

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

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of the Proposed Combination of)	
St. Joseph's Health System and Providence)	Order of Exemption and Non-Affiliation
Health and Services, and subsidiaries Providence)	
Health Plan and Providence Health Assurance)	Case No. INS 15-12-004

INTRODUCTION

Providence Health Plan ("PHP") and Providence Health Assurance ("PHA") are domestic non-profit public benefit corporations with members, licensed under ORS chapter 750 to transact business in Oregon as health care service contractors. By letter dated December 14, 2015:

- (a) Providence Health & Services ("PHS") and St. Joseph's Health System ("SJHS") filed a request for exemption from the provisions of Oregon Revised Statutes (ORS) 732.521(1) pursuant to ORS 732.521(2) with regard to a proposed combination of PHS and SJHS under a new parent that will eventually be the new holding company for PHP and PHA; and
- (b) SJHS filed a disclaimer of affiliation with PHP and PHA, under the provisions of ORS 732.568.

PHS is a Washington non-profit corporation formed on March 19, 1992. Providence Health & Service – Oregon ("PHS-OR") is an Oregon non-profit religious corporation formed on February 20, 1934. Providence Plan Partners ("PPP") is a Washington non-profit corporation formed on June 12, 1997. PHS is the sole member of PHS-OR. PHS-OR is the sole member of PPP. PPP is the sole member of PHP. PHP is the sole member of PHA. Thus, PHS is the ultimate controlling party of PHP and PHA and of their insurance holding company system.

SJHS is a California non-profit public benefit corporation formed on February 19, 1981. Providence St. Joseph Health ("NewCo") is a Washington non-profit corporation, formed on December 2, 2015. On November 23, 2015, PH&S and SJHS entered into a Health System Combination Agreement

(the "Combination Agreement"), which provides that NewCo will become the parent company for PHS and SJHS upon closing. On December 11, 2015, PHS, SJHS, and St. Joseph Health Ministry, a California nonprofit public benefit corporation ("Ministry," the sponsor of SJHS) entered into a binding letter agreement, Re: Health System Combination – Retained Governance and Control of the Oregon Insurance Subsidiaries (the "Binding Letter"). The transactions contemplated by the Combination Agreement and the Binding Letter (together, the "Combination") will close at the same time.

SUMMARY OF FACTS

Under the proposed Combination, NewCo will become the ultimate parent corporation of PHS and SJHS, and their subsidiaries. PHS and SJHS will appoint an equal number of board members to NewCo. The NewCo CEO will also be a member of the NewCo Board.

The Binding Letter provides that neither the board members of SJHS nor the NewCo board members appointed by SJHS will have any ability to appoint board members or exert control over PHP and PHA. The Binding Letter specifically conditions any such change in the future on the filing of a NAIC Form A (or application for exemption therefrom), approved by the Oregon Insurance Division.

PHS and SJHS have represented that the purpose of the Combination is to consolidate the hospital systems under one holding company, which include PHP's insurance business. PHS and SJHS have represented that the Combination is not for the purpose of, and will not have the effect of, changing or influencing control of PHP and PHA. As a result of the Combination, management and board oversight of PHP and PHA will remain the same as it is under PHS, subject to the terms and conditions of the Binding Letter. NewCo and SJHS will have no authority to appoint or direct the board members of PHP or PHA, and there are no plans to change the current business or operations of PHP and PHA.

PHS and SJHS do contemplate a future change that would be for the purpose of changing control of PHP and PHA. The parties acknowledge at that future time, a NAIC Form A filing and request for Insurance Division approval for control of PHP and PHA by NewCo will be filed, as required by ORS 732.521. Upon approval of the Form A (or application for exemption therefrom), the Binding Letter will terminate.

On the basis of the request and in specific reliance on the representations made to the Director by

PHS and SJHS, the Director makes the following:

CONCLUSIONS OF LAW

Subject to the Binding Letter remaining in effect, the proposed Combination:

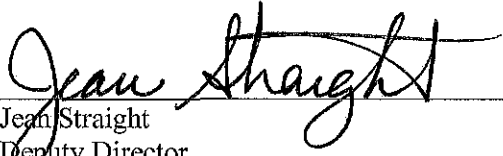
- (a) Does not constitute a change of control and is not a transaction contemplated within the purpose of ORS 732.521(1). The proposed Combination thereby meets the requirements for exemption from the provisions of ORS 732.521(1) pursuant to ORS 732.521(2)(b).
- (b) Does not result in the control of PHP or PHA by SJHS. The proposed Combination thereby meets the requirements for disclaimer of affiliation under ORS 732.568.

ORDER

Based on the foregoing findings of fact and conclusions of law, and for good cause appearing, it is hereby ordered that, subject to the Binding Letter remaining in effect:

- (a) An exemption from the provisions of ORS 732.521(1), pursuant to ORS 732.521(2)(b), be granted regarding the proposed Combination; and
- (b) Pursuant to ORS 732.568(3), the Disclaimer of Affiliation by SJHS with PHP and PHA be allowed.

Issued this 06 day of January 2016.



Jean Straight
Deputy Director
Department of Consumer and Business Services