



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

June 6, 2019

**Via email (eretersdorf@daypitney.com)**

Elizabeth P. Retersdorf, Esq.  
Day Pitney, LLP  
242 Trumbull Street  
Hartford, CT 06103

**Re: Proposed Acquisition of Control of WellCare Health Insurance of Connecticut, Inc. and WellCare of Connecticut, Inc. by Centene Corporation  
Docket # EX 19-48**

Dear Attorney Retersdorf:

The Connecticut Insurance Department ("Department") has completed a preliminary review of the Form A Statement regarding the proposed acquisition of control ("Proposed Acquisition") of WellCare Health Insurance of Connecticut, Inc. and WellCare of Connecticut, Inc. ("Companies", "Domestic Insurers" or "WellCare"), each an indirect subsidiary of WellCare Health Plans, Inc., by Centene Corporation ("Centene"), received May 7, 2019 (the "Application"). As a result of the review, it was determined that the information requested below is necessary to complete the filing. Please provide in hard copy and on a thumb drive amended and restated clean and black lined versions of the Form A rather than standalone amendments. This should include any new exhibits resulting from the amendments and restatements. You should also reflect any amendments to the Application resulting from any discussions with the Department which you may have subsequent to this letter being issued.

**ITEM 1. INSURER AND METHOD OF ACQUISITION**

1. Please provide all Disclosure Schedules, Exhibits and Annexes to Exhibit A, Agreement and Plan of Merger dated as of March 26, 2019.

**ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT**

1. All acquiring parties listed on the Merger Agreement must be included as named applicants. Please include Merger Sub I and Merger Sub II as named applicants on the Form A filing, including all required filings of an applicant (i.e., financial statements, biographical affidavits, background information, etc.).

2. Please provide more detail regarding Centene's Specialty Services noted on page 6 of the Application.

3. As a reminder, the Department anticipates receiving a request for a disclaimer of

affiliation from Vanguard soon after closing if the transaction is approved along with an affiliated Tax Sharing Agreement soon after closing.

**ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

1. Please provide charts in the following format for officers and directors for each of the Domestic Insurers on a post-acquisition basis. In addition, please verify if there are any changes being contemplated in "key person" roles post-acquisition in each of the Domestic Insurers.

Directors

Name	Title

Officers

Name	Title

2. In addition to the above charts, please provide biographical affidavits for the officers and directors for each of the Domestic Insurers on a post-acquisition basis.

3. As set forth on page 7 of the Application, when identified, please provide biographical affidavits of the two individuals currently serving on the WellCare board of directors who will be appointed to the Centene board of directors.

4. On page 7 of the Application, it states that new positions will be created for both Kenneth A. Burdick and Drew Asher as a result of the Merger Transaction. Please provide the position titles when finalized along with biographical information if appropriate.

5. The biographical affidavits of Jesse N. Hunter, Christopher R. Isaak, Jeffrey A. Schwaneke and Keith H. Williamson include positions held with subsidiaries of Centene Corporation. Do other directors and executive officers hold similar positions? If so, please provide similar attached lists. In addition, please do the same for any additional biographical affidavits to be submitted.

6. While we have not requested them, the Department reserves the right to receive credit histories for all individuals associated with the Applicants.

**ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

1. On page 9 of the Application, it states that the Merger Transaction value is approximately \$17.3B. Please provide a calculation of The Merger Consideration to include each component (i.e., cash, debt, adjustments). In addition, please provide the opinion received by Centene's Board from Allen & Company, LLC referenced on page 53 of Exhibit A.
2. What is Centene's current debt-to-capital ratio?
3. On page 9 of the Application, it states the debt-to-capital ratio is expected to be approximately 40% at Closing, declining to a targeted debt-to-capital ratio in the mid-to-upper 30% range within 12 to 18 months following the Closing. How does Centene plan to reach this target range? Will dividends from the Domestic Insurers be used in any way to fund the debt?
4. Please provide a copy of the most current bridge loan Commitment Letter referenced on page 10 of the Application.
5. Please provide all applicable loan documents, in addition to appropriate Form A amendments, if permanent financing arrangements are achieved.

**ITEM 5. FUTURE PLANS OF INSURER**

1. What are the Centene's plans with respect to Corporate Governance and Enterprise Risk Management ("ERM") as they relate to the Domestic Insurers? Are material cultural changes anticipated? If so, please describe.
2. Provide high level information regarding Centene's ERM Framework. Specifically, (either through narrative or flow charts) the ERM structure including reporting responsibilities.
3. Provide all other proposed integration plans including, but not limited to, IT, financial and operating systems and set forth the anticipated cost reduction across markets and products as noted on page 5 of the Application.
4. What previous integrations has Centene overseen? Have they been successful? Were all anticipated cost savings achieved? If not, why not?

5. Please provide an example of a recent acquisition performed by Centene along with successful integration details. In addition, as to this Proposed Acquisition, do you foresee any obstacles or impediments to a successful integration? If so, please describe.

6. Please describe how Centene plans to achieve annual net cost synergies of approximately \$500M, as stated on page 5 of the Application.

7. As noted in Item 1 of the Application, Centene expects to generate approximately \$500M of annual net cost synergies. However, Exhibit K, Centene's 10-Q for the period ended March 31, 2019, discusses the possibility that Centene may incur substantial expenses related to the completion of the acquisition of WellCare and that those expenses could exceed the anticipated savings of the combined company. Please provide additional details around this statement.

8. Provide a detailed narrative post-acquisition business plan for each of the Domestic Insurers.

9. The projections provided for WellCare of Connecticut, Inc. appear to assume substantial growth in almost every aspect of the financial statement, with the exception of RBC. Please provide details for growth in the balance sheet, income statement and cash flow statement.

10. Pages 4-5 of the Application provide details around the strategic and financial benefits of the Proposed Acquisition. As listed below, please provide details as to how **Connecticut** members can expect to see both cost savings along with enhanced health services as a result of the Proposed Acquisition.

- Delivering Significant Benefits to Members and Government Partners Through Increased Scale and More Diversified Services;
- Sharing a Commitment to Local Communities; and
- Achieving Cost Synergies.

#### **ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

The Department has no questions but please update the information as appropriate.

#### **ITEM 7. OWNERSHIP OF VOTING SECURITIES**

The Department has no questions but please update the information as appropriate.

#### **ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER**

The Department has no questions but please update the information as appropriate.

**ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

The Department has no questions but please update the information as appropriate.

**ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

The Department has no questions but please update the information as appropriate.

**ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

The Department has no questions but please update the information as appropriate.

**ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS**

1. Provide details around the Centene Forward Initiative as discussed in Exhibit I-1, Centene's 2018 Annual Review. Describe what, if any, savings have been achieved thus far. Are there plans to expand this initiative to the Domestic Insurers post-acquisition?
2. Does Centene expect any changes with the Domestic Insurer's current PBM contract as a result of the proposed acquisition? If so, what?

**ITEM 13. AGREEMENTS REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT**

The Department has no questions but please update the information as appropriate.

**ITEM 14. OTHER INFORMATION**

1. Please provide copies of all other regulatory filings made by the Applicant in connection with the Proposed Acquisition. A list is not appropriate. With regard to other state and international insurance regulators the equivalent of our Form A, without exhibits, is appropriate and will comply with this requirement. In addition please provide a copy of the Applicant's Hart-Scott Rodino filing, without exhibits, and any federal responses associated with such filing.
2. When applicable, please provide any updates to rating agency activity.
3. Please provide a pre and post Connecticut employment head count regarding the Domestic Insurers. Please affirm that there is no anticipated decrease in the employment levels in Connecticut.
4. What effect, if any, will the proposed acquisition have on the Star Ratings of WellCare of Connecticut, Inc.? Will the proposed acquisition have an impact on Centene's Star Rating?

5. Has Centene experienced had any material IT/data security breaches in the past two years? If yes, was a process in place to mitigate and respond to the breach? Please describe such process.

6. Please provide ongoing updates on the status of the Condition of Merger set forth on page 89 of Exhibit A.

**ITEM 15. SIGNATURE AND CERTIFICATION**

The Department has no questions but please be aware of the requirement that all persons who signed the Form A Application are required to be present at the hearing.

We look forward to receiving this information at your earliest opportunity. If you feel it beneficial, we are agreeable to meeting by phone or in person to discuss this letter or your proposed responses. Please be aware that further information may be requested as we continue to review and evaluate your submissions therefore we recommend that you provide detailed and complete responses to avoid our having to seek further information which may delay the process.

If you have any questions, or would like to discuss, please let me know.

Sincerely,



Jared T. Kosky  
Counsel, Connecticut Insurance Department

cc: Kathy Belfi, CID  
Lynn Reed, CID