under the Membership Interest Purchase Agreement, and its obligations are not contingent on financing the transaction.

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

The basis and terms of the Membership Interest Purchase Agreement were arrived at as a result of arm's-length negotiations between the parties and their respective advisors. Applicant performed a due diligence investigation and reviewed, among other things, the financial statements, operations and legal documents of SCM. Applicant took into account such additional factors and information as it deemed relevant under the circumstances, and Applicant utilized financial advisors, consultants and legal counsel to assist it in its due diligence.

- (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.

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.

Effective with the closing of the proposed transaction, Applicant intends to make certain changes to the directors and officers of SCM, as described in Item 3.

There are currently no plans or proposals under which Applicant would cause SCM to declare an extraordinary dividend, liquidate or dissolve, or sell its assets. Applicant may consider changing the direct ownership of the health plan from Applicant to another entity that is owned and controlled by Applicant. Applicant also has discussed possible joint ownership of the health plan with certain other organizations as a means to improve the ability of health plan to succeed in the Michigan Medicare Advantage market. Those discussions have not concluded. In the event Applicant seeks to change the ownership of the health plan, it will provide proper notice to the Department and only proceed following the receipt of any required approvals.

As noted in Item 2(b), Applicant intends for SCM to provide Medicare Advantage HMO coverage to eligible beneficiaries in southeastern Michigan effective January 1, 2022. Applicant engaged SummaCare Ohio pursuant to a Consulting Services Agreement to submit SCM's MAPD Application. Please see **Exhibit E**. The Consulting Services Agreement became effective January 1, 2021, and the consulting services are intended to be furnished until the "go live" date (the date when SCM begins enrolling Medicare beneficiaries).

With respect to the management of SCM following the closing of the proposed transaction, Applicant and SummaCare Ohio (and certain of their affiliates) intend to enter into a Management Services Agreement ("MSA") at the closing. Attached as **Exhibit F** is the current draft of the MSA. Pursuant to the Management Services Agreement, SummaCare Ohio (and its affiliates) will have primary responsibility for most administrative services relating to HMO operations. The initial term of the MSA is four years, and the parties will have opportunities during the initial term to negotiate changes in the scope of delegated services, compensation and performance measures. Upon execution of the MSA, the Consulting Services Agreement referenced above (**Exhibit E**) will be terminated and superseded by the MSA. Accordingly, the consulting services associated with the MAPD Application will be furnished pursuant to the MSA until the "go live" date.

As described in the Management Services Agreement, there are certain services that will not be delegated to SummaCare Ohio (and its affiliates), such as marketing, insurance purchasing and provider network management. For those services, the health plan intends to engage Applicant pursuant to a Beaumont Services Agreement in the form attached hereto as **Exhibit G**.

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.

Currently, SCM is a wholly owned subsidiary of SummaCare Ohio. All of the corporate membership interests (voting securities) of SCM are held by SummaCare Ohio. Following the closing of the proposed transaction, SCM will become a wholly owned

subsidiary of Applicant and renamed. Consequently, 100% of the corporate membership interests (voting securities) of SCM will be ultimately controlled by Applicant.

The method to determine the fairness of the proposal is as stated in response to Item 4(b) above.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class or 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.

To the knowledge of Applicant, except pursuant to the Membership Interest Purchase Agreement, none of the Applicant, its affiliates or any person listed in Item 3, beneficially owns or has the right to acquire beneficial ownership of corporate membership interests (voting securities) of SCM.

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.

To the knowledge of Applicant, except as disclosed herein, there is no contract, arrangement or understanding with respect to any corporate membership interests (voting securities) of SCM, in which Applicant, its affiliates or any person listed in Item 3 is involved.

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 therefore. State whether any shares so purchased are hypothecated.

There have been no prior purchases of corporate membership interests (voting securities) of SCM by Applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this Statement.

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 made by Applicant, its affiliates or any person listed in Item 3 to purchase any voting securities of SCM during the 12 calendar months preceding the filing of this Statement.

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.

The Applicant has not entered into any agreement, contract or understanding with any broker-dealer with respect to the proposed transaction.

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.

All exhibits referenced in this Form A are itemized below:

Exhibit A	Membership Interest Purchase Agreement
Exhibit B	Organizational Chart of the Applicant Prior to the Proposed Transaction
Exhibit C	Organizational Chart of the Applicant After the Proposed Transaction
Exhibit D	NAIC Biographical Affidavits (submitted confidentially under separate cover)

<u>Exhibit E</u>	Consulting Services Agreement
<u>Exhibit F</u>	Management Services Agreement
<u>Exhibit G</u>	Beaumont Services Agreement
<u>Exhibit H</u>	Three-Year Pro Forma Financial Projections for SCM
<u>Exhibit I</u>	SCM Business and Marketing Plan
<u>Exhibit J</u>	Applicant's Audited Consolidated Financial Statements (2016-2020)

- (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.

Please see **Exhibit J**.

- (c) 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.

Not applicable.

- (d) 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.

Please see **Exhibit J**.

- (e) 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.

Not applicable.

**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.

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

ITEM 14. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, Beaumont Health has caused this application to be duly signed on behalf in the City of Southfield and State of Michigan on the 9th day of April, 2021

Attest:

Kay Suma

By: Jane E. Jordan

Jane E. Jordan

Senior Vice President and General Counsel

CERTIFICATION

9th The undersigned deposes and says that she has duly executed the attached Statement dated April 9th, 2021, for and on behalf of Beaumont Health and that she is authorized to execute and file such instrument. Deponent further says that she is familiar with such instrument and the contents thereof and that the facts therein set forth are true to the best of her knowledge, information, and belief.

Jane E. Jordan

Jane E. Jordan

Senior Vice President and General Counsel

State of Michigan)

ss

County of Oakland)

The foregoing instrument was acknowledged before me this 9th day of April, 2021.

Kay Suma

Notary public

KAY SUMA
NOTARY PUBLIC, STATE OF MI
COUNTY OF OAKLAND
MY COMMISSION EXPIRES Jun 19, 2027
ACTING IN COUNTY OF