

**STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
INSURANCE DIVISION**

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF OREGON

In the Matter of the Proposed Merger of PacificSource Community Health Plans into Springfield Health Plans, Inc. and the Proposed Merger of Springfield Health Plans, Inc. into PacificSource PCHP	) ) ) )	Order of Exemption  Case No. INS 14-12-002
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INTRODUCTION

By letter dated August 27, 2014, PacificSource Community Health Plans, Inc. (“PCHP”) filed a request for exemption from the provisions of Oregon Revised Statutes (“ORS”) 732.521(1) pursuant to ORS 732.521(2) regarding the proposed merger of PCHP into the newly formed affiliate, PacificSource PCHP (“PPCHP”). By letter dated December 22, 2014, PCHP filed an amended request for exemption from the provisions of ORS 732.521(1) pursuant to ORS 732.521(2) regarding the proposed merger of PCHP into the newly formed affiliate Springfield Health Plans, Inc. (“SHP”) (“First Merger”) and the subsequent merger of SHP into PPCHP (“Second Merger”).

PCHP is an Oregon domiciled for-profit stock insurance company, authorized under ORS chapter 731 as an Oregon domestic health insurer since June 23, 2006. PCHP operates only in the states of Oregon and Idaho. PCHP is also authorized to transact business in Washington and Montana. PCHP is the sole member of two direct, non insurer subsidiaries, and owns 100% of the issued and outstanding shares of PacificSource Community Solutions, Inc. (“PCS”) and Clear Choice Properties, LLC (“CCP”).

PPCHP is an Oregon domiciled not-for-profit public benefit corporation created under the provisions of ORS Chapter 65 and authorized under ORS Chapter 750 as a health care service contractor to facilitate the proposed transaction. PPCHP received its certificate of authority as a health care service contractor under the provisions of ORS Chapter 750 on December 12, 2014. PPCHP received its certificate of authority to transact insurance from the

Idaho Department of Insurance on December 30, 2014. PPCHP is the direct parent of SHP.

SHP is a newly formed Oregon domiciled for-profit corporation created under the provisions of ORS Chapter 60 and authorized under ORS Chapter 750 as a health care service contractor to facilitate the proposed transaction. SHP received its certificate of authority as a health care service contractor under the provisions of ORS 750 on December 30, 2014. SHP is currently a subsidiary of PPCHP.

PacificSource Health Plans (“PHP”) is an Oregon domiciled not-for-profit public benefit corporation that is authorized under ORS chapter 750 as a health care service contractor. PacificSource is the direct parent of PHP. PacificSource Health Plans is the sole member of PPCHP and currently owns 100% of the issued and outstanding shares of PCHP.

PacificSource (“Parent”) is an Oregon not-for-profit corporation and is the ultimate controlling entity of the PacificSource group of companies, including: PCHP, PPCHP, SHP, and PHP.

#### FACTS PROVIDED

Immediately prior to the proposed merger of PCHP into SHP, all shares of PCHP shall be transferred to SHP. As a result, SHP will become the direct parent of PCHP. PCHP will then be merged with and into SHP (First Merger), PCHP will cease to exist and SHP shall be the surviving entity under the provisions of ORS 732.521(3), ORS 60.481 and ORS 60.491. The First Merger will be effective on the later of December 31, 2014, or the date that all regulatory approvals are received. All PCHP rights, privileges, immunities, powers and franchises, shall be assumed by SHP as a result of the merger. SHP will succeed to all the properties and assets of PCHP and to all policyholder obligations, debts, causes of action and other interests due or belonging to PCHP. SHP will be subject to, and responsible for, all the debts, liabilities and duties of PCHP as provided by applicable state law. The officers and directors will change as a result of the merger. The officers and directors of SHP are comprised of only two of the existing officers and directors of PCHP.

Immediately following the First Merger, SHP will be merged with and into PPCHP (Second Merger), SHP will cease to exist and PPCHP shall be the surviving entity under the

provisions of ORS 65.484. The Second Merger will be effective on the later of December 31, 2014, or the date that all regulatory approvals are received. The separate corporate existence of PPCHP, with all its rights, privileges, immunities, powers and franchises, shall continue unaffected by the merger. PPCHP will succeed to all the properties and assets of SHP and to all policyholder obligations, debts, causes of action and other interests due or belonging to SHP. PPCHP will be subject to, and responsible for, all the debts, liabilities and duties of SHP as provided by applicable state law. Upon consummation of the merger, PPCHP will change its name to "PacificSource Community Health Plans." The officers and directors of SHP will change as a result of this merger. The ultimate result of the two mergers is that the officers and directors of PCHP will be the officers and directors of PPCHP.

PCHP, SHP and PPCHP acknowledge that the purpose of these mergers is to change the existing entity, PCHP, from a for-profit insurance corporation to a not-for-profit public benefit corporation.

The boards of directors of PCHP, SHP and PPCHP have represented that the proposed merger is in the best interest of each corporation and have approved the merger.

PHP will remain the immediate parent for PCHP. Additionally, Parent remains the ultimate controlling entity within the holding company and the proposed mergers do not effect a change of control within the insurance holding company system under the provisions of ORS 732.548.

There will be no changes to the claims process for the providers or members. Based on communication provided by the Center of Medicare and Medicaid Services ("CMS"), PCHP will not be required to notify its members of the proposed mergers. The Division has determined that no such communication is necessary because these mergers will have no detrimental impact to the members.

CONCLUSION OF LAW

The proposed merger will not have the effect of changing or influencing the control or ownership of an Oregon domestic insurer. Therefore, the proposed mergers meet the requirements for exemption from the provisions of ORS 732.521(1), pursuant to ORS 732.521(2).

ORDER

Based upon the foregoing facts provided and conclusion of law, it is hereby ordered that the proposal submitted by PCHP to merge PCHP into SHP and subsequently merge SHP into PPCHP is exempt from the provisions of ORS 732.521(1).

Issued this 30 day of December 2014.



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Laura N. Cali  
Oregon Insurance Commissioner