

ORDER NO. A14-117

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION OF) ORDER APPROVING
CONTROL OF TRIAD HEALTHCARE NEW) ACQUISITION
JERSEY IPA, INC. BY GENERAL ATLANTIC,)
LLC)

I have read the Hearing Officer's report dated 11-25, 2014 regarding the above-captioned matter and I concur with the recommendation contained therein. Accordingly, pursuant to N.J.S.A. 17:27A-2, I hereby approve the proposal of General Atlantic, LLC to acquire control of Triad Healthcare New Jersey IPA, Inc.

11-25-14

Date



Kenneth E. Kobylowski
Commissioner

jc14-07a (kam)/inoord

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION OF)
CONTROL OF TRIAD HEALTHCARE NEW) HEARING OFFICER'S
JERSEY IPA, INC. BY GENERAL ATLANTIC,) REPORT
LLC)

Procedural History

In accordance with N.J.S.A. 17:27A-2, by a filing dated November 3, 2014, General Atlantic, LLC (“GA” or “the applicant”) filed with the Department of Banking and Insurance (“the Department”) an application to acquire control (“the Form A filing”) of Triad Healthcare New Jersey IPA, Inc., (“Triad” or “the ODS”), a New Jersey-domiciled licensed organized delivery system.¹ Triad is a wholly-owned subsidiary of MedSolutions, Inc., (“MSI”) which in turn is wholly-owned by MedSolutions Holdings, Inc. (“MS Holdings”). MS Holdings is proposed to be acquired by CareCore National, LLC pursuant to a merger agreement dated September 13, 2014.

Funds affiliated with GA are the controlling shareholders of CareCore National, LLC. CareCore National, LLC wholly-owns CareCore NJ, LLC, a New Jersey-domiciled licensed ODS. The acquisition of CareCore NJ, LLC by GA was approved by the Department pursuant to Order No. A14-104, dated March 6, 2014. Triad was originally formed on July 2, 2004 and commenced business in New Jersey on October 1, 2006.

Pursuant to N.J.S.A. 17:27A-2d, a public hearing was held on the Form A filing on November 24, 2014. Pursuant to N.J.A.C. 11:1-35.6(g), the public hearing was conducted based on the documents filed. The hearing panel and Department staff determined that the documents

¹ Pursuant to N.J.S.A. 17:48H-16a, a licensed ODS organized under the laws of this State is treated as a domestic insurer for the purposes of the Insurance Holding Company Systems Act, N.J.S.A. 17:27A-1 et seq.

filed in connection with the proposed acquisition satisfied the requirements of N.J.S.A. 17:27A-2b. Public comments were allowed to be submitted through the close of business on November 24, 2014. No comments were received. No other documents were required and the record was closed on November 24, 2014.

Findings of Fact

GA was founded in 1980 as a private investment firm to invest the funds of the Atlantic Philanthropies established by Charles Feeney, a global entrepreneur. Since then, General Atlantic has added capital partners who share Mr. Feeney's philosophy of investing for the long-term to build value over time.

GA is a growth equity firm providing capital and strategic support for growth companies in a wide range of industries, including many regulated entities, and manages in excess of \$16 billion in capital, investing between \$75 million and \$400 million as a minority or majority investor in private and public companies. On average, GA invests in 10 to 12 companies per year and has portfolio companies in five continents and over 10 countries. It has a team over 75 investment professionals and operations experts providing collaborative global insight and regional expertise from GA's 11 global offices, located in Greenwich, New York, Palo Alto, Sao Paulo, Amsterdam, London, Munich, Mumbai, Beijing, Hong Kong and Singapore.

GA is currently a controlling shareholder of CareCore National, LLC, which has entered into an agreement to acquire MSI, the parent company of Triad. After the acquisition, GA will have a controlling interest in Triad by virtue of its 43 percent ownership in CareCore National Holdings, LLC (which currently indirectly controls CareCore National, LLC) and intends to continue its operations in a manner consistent with its past practices, including retaining existing management. In furtherance of this management continuation, all of the senior management of

MSI will maintain ownership in the new structure. Following the proposed acquisition subject to this Form A filing and the companion Form A filing involving acquisition of MSI by CareCore National, LLC, CareCore National Holdings, LLC will indirectly own 60 percent of Triad and retain 60 percent ownership of CareCore NJ, LLC (reduced from its current 100 percent).

The applicant stated that it has no plans to cause Triad to materially alter its current business plans. The applicant has no current plans or proposals to liquidate Triad, sell its assets or merge it with any other person or persons, or to make any other material change in its business operations or corporate structure or management. Following the closing of the acquisition, which is the subject of this filing, and the companion MSI transaction, CareCore National Holdings, LLC will own 60 percent of CareCore NJ, LLC and Triad, with 40 percent being owned by the MedSolutions Group described more fully in the Hearing Officer's Report related to that Form A filing. The applicant stated that it is a long-term investor and intends to grow the business of MedSolutions and Triad.

The acquisition of the ODS is part of a series of transactions, as described above. The amount of consideration allocable to Triad is \$3.0 million. The consideration for the acquisition of GA's 43 percent indirect share will come from units issued by and cash from the CareCore group. No debt will be incurred in paying the consideration for the acquisition.

As reported in the applicable financial statements filed by the applicant, GA manages in excess of \$16 billion in capital, investing between \$75 million, and \$400 million as a minority or majority investor in private and public companies. Based upon the filing, the applicant's ultimate owners had substantial partners' capital for the most recent three years.²

² Pursuant to N.J.A.C. 11:1-35, Appendix Exhibit A Item 12(b), financial statements for individuals shall not be public and shall not be considered a public record for purposes of the "Right-to-Know" law (now the Open Public Records Act), N.J.S.A. 47:1A-1 et seq.

Triad does solely musculoskeletal services, while CareCore NJ, LLC has no musculoskeletal lines in New Jersey.

Analysis

N.J.S.A. 17:27A-2d(1) provides that the Commissioner shall approve an acquisition of control of a domestic insurer unless he or she finds that one or more of the seven disqualifying factors set forth therein exist. The statute provides in pertinent part:

(1) The Commissioner shall approve any merger or other acquisition of control ... unless, after a public departmental hearing thereon, he [or she] finds that:

(i) After the change of control the domestic insurer ... would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;

(ii) The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this State or tend to create a monopoly therein ... [applying the competitive standard as set forth in the statute];

(iii) The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders;

(iv) The financial condition of any acquiring party is such that (a) the acquiring party has not been financially solvent on a generally accepted accounting principles basis, or if an insurer, on a statutory accounting basis, for the most recent three fiscal years immediately prior to the date of the proposed acquisition (or for the whole of such lesser period as such acquiring party and any predecessors thereof shall have been in existence); (b) the acquiring party has not generated net before-tax profits from its normal business operations for the latest two fiscal years immediately prior to the date of acquisition (or for the whole of such lesser period as such acquiring party and any predecessors thereof shall have been in existence); or (c) the acquisition debt of the acquiring party exceeds 50 percent of the purchase price of the insurer;

(v) The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are

unfair and unreasonable to policyholders of the insurer and not in the public interest;

(vi) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control; or

(vii) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

Upon a thorough review of the documents submitted into evidence, the hearing panel and Department staff have determined that none of the seven disqualifying factors set forth above should result if the proposed acquisition is effectuated. Each of these conditions is discussed below.

First, after the acquisition, the ODS will continue to meet the requirements to transact the business for which it is presently licensed pursuant to Title 17 of the New Jersey Statutes. Triad was formed on July 2, 2004 and commenced business in New Jersey on October 1, 2006. There is nothing in the record to indicate that after the proposed acquisition the ODS would not be able to continue to satisfy the requirements to transact the business for which it is presently licensed.

Second, it does not appear that the acquisition will substantially lessen competition in the New Jersey insurance market or tend to create a monopoly therein. N.J.S.A. 17:27A-2d(1)(ii) provides that in applying this competitive standard, the standard set forth in N.J.S.A. 17:27A-4.1d shall apply. The applicant currently owns CareCore NJ, LLC, a New Jersey domiciled ODS. Triad will become affiliated with CareCore NJ by virtue of the proposed transaction. Triad provides solely musculoskeletal services in New Jersey. CareCore NJ currently covers no musculoskeletal lines in New Jersey. The applicant and its subsidiaries and the seller and its affiliates thus do not compete in any lines of business in New Jersey. The statute by its terms

does not apply if as an immediate result of the acquisition there would be no increase post-acquisition in the overall market share of the involved insurers after the acquisition. Accordingly, the acquisition will not violate the competitive standard set forth in N.J.S.A. 17:27A-4.1. Thus, it does not appear that the acquisition of the ODS will substantially lessen competition in New Jersey or tend to create a monopoly therein.

Third, it does not appear that the financial condition of the applicant will jeopardize the financial condition of the ODS. As reported in the applicable financial statements filed by the applicant, GA manages in excess of \$16 billion in capital, investing between \$75 million, and \$400 million as a minority or majority investor in private and public companies.

Fourth, it appears that the financial condition of the applicant is such that it has been solvent on a generally accepted accounting principles basis for the three-year period immediately prior to the date of the proposed acquisition. Based upon the filing, the applicant's ultimate owners had substantial partners' capital for the most recent three years, indicating it has been in a sound and viable financial condition for the relevant period. Finally, no debt will be incurred by the applicant in connection with the consideration allocated to the proposed acquisition of Triad. Accordingly, the disqualifying factor that the acquisition debt may not exceed 50 percent of the purchase price is not violated by this transaction.

Fifth, the applicant does not propose to liquidate Triad or sell its assets. The applicant is a long-term investor and intends to grow the business of Triad. As set forth above, the applicant intends to retain the current management and staff, and will continue the current operations of Triad.

Sixth, there is nothing in the record from which it may be concluded that the competence, experience and integrity of the persons who will control the operations of the ODS are such that

it would not be in the interest of the consumers of Triad's services and of the public to permit the acquisition of control. The persons who will serve as officers and directors of the ODS have had substantial experience in the healthcare insurance services business.

Seventh, there is nothing in the record from which it may be concluded that the acquisition is likely to be hazardous or prejudicial to the insurance buying public for the reasons set forth above.

Recommendation

Based on the foregoing analysis, the hearing panel and Department staff recommend that the proposed acquisition be approved.

Upon a thorough review of the foregoing, I concur with the findings, analysis and recommendations of the hearing panel and Department staff. I therefore recommend that the proposed acquisition be approved.

11/25/14

Date



Jonathan Cuttler
Hearing Officer

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EXHIBITS LIST

In the Matter of the Acquisition of Control of Triad Healthcare New Jersey, IPA, Inc. by General Atlantic, LLC

Form A Hearing on the Papers November 24, 2014

The following documents were submitted into the record on behalf of General Atlantic, LLC pursuant to its application to acquire control of Triad Healthcare New Jersey, IPA, Inc.:

- DOBI 1 - Form A filing dated November 3, 2014, together with Exhibits A-D, including pre and post transaction organizational charts, NAIC biographical affidavits, Transaction and Merger Agreement dated September 13, 2014 by and among CareCore National Holdings, LLC, CareCore National Intermediate Holdings, LLC, CareCore National, LLC, Charlie Merger Sub, Inc., Medsolutions Holdings, Inc., TA Associates Management, L.P., General Atlantic (CC), LLC and General Atlantic Partners 93, L.P., and financial statements for the periods ending December 31, 2010, December 31, 2011, December 31, 2012, and December 31, 2013.
- DOBI 2 – November 12, 2014 letter from Joseph Kempf, Esq. of Epstein, Becker and Green, waiving the requirement of a 20-day notice to General Atlantic, LLC.
- DOBI 3 – November 12, 2014 letter from Cynthia Borrelli, Esq. of Bressler, Amery and Ross, P.C. waiving the requirement of a 20-day notice to Triad Healthcare New Jersey IPA, Inc.
- DOBI 4 – Affidavits of publication from the Star Ledger, Asbury Park Press and Trenton Times confirming publication at least 7 days in advance of the hearing date of the hearing that is the subject of this acquisition

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