

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

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IN THE MATTER OF THE ACQUISITION)	HEARING OFFICER'S
OF CONTROL OF INTERNATIONAL)	REPORT
HEALTHCARE SERVICES, INC. AND)	
HEALTHPLEX OF NJ, INC. BY)	
UNITEDHEALTH GROUP)	
INCORPORATED, UNITED HEALTHCARE)	
SERVICES, INC., SPECIALTY BENEFITS,)	
LLC, AND MARLIN HOLDING)	
COMPANY LLC)	

Procedural History

In accordance with N.J.S.A. 17:27A-2, by a filing dated September 8, 2020, UnitedHealth Group Incorporated (“UHG”), a Delaware corporation, United HealthCare Services, Inc. (“UHS”), a Minnesota corporation and a direct wholly-owned subsidiary of UHG, Specialty Benefits, LLC (“Specialty Benefits”), a Delaware limited liability company and a direct wholly-owned subsidiary of UHS, and Marlin Holding Company LLC (“Marlin Holding”), a Delaware limited liability company and a direct wholly-owned subsidiary of Specialty Benefits (collectively, the “applicants”), filed with the Department of Banking and Insurance (“the Department”) an application to acquire control (“the Form A filing”) of International Healthcare Services, Inc. (“IHS”), a New Jersey Dental Plan Organization (“DPO”) and Healthplex of NJ, Inc. (“Healthplex NJ”), a New Jersey Licensed Organized Delivery System (“ODS”)¹, each of which is an indirect

¹ Pursuant to N.J.S.A. 17:48H-16(a) and N.J.A.C. 11:22-4.10, a licensed ODS organized under the laws of the State of New Jersey is treated as a domestic insurer for purposes of the Insurance Holding Company Systems Act, N.J.S.A. 17:27A-1 to -14.

wholly-owned subsidiary of Healthplex America, LLC (“Healthplex America”), a Florida limited liability company (together referred to as “the Companies”)².

Pursuant to an Equity Interest Purchase Agreement dated as of September 4, 2020 (the “Agreement”), more particularly described below, Marlin Holding has agreed to acquire Healthplex America (“the “Acquisition”)³. As a result of the Acquisition, the applicants would indirectly acquire all the issued and outstanding shares of capital stock of the Companies as described in detail below.

Pursuant to N.J.S.A. 17:27A-2(d) and after notice was provided in papers of general circulation and on the Department’s website, a public hearing was held on the Form A filing on December 15, 2020. 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 filed in connection with the proposed acquisition satisfied the requirements of N.J.S.A. 17:27A-2(b). Public comments were allowed to be submitted to the Department through the close of business on December 15, 2020 and no comments were received. The record was closed on December 15, 2020.

Findings of Fact

UHG is a diversified health care company dedicated to helping people live healthier lives and helping make the health system work better for everyone. Through its diversified family of businesses, UHG leverages core competencies in data and health information, advanced

² The applicants also entered into a separate equity interest purchase agreement to acquire MCNA Health Care Holdings, LLC, a Florida limited liability company (such acquisition, the “MCNA Acquisition”), which has certain owners in common with Healthplex America.

³ In connection with the Acquisition, the applicants are filing Form A statements in Florida, New Jersey and New York.

technology, and clinical expertise, focused on improving health outcomes, lowering health care costs and creating a better experience for patients, their caregivers and physicians. These core competencies are deployed within UHG's two distinct, but strategically aligned, business platforms: health benefits operating under UnitedHealthcare and health services operating under Optum.

UHS was incorporated in 1974, is based in Minnetonka, Minnesota, and is a direct wholly-owned subsidiary of UHG. UHS provides management services to health care companies and is widely licensed as a third-party administrator and a utilization review agent.

Specialty Benefits was incorporated in 1998, is based in Minnetonka, Minnesota, and is a direct wholly-owned subsidiary of UHS. Specialty Benefits is the parent company of several legal entities through which UHG offers or manages some of its dental, vision, hearing, and financial protection (life, disability, critical illness, accident, and hospital indemnity insurance) products.

Marlin Holding is a newly established limited liability company organized under the laws of Delaware for the purpose of consummating the transactions contemplated by the Agreement. Specialty Benefits owns all the voting membership interests of Marlin Holding. Because Marlin Holding is a newly established entity, it has conducted no operations (other than in connection with the Agreement).

Pursuant to the Agreement dated September 4, 2020, included as part of the Form A Filing, the Companies will be acquired by applicants with the total consideration to be paid by the applicants to acquire 100% of the issued and outstanding equity interests of Healthplex America and therefore, indirectly, 100% of the issued and outstanding shares of capital stock of the Companies, will be \$312,000,000 subject to certain adjustments as set forth in the Agreement. The consideration will be financed with cash on hand.

IHS has 2,500 shares of common stock issued and outstanding, all of which are beneficially held by Healthplex America (the “IHS NJ Shares”). Healthplex NJ has 100 shares of common stock issued and outstanding, all of which are beneficially held by Healthplex America (the “Healthplex NJ Shares”). Pursuant to the Agreement, the applicants propose to acquire 100% of the issued and outstanding equity interests of Healthplex America, and thereby, indirectly, 100% of the IHS Shares and Healthplex NJ Shares.

As a result of the proposed transaction, the Companies will become indirect wholly-owned subsidiaries of Marlin Holding, Specialty Benefits, UHS, and UHG.

The applicants currently do not have, nor do they currently contemplate, any plans or proposals to liquidate the Companies, sell any of the Companies’ assets, merge or consolidate the Companies with any person or persons, cause the Companies to declare a dividend or any other distribution, or make any other material change in the Companies’ business operations or corporate structure or management. Following consummation of the Acquisition, the applicants intend to closely evaluate the operations, business, and staffing of the Companies and their affiliates to determine how best to optimize the value of the business platform.

The applicants have provided three-year financial projections for each Company, as well as a list of the persons who will serve as the Companies’ directors and executive officers. The applicants may enter into employment agreements with certain key employees of the Companies or their affiliates, and such agreements would be effective as of the closing of the Acquisition. Following the closing of the Acquisition, the applicants intend to cause each of the Companies to enter into (i) a tax sharing agreement with UHG; and (ii) a management services agreement with UHS, which would replace any existing arrangements between the Companies and their affiliates.

The applicants will provide notice to the Department under N.J.S.A. 17:27A-4 with respect to such agreements, as required.

As noted above, the applicants expect to pay the purchase price with available cash on hand and neither the applicants nor any of their subsidiaries will issue any new debt in connection with the payment of the purchase price.

Based on the consolidated financial statements filed by the applicant, UHG had shareholders' equity of approximately \$60.43 billion in 2019; \$54.31 billion in 2018; and \$49.83 billion in 2017. In addition, UHG had net-before tax income in the prior three years of approximately \$13.8 billion in 2019, \$11.9 billion in 2018, and \$10.5 billion in 2017.

Analysis

N.J.S.A. 17:27A-2(d)(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% 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 Company will continue to meet the requirements to transact the business for which they are presently licensed pursuant to Title 17 of the New Jersey Statutes.

There is nothing in the record to indicate that after the proposed transaction the Companies or the applicants would not be able to continue to satisfy the requirements to transact the business for which they are presently licensed.

Second, it does not appear that the proposed transaction will substantially lessen competition in the New Jersey insurance market or tend to create a monopoly therein. N.J.S.A. 17:27A-2(d)(1)(ii) provides that in applying this competitive standard, the standard set forth in N.J.S.A. 17:27A-4.1(d) shall apply. That statute utilizes a complex formula based on the market shares of the insurers involved in the transaction. The statute by its terms does not apply if, as an immediate result of the acquisition, there would be no increase in the overall market share of the involved insurers after the acquisition. See N.J.S.A. 17:27A-4.1(b)(2)(d). Here, the applicants and their subsidiaries and the Companies and their affiliates have no ownership interest in any other domestic insurer. Thus, there would be no increase post-acquisition in the market share of the insurers in the New Jersey insurance market. Accordingly, the proposed transaction will not violate the competitive standard set forth in N.J.S.A. 17:27A-4.1 because it does not substantially lessen competition in New Jersey or tend to create a monopoly therein.

Third, it does not appear that the financial condition of the applicants will jeopardize the financial condition of the Companies. As reported in the applicable financial statements filed by the applicants, UHG had shareholders' equity of approximately \$60.43 billion in 2019; \$54.31 billion in 2018; and \$49.83 billion in 2017.

Fourth, it appears that the financial condition of the applicants is such that they have been solvent on a basis of generally accepted accounting principles for the three-year period immediately prior to the date of the proposed acquisition. In addition, UHG had net-before tax income in the prior three years of approximately \$13.8 billion in 2019, \$11.9 billion in 2018, and

\$10.5 billion in 2017. Lastly, no debt is being used to finance the transaction on behalf of the applicants. Accordingly, the requirement that the acquisition debt may not exceed 50 percent of the purchase price is satisfied.

Fifth, the applicants do not propose to liquidate the Companies or sell their assets. As set forth above, the applicants do not intend to change the business operations, corporate structure, management, or general plan of operations other than may arise in the ordinary course of business.

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 Companies are such that it would not be in the best interest of the policyholders and of the public to permit the acquisition of control. Following the transaction, the applicants intend to maintain the Companies' business operations, corporate structure, and management, while closely evaluating the operations, business, and staffing of the Companies and their affiliates to determine how best to optimize the value of the business platform.

Seventh, there is nothing in the record from which it may be concluded that the proposed transaction 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 transaction 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 transaction be approved.

12/22/2020
Date

s/Lynn Certo
Lynn Certo
Hearing Officer

LC Healthplex by UnitedHealth Officer Report/Orders

Exhibits List

IN THE MATTER OF THE ACQUISITION OF CONTROL OF INTERNATIONAL
HEALTHCARE SERVICES, INC. and HEALTHPLEX OF NJ, INC. by UNITEDHEALTH
GROUP, INC., UNITED HEALTHCARE SERVICES, INC., SPECIALTY BENEFITS, LLC,
AND MARLIN HOLDING COMPANY, LLC.

Exhibit 1 – Form A application dated September 18, 2020

Exhibit 2 – Response to request for information dated December 3, 2020

Exhibit 3 – Waiver of 20–day notice of hearing submitted by Scott Kosnoff, Esq., for the Applicant

Exhibit 4 – Waiver of 20–day notice of hearing submitted by Christopher Martin Schmidt, President/CEO of Healthplex of NJ.

Exhibit 5 – Affidavit of Publication of Notice of Hearing in The Record, reflecting publication on December 8, 2020

Exhibit 6 – Affidavit of Publication of Notice of Hearing in Courier Post, reflecting publication on December 8, 2020

Exhibit 7 – Affidavit of Publication of Notice of Hearing in Star Ledger, reflecting publication on December 8, 2020