

**BEFORE THE INSURANCE COMMISSIONER OF THE
STATE OF OKLAHOMA**

FILED

NOV 20 2013

INSURANCE COMMISSIONER
OKLAHOMA

In re: Acquisition of **AHS-Tulsa Oklahoma
Health Plan, Inc. d/b/a Lovelace Medicare
Plan**, Oklahoma domestic health maintenance
organization, by **Health Care Service Corporation
A Mutual Legal Reserve Company, d/b/a Blue
Cross and Blue Shield of Illinois, Blue Cross
and Blue Shield of Texas, Blue Cross and Blue
Shield of New Mexico, Blue Cross and Blue
Shield of Oklahoma and Blue Cross and Blue
Shield of Montana and GHS Health Maintenance
Organization, Inc. d/b/a BlueLincs HMO.**)

Case No. 13-1021-TRN

ORDER

On the 26th day of November, 2013 the above matter came for review by the Oklahoma Insurance Commissioner through his duly appointed Hearing Examiner.

The Applicant was represented by J. Angela Ables of the law firm of Kerr, Irvine, Rhodes and Ables, Oklahoma City, Oklahoma. The Oklahoma Insurance Commissioner was represented by Kelley C. Callahan, Senior Counsel. John D. Miller was appointed by the Honorable John Doak, Oklahoma Insurance Commissioner, for the purpose of acting as Hearing Officer and making all determinations pertinent to the acquisition of control of AHS-Tulsa Oklahoma Health Plan, Inc., d/b/a Lovelace Medicare Plan. John McCarter, Chief Financial Analyst, appeared and testified on behalf of the Financial Division of the Oklahoma Insurance Department. Financial Analysts Sarah Miller and Kim Lopez of the Commissioner's Financial Division also attended the Hearing representing the Financial Division. Michael Ted Haynes, President, Chairman and CEO of GHS Health Maintenance Organization, Inc. d/b/a BlueLincs HMO (hereinafter "BlueLincs"), and Maurice S. Smith, Divisional Senior Vice President of Business Development and Subsidiary Management of Health Care Service Corporation, a

Mutual Legal Reserve Company, d/b/a Blue Cross and Blue Shield of Illinois, Blue Cross and Blue Shield of Texas, Blue Cross and Blue Shield of New Mexico, Blue Cross and Blue Shield of Oklahoma and Blue Cross and Blue Shield of Montana (hereinafter "HCSC"), appeared and testified on behalf of Applicant HCSC.

The Hearing Officer, having reviewed the Form A and all documentation relating thereto, having heard oral testimony, received evidence and being fully advised in the premises, finds as follows:

JURISDICTION

1. That the Oklahoma Insurance Commissioner has jurisdiction of this matter pursuant to the provisions of the Oklahoma Insurance Code, 36 O.S. § 1651 et seq., and § 6930, the Oklahoma Administrative Code 365:40-3-11 and 365:40-3-19 and the Administrative Procedures Act, 75 O.S. Section 250 et seq.

2. That the Hearing Examiner was properly appointed pursuant to the provisions of the Administrative Procedures Act, the Oklahoma Administrative Code and the Oklahoma Insurance Code, specifically 36 O.S. 2013 §§ 313 and 319, and Article 16 A of Title 36 and Section 6930 in conformance with the applicable statutes and rules and regulations of the Oklahoma Insurance Commissioner.

FINDINGS OF FACT

1. That HCSC and BlueLines together ("Applicants") filed a Form A Acquisition Statement with the Oklahoma Insurance Commissioner on or about October 9, 2013, for the purpose of receiving approval as a "control" person of AHS-Tulsa Oklahoma Health Plan, Inc., d/b/a Lovelace Medicare Plan ("Lovelace Plan"). The acquisition of control was to be effected

pursuant to a Stock Purchase Agreement between BlueLincs and AHS Oklahoma Holdings, Inc. and AHS Oklahoma Hospitals, Inc., the corporate parents of the Lovelace Plan.

2. That the addresses of the Applicants are as follows:

HCSC
300 East Randolph Street
Chicago, Illinois 60601-5099

BlueLincs
1400 S. Boston
Tulsa, Oklahoma 74119

3. That the proposed acquisition of Lovelace, the Oklahoma domestic health maintenance organization will be effected pursuant to an acquisition of all of the outstanding stock of the Lovelace Plan owned by its two corporate parents.

4. That the terms of the Stock Purchase Agreement set forth as Exhibit "A" of the Form A detailed the purchase price of the Lovelace Plan equaled Four Million, Seven Hundred and Fifty Thousand Dollars (\$4,750,000) subject to customary adjustments to Lovelace's capital and surplus as of the closing date and an adjustment to the purchase price in the amount of Two Thousand Dollars (\$2,000.00) for every member based on Medicare Advantage membership levels as outlined in the Stock Purchase Agreement.

5. That post-acquisition, the Oklahoma domestic health maintenance organization's business will be owned and operated by BlueLincs, thereby allowing BlueLincs to own and operate a Medicare Advantage Program in the State of Oklahoma.

6. That the present home office address of the Lovelace Plan is 110 West 7th Street, Suite 2510, Tulsa, Oklahoma 74119.

7. That the Applicants herein filed sworn biographical affidavits on behalf of all Applicants board of directors and officers and had same verified by a third party verification service who reported directly to the Oklahoma Insurance Commissioner's Office its findings.

8. That testimony at the Hearing was that the consideration for the sale and acquisition of the shares in the holding company described in the Form A Statement was arrived at through arms-length negotiations with the two Sellers, owners of all of the outstanding stock in the Lovelace Plan.

9. That after the acquisition described in the Form A, the Applicants would control the domestic health maintenance organization, the Lovelace Medicare Plan, through direct ownership by BlueLines, an Oklahoma domestic health maintenance organization.

10. That BlueLines is wholly owned by HCSC, the ultimate controlling person of the corporate organization.

11. That no individual owns as much as ten percent (10%) of HCSC as it is a mutual corporation.

12. That the proposed ownership of the Lovelace Medicare Plan, post-transaction, will be wholly owned by BlueLines, which in turn, is wholly owned by HCSC, a Mutual Legal Reserve Company.

13. That testimony at the Form A Hearing and other information submitted by Applicant indicated that the officers and directors, as well as all individuals for whom biographical affidavits were filed, had never been the subject of a criminal proceeding.

14. That the financial statements of BlueLines and its ultimate controlling person, HCSC, reflected capital and surplus of the following amounts for the past five years and within ninety days current of filing the Form A:

12-31-2008	HCSC 6,104,792,522	BlueLines	20,110,272
12-31-09	HCSC 6,692,380,331	BlueLines	23,240,518
12-31-10	HCSC 7,793,536,383	BlueLines	24,893,043
12-31-11	HCSC 8,909,829,123	BlueLines	25,330,732
12-31-12	HCSC 9,553,748,416	BlueLines	25,460,153
06-30-13	HCSC 10,209,927,282	BlueLines	25,543,292

CONCLUSIONS OF LAW

1. That Applicant has complied with the provisions of the Oklahoma Insurance Holding Company Act, 36 O.S. 2013 §1651 et seq. and § 6930.

2. That the Hearing was held pursuant to the Administrative Procedures Act, 75 O.S. § 250 et seq., the Oklahoma Insurance Code, 36 O.S. § 101 et seq. and the promulgated Rules and Regulations of the Oklahoma Insurance Commissioner.

3. That the Oklahoma Insurance Commissioner has jurisdiction of this matter pursuant to 36 O.S. § 1651 et seq. and § 6930.

4. That the Applicant was given lawful Notice of Hearing on November 6, 2013, setting the date, time, place and location of the Hearing.

5. That Waivers of Notice of Hearing were filed by the Applicants herein, by the domestic Lovelace Medicare Plan and also by their sole shareholders.

6. That the Hearing was recorded electronically by members of the Oklahoma Insurance Commissioner's staff pursuant to the Administrative Procedures Act and a full stenographic record was requested by the Applicant which the Hearing Examiner designated as the official record of the Hearing.

7. That both the Insurance Commissioner's office and the Applicant attended the Hearing, made arguments, presented testimony and stated that they had nothing further to submit to the Hearing Examiner.

8. That based upon a preponderance of the evidence submitted at the Hearing, the Hearing Officer finds that no evidence was submitted that after the proposed acquisition, the Oklahoma domestic health maintenance organization, AHS-Tulsa Oklahoma Health Plan, Inc., d/b/a Lovelace Medicare Plan, Inc., would not be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed.

9. That no evidence was submitted that the transactions described in the Form A filing would substantially lessen competition or tend to create a monopoly in the State of Oklahoma.

10. That no evidence was submitted that the financial condition of the Applicants was such that it would jeopardize the interests of present or future policyholders of AHS-Tulsa Oklahoma Health Plan, Inc., d/b/a Lovelace Medicare Plan.

11. That the terms of the acquisition are fair and reasonable based upon the information contained in the Form A Statement as filed with the Insurance Commissioner and testified to at the Hearing.

12. That the future plans the Applicants intend for the Oklahoma domestic health maintenance organization appear to be fair and reasonable and in the public interest based upon the information contained in the Form A Statement as filed with the Insurance Department and as testified at the Hearing.

13. That no evidence was submitted that the competence, experience and integrity of the persons who will control the health maintenance organization post acquisition is such that the interests of the public, or future policyholders of the domestic HMO, will be affected adversely by the transactions described herein.

ORDER


THEREFORE, no criteria for disapproval specified in 36 O.S.2013 §1653(d) (1) having been found, **IT IS HEREBY ORDERED** that the Application of GHS Health Maintenance Organization, Inc., d/b/a BlueLines HMO, and its ultimate controlling person, Health Care Service Corporation, a Mutual Legal Reserve Company, d/b/a Blue Cross and Blue Shield of Illinois, Blue Cross and Blue Shield of Texas, Blue Cross and Blue Shield of New Mexico, Blue Cross and Blue Shield of Oklahoma and Blue Cross and Blue Shield of Montana, to acquire AHS-Tulsa Oklahoma Health Plan, Inc., d/b/a Lovelace Medicare Plan, is hereby **APPROVED** effective as of the date of the Hearing.

WITNESS MY HAND and official seal this 26th day of November, 2013.

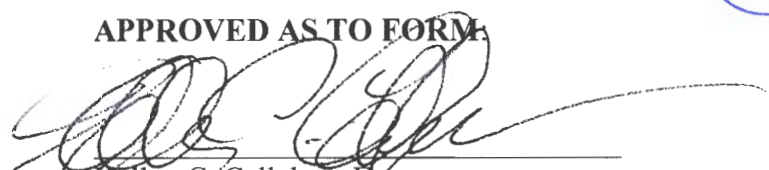


**JOHN DOAK
INSURANCE COMMISSIONER
STATE OF OKLAHOMA**

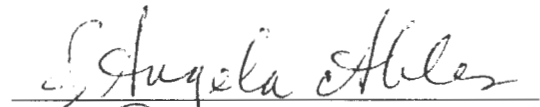
By _____


**John D. Miller, Esq.
Hearing Officer**

APPROVED AS TO FORM



Kelley C. Callahan, Esq.
Senior Attorney
Oklahoma Insurance Commissioner's Office

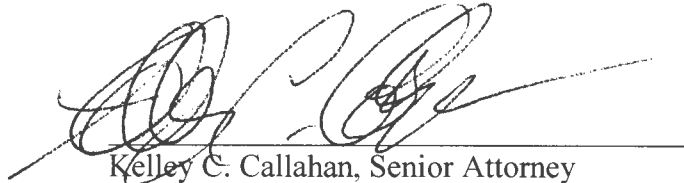


J. Angela Ables, Esq.
Kerr, Irvine, Rhodes and Ables
Attorney for Applicant

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the foregoing Order was personally delivered on the 26th day of March, 2013, postage pre-paid to the following:

J. Angela Ables
Attorney for Applicant
Kerr, Irvine, Rhodes and Ables, P.C.
201 Robert S. Kerr, Suite 600
Oklahoma City, Oklahoma 73102

A handwritten signature in black ink, appearing to read 'Kelley C. Callahan', is written over a horizontal line.

Kelley C. Callahan, Senior Attorney
Oklahoma Insurance Commissioner's Office