

In the Matter of the Acquisition of Control of
Gundersen Health Plan, Inc. ("GHP") by
University Health Care, Inc. ("UHC");

And

Unity Health Plans Insurance Corporation ("Unity") by
Gundersen Lutheran Health System, Inc. ("GHS")

GHP and Unity, collectively, the "Domestic Insurers"
UHC and GHS, collectively, the "Petitioners"

Case No. 16-C41129

**PREPARED TESTIMONY OF SCOTT RATHGABER, MD
IN ABOVE-CAPTIONED MATTER**

General

My name is Scott Rathgaber, M.D. and I am the Chief Executive Officer of Gundersen Lutheran Health System, Inc. I am also on the Board of Trustees for GHS. I have been employed by GHS in various capacities since January of 1998 and am currently on the medical staff of GHS and am its Chief Executive Officer. GHS is one of the Petitioners in the Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the "Form A Statement") seeking the Wisconsin Office of the Commissioner of Insurance's ("OCI") approval for GHS to acquire voting common stock in Unity in exchange for UHC acquiring member interests in GHP.

I am familiar with the above-captioned proposed transaction. The proposed transaction, as described in the Form A Statement, seeks the OCI's approval for GHS to acquire 25% of the voting common stock of Unity and for UHC to acquire 75% of the member rights in GHP. The transaction exchanges member interests for common stock. Although the parties will not

exchange cash at closing, it is anticipated that GHS will provide a capital contribution to GHP at or before closing in accordance with the formula in the Exchange Agreement.

GHS's goals in this exchange transaction with UHC are the same as those of UHC. GHS believes that the transaction will position both GHP and Unity in the health insurance marketplace to:

- better address the needs of current policyholders and provide products that are attractive to future policyholders;
- give GHP and Unity the ability to offer more extensive provider networks throughout its geographical service area and eventually in other geographical areas;
- permit GHP and Unity to take advantage of its current product efficiencies and to develop new products that will better address health care consumer issues and permit flexibility in the health care marketplace;
- create operational efficiencies that will not only assist both GHS and UHC but also the health care-buying public; and
- create an efficient and more geographically diverse health insurance operation in Wisconsin that is in a better position to compete with the larger health insurers and maintain Wisconsin's health insurance market.

Requirements for Approval

Section 611.72(3)(am) of the Wisconsin Statutes lists five grounds under which the OCI may disapprove a transaction that involves the acquisition of stock in a domestic insurance corporation. GHS believes that it meets the requirements for approval that the OCI would consider under Wis. Stat. § 611.72(3)(am):

1. **Wis. Stat. § 611.72(3)(am)1**: The domestic insurance corporation would 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.

Unity currently satisfies the financial requirements to write HMO business in Wisconsin.

After the contribution of capital by UHC to Unity as required by the Exchange Agreement, Unity will exceed Wisconsin's financial requirements and be in a strong position to continue writing health insurance in the state. I am not aware of any facts to indicate that Unity will not continue to satisfy Wisconsin's financial requirements to do an HMO business in Wisconsin.

2. **Wis. Stat. § 611.72(3)(am)2**: The effect of the acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in this state.

The parties addressed the competitive aspects of this transaction in the Form E filed with the OCI on December 22, 2015. Unity and GHP currently overlap in only five of the Wisconsin counties in which they write business. In addition, the companies currently focus on different products and will in the future offer different products in the Wisconsin health insurance market. Given Wisconsin's vibrant health insurance marketplace (241 insurers writing group health and 299 writing individual health as shown in the Wisconsin Insurance Report for 2014) and the parties' relatively small share of the Wisconsin health insurance market in any line, the parties do not believe that this transaction creates a monopoly or substantially lessens competition in the lines of business written by both companies.

3. **Wis. Stat. § 611.72(3)(am)3**: The financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic insurance corporation or its parent insurance holding corporation, or prejudice the interests of its Wisconsin policyholders.

GHS as the acquiring party of Unity is a well-capitalized Wisconsin domestic health care system. GHS' current financial condition indicates its financial strength. In addition, the overall

ownership structure of the two health plans that are the subject of the Form A Statement give the health plans multiple avenues of capital in the future should capital be necessary. GHS does not believe that its acquisition of 25% of the voting common stock of Unity will jeopardize the financial stability of Unity or prejudice the interests of Unity's Wisconsin policyholders. GHS is not acquiring any interest in UHC, Unity's current parent insurance holding corporation.

4. **Wis. Stat. § 611.72(3)(am)4:** The plans or proposals which the acquiring party has to liquidate the domestic insurance corporation or its parent insurance holding corporation, sell its assets, merge it with any person or make any other material change in its business or corporate structure or management, are fair and reasonable to policyholders of the domestic insurance corporation or in the public interest.

GHS has no plans or proposals to liquidate Unity, sell its assets, merge it with any person or immediately make a material change in its business or corporate structure. After the transaction closes, GHS will take a 25% interest in Unity's voting common stock; however, GHS and UHC will share equal representation on Unity's board of directors. GHS and UHC will each appoint three directors to Unity's board of directors with three independent directors appointed by the board. Also after the transaction closes, Doctor Gary Lenth will be added to Unity's management team as Unity's Executive Vice President and Chief Medical Officer. Terry Bolz will remain as Unity's President and CEO. James Hiveley, currently with Unity, will become its Vice President of Finance, Treasurer and Chief Financial Officer; and Christine Senty, also currently with Unity, will become Vice President, Secretary and General Counsel. Other business changes will be made gradually to migrate the products underwritten by GHP and Unity to reflect each company's strengths and to achieve the Petitioners' and Domestic Insurers' goals. I believe that the changes that will be made as of the closing date of the transaction and those

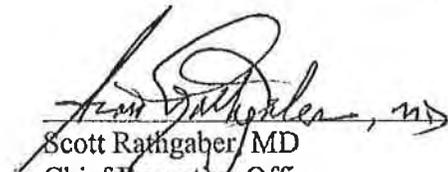
that will be made in the future as described more fully in the Form A and exhibits are fair and reasonable to the policyholders of Unity and that they are in the public interest.

The proposed transaction does not give GHS any interest in UHC, Unity's current parent insurance holding corporation. GHS will therefore not be in a position to make any changes to UHC.

5. **Wis. Stat. § 611.72(3)(am)5**: The competence and integrity of those persons who would control the operation of the domestic insurance corporation or its parent insurance holding corporation are such that it would be in the interest of the policyholders of the corporation and of the public to permit the acquisition of control.

The persons who currently manage GHP and who have managed GHP for some time will be active in the management of Unity post-transaction. These individuals have many years of experience in the insurance industry, and particularly with health insurance products, the health insurance market and provider networks. They have over the years proven their competence and integrity in their work with GHP. Their considerable experience with health insurance, health insurance markets and provider networks supports the position that their work with Unity post-transaction would be in the best interest of the policyholders of Unity and of the public.

Respectfully Submitted,



Scott Rathgaber, MD
Chief Executive Officer
Gundersen Lutheran Health System, Inc.

