

AUG 08 2019

BEFORE THE DEPARTMENT OF INSURANCE  
STATE OF NEBRASKA

FILED

IN THE MATTER OF THE APPLICATION OF )  
THE PROPOSED ACQUISITION OF )  
WELLCARE OF NEBRASKA, INC. )

ORDER

CAUSE NO. C-2520

On April 19, 2019, Centene Corporation (“Applicant”) filed an application (“Form A”) seeking approval to acquire control of WellCare of Nebraska, Inc. (“WellCare NE”), a Nebraska domestic health maintenance organization. The application was filed, and supplemented, pursuant to the Nebraska Insurance Holding Company System Act, Neb. Rev. Stat. §§ 44-2120 through 44-2153 (“Act”), with the final supplement being received May 30, 2019. Notice of the public hearing was issued on July 15, 2019.

On August 8, 2019, a public hearing was held at the Nebraska Department of Insurance (“Department”). Director of the Department, Bruce R. Ramage presided over the hearing. Jane Malone, a registered professional reporter, was present and recorded the hearing. Matt Holman, General Counsel, and Lindsay Crawford, Deputy Chief Financial Examiner, represented the Department.

Applicant was present and represented by Todd Freed, Skadden, Arps, Slate, Meagher & Flom, LLP. Applicant presented testimony in favor of the acquisition through Christopher Koster, Senior Vice President, Corporate Services at Centene Corporation. WellCare Health Plans, Inc. and WellCare NE were present and represented by Ashlee Knuckey, Locke Lord, LLP. WellCare NE presented testimony in favor of the acquisition through Beau Garverick, Senior Vice President of Corporate Development, Investor Relations and Strategy at WellCare Health Plans, Inc. Exhibits were offered by Applicant, and by the Department, and received into the record. Applicant provided WellCare NE with notice of the hearing on July 31, 2019, in accordance with Neb. Rev. Stat. § 44-2127(2). No other interested parties offered testimony or evidence for the record.

On the basis of the filings, correspondence and information provided to the Department, the Director conditionally approves the application and finds, concludes, and recommends as follows:

## FINDINGS OF FACT

1. On April 19, 2019, the Department received a verified Form A from Applicant for approval to acquire control of WellCare NE through an agreement and plan of merger (“Merger Agreement”). The application and subsequent amendments were filed pursuant to the Act, specifically Neb. Rev. Stat. § 44-2126. The Merger Agreement would result in Applicant gaining control of WellCare NE as control is defined in the Act.

2. WellCare NE is a domestic health maintenance organization organized under and governed by the laws of the State of Nebraska. WellCare NE obtained its Certificate of Authority to operate as a health maintenance organization in this state on May 2, 2016. WellCare NE is a direct, wholly-owned subsidiary of The WellCare Management Group, Inc., a New York Corporation, which is, in turn, a direct wholly-owned subsidiary of WellCare Health Plans, Inc., a publicly traded Delaware corporation. WellCare Management Group, Inc. is a managed care company, headquartered in Tampa, Florida, focused primarily on providing government-sponsored managed care services to families, children, seniors and individuals with complex medical needs primarily through Medicaid, Medicare Advantage, and Medicare Prescription Drug Plans, as well as individuals in the Health Insurance Marketplace. WellCare NE is one of three entities currently contracted with the Nebraska Department of Health and Human Services to operate as a managed care organization providing Medicaid services in Nebraska.

3. Applicant is a diversified, multi-national healthcare enterprise that provides a portfolio of services to government-sponsored and commercial healthcare programs. Applicant is a publicly traded Delaware holding company. No person has been identified as holding more than ten percent ownership of Applicant except for the Vanguard Group, which has previously filed a disclaimer of control with respect to WellCare NE. Applicant is the direct parent and sole owner of Nebraska Total Care, Inc. (“NTC”), a Nebraska domiciled health maintenance organization. NTC is one of three entities currently contracted with the Nebraska Department of Health and Human Services to operate as a managed care organization providing Medicaid services in Nebraska.

4. The proposed acquisition of WellCare NE is part of a broader merger transaction governed by the terms and conditions of the Merger Agreement, dated as of March 26, 2019, by and among the Applicant, WellCare Health Plans, Inc., Wellington Merger Sub I, Inc., a Delaware corporation and a wholly owned subsidiary of Applicant ("Merger Sub I"), and Wellington Merger Sub II, Inc., a Delaware corporation and wholly owned subsidiary of Applicant ("Merger Sub II" and, together with Merger Sub I, the "Merger Subs"). Following the transaction, WellCare NE would be an indirect wholly-owned subsidiary of Applicant.

5. The Merger Subs were formed as acquisition vehicles for the purpose of effecting the transaction. Neither of the Mergers Subs have conducted any activities other than those incidental to its formation and the matters contemplated by the Merger Agreement.

6. Applicant proposes to acquire control of the WellCare NE pursuant to the terms and conditions of the Merger Agreement. The transaction will be accomplished by a two-step process. First, Merger Sub I will be merged with and into WellCare Health Plans, Inc., with WellCare Health Plans, Inc. surviving the merger as a wholly owned subsidiary of Applicant (the "Surviving Corporation").

7. Immediately after the first merger, the Surviving Corporation will be merged with and into Merger Sub II, with Merger Sub II surviving as a wholly owned subsidiary of Applicant (the "Final Surviving Corporation").

8. Effective upon the consummation of the transaction, the name of the Final Surviving Corporation will be "WellCare Health Plans, Inc."

9. Following the consummation of the transaction, Applicant will directly own 100% of the issued and outstanding shares of capital stock of WellCare Health Plans, Inc., and will thereby indirectly own 100% of the issued and outstanding shares of capital stock of WellCare NE.

10. If the Merger Transaction is completed, each outstanding share of WellCare Health Plans, Inc.'s common stock will (subject to certain restrictions) be converted into the right to receive 3.38 shares of Applicant's common stock and \$120 in cash, without interest. The transaction is valued at approximately \$17.3 billion, based on the closing stock prices as of March 26, 2019. The cash

component of the transaction is equal to approximately \$6.06 billion and will be funded through cash on hand and the issuance of unsecured senior notes in a public offering or private placement. Following the consummation of the transaction, existing stockholders of Applicant will own approximately 71% of the combined company and existing stockholders of WellCare Health Plans, Inc. will own approximately 29% of the combined company based on stock prices as of March 26, 2019. The stock and assets of WellCare NE will not be pledged or hypothecated as part of the funding of the proposed transaction.

11. The proposed transaction is subject to separate independent state and federal regulatory approvals as identified in the Merger Agreement.

12. The respective boards of directors of each of Applicant and WellCare Health Plans, Inc. have unanimously approved the Merger Agreement. On June 24, 2019, the Merger Agreement was approved by the stockholders of both Applicant and WellCare Health Plans, Inc.

13. Pursuant to Amendment No. 1 to the Form A, received May 30, 2019, as well as testimony at the public hearing, Applicant has indicated that it does not intend to own and operate the Medicaid business conducted by WellCare NE following the closing. Applicant has proposed to divest of WellCare NE's Medicaid business through a sale to a third party on or before the effective date of the merger transaction.

14. Applicant has filed all the documents and information required by law and requested by the Department.

#### CONCLUSIONS OF LAW

1. The Department and Director have jurisdiction over the subject matter of this proceeding.
2. On the basis of the materials filed, correspondence received, evidence presented at the hearing, and subject to the following identified conditions, the Director concludes, solely for the purposes of the Nebraska Insurance Holding Company System Act as follows:
  - a. After the acquisition, WellCare NE will satisfy the requirements for a Certificate of Authority to conduct the business of insurance in the State of Nebraska and write the lines of insurance for which it is presently licensed.

- b. The effect of the acquisition will not substantially lessen the competition in insurance in the State of Nebraska nor tend to create a monopoly therein nor violate the laws of the State of Nebraska.
- c. The financial condition of Applicant is such that it would not jeopardize the financial stability of WellCare NE or prejudice the interest of the policyholders of WellCare NE.
- d. Other than as discussed in this Order and to the Form A, Applicant has no plans or proposals to liquidate WellCare NE, to sell the assets of WellCare NE without the approval of the Department, to consolidate or merge WellCare NE with any person or persons without approval of the Department, or to make any other material change in the business operations or corporate structures or management which would be unfair and unreasonable to policyholders of WellCare NE and not in the public interest.
- e. The competence, experience and integrity of those persons who would control the operation of WellCare NE are such that it would be in the interest of the policyholders of WellCare NE and the public to allow the acquisition.
- f. Applicants are not subject to the provisions of Neb. Rev. Stat. § 44-6115 under the Demutualization Act; and
- g. The acquisition of control is not likely to be hazardous or prejudicial to the public.

#### ORDER

IT IS THEREFORE ORDERED that the Form A Application be approved subject to the following conditions:

1. Applicant shall sell WellCare NE, or all of WellCare NE's Medicaid business, to a third party on or prior to the effective date of the proposed transaction. Such sale, whether or not a change in control, shall be subject to the requirements of the Nebraska Insurance Holding Company System Act and, therefore, shall require approval by the Nebraska Director of Insurance. If the sale is not a stock sale of WellCare NE, WellCare NE's certificate of authority to operate as a Nebraska health maintenance organization must be surrendered on or prior to the effective date of the proposed transaction.

2. In addition to the other requirements set forth in Neb. Rev. Stat. § 44-2127, the Director of Insurance shall retain the right to disapprove the sale of WellCare NE, or all of WellCare NE's Medicaid business, to a third party and cause the Applicant to seek a different purchaser in the event the

Director of Insurance finds the proposed purchaser is not a reputable and experienced provider of managed care services suitable for inclusion in the Nebraska managed care program or if such purchaser would otherwise be unable to suitably replace WellCare NE in the managed care program. The Director of Insurance shall consult with the Director of the Division of Medicaid and Long-Term Care at the Nebraska Department of Health and Human Services in making this determination.

3. Within fifteen (15) days after the end of the month in which the transaction closes, Applicant shall cause to be filed with the Department an Insurance Holding Company System Registration Statement, and any other filings required, in accordance with Neb. Rev. Stat. § 44-2132, et seq.

Dated this 8 day of August, 2019.

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE

  
Bruce R. Ramge  
Director of Insurance

#### CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Order was sent to Lawrence F. Harr, Esq., Lamson Dugan & Murray LLP, 10306 Regency Parkway Dr., Omaha, NE 68114; Todd E. Freed, Esq., Skadden, Arps, Slate, Meagher & Flom, LLP, Four Times Square, New York, NY 10036; and to Keith H. Williamson, Esq., Centene Corporation, 7700 Forsyth Blvd., St. Louis, MO 63105, by U.S. Mail, postage prepaid, on this 8 day of August, 2019.

