

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

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**PREPARED TESTIMONY OF MICHAEL DALLMAN  
IN ABOVE-CAPTIONED MATTER**

**General**

My name is Michael Dallman. I have been employed by the University of Wisconsin Hospital and Clinics Authority in various capacities since January of 2005 and am currently the President of University Health Care, Inc. UHC 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 UHC to acquire member rights in GHP in exchange for GHS acquiring common stock of Unity. I am also a proposed member of the Boards of Directors for both GHP and Unity at the completion of the above-captioned proposed transaction.

I have been involved in the planning and negotiations of the above-captioned proposed transaction since the beginning and am familiar with it. The proposed transaction is as described in the Form A Statement submitted to the OCI and the transaction documents submitted as exhibits to the Form A Statement. Briefly, the proposed exchange transaction seeks the OCI’s

approval for UHC to acquire 75% of the member rights in GHP and simultaneously for GHS to acquire 25% of the voting common stock of Unity. This is an exchange transaction and it is not anticipated that any cash will change hands between UHC and GHS at closing, although it is anticipated that there will be a capital contribution by UHC to Unity before closing in accordance with the formula in the Exchange Agreement.

UHC's goals in this exchange transaction with GHS include the following:

- Provide greater access to innovative, high quality, affordable health care solutions to consumers of health care services.
- Promote the health and overall well-being of the health care consumers who purchase insurance products from the Insurers by promoting each Insurer's best products and services.
- Better and more efficiently support the population health efforts of each sponsoring health system.
- Efficiently use the data of each sponsoring health system to facilitate superior clinical outcomes.
- Achieve a more competitive position for each Insurer regionally and statewide through economies of scale through the combination of back-office functions such as claims management, regulatory, data warehouse, underwriting and sales.
- Foster competition in Wisconsin with national and regional carriers.
- Expand the availability of provider-sponsored health insurance across Wisconsin and contiguous states.
- Partner with other health plans or delivery systems in Wisconsin and contiguous states to develop a geographically cohesive care network.

### **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. Although UHC's acquisition of GHP is of member rights and not stock (GHP is a

nonstock, not-for-profit corporation), UHC believes that it meets the requirements for approval that the OCI would consider in such a transaction:

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.**

GHP currently satisfies the financial requirements to write HMO business in Wisconsin. After the contribution of capital by GHS to GHP as required by the Exchange Agreement, GHP will exceed Wisconsin's financial requirements and be in a strong position to continue writing business in the state. I am not aware of any facts to indicate that GHP 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 competitive aspects of this transaction were addressed by the parties in the Form E filed with the OCI on December 22, 2015. Unity and GHP write in substantially different geographic locations in Wisconsin. In addition, they will in the future offer different products. As shown in the Form E, 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.**

UHC as the acquiring party of GHP is an affiliate and has the support of the University of Wisconsin Hospitals and Clinics Authority and the University of Wisconsin Medical Foundation, Inc. UHC's current financial condition and its ability to obtain capital put it in a position of financial strength. UHC does not believe that it will jeopardize the financial stability of GHP

and therefore will not prejudice the interests of GHP's Wisconsin policyholders. UHC is not acquiring any interest in GHS, GHP'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.**

UHC has no plans or proposals to liquidate GHP, sell its assets, merge it with any person or immediately make a material change in its business or corporate structure. After the transaction closes, UHC will take a 75% member interest in GHP but there will be equal representation on GHP's board of directors. UHC and GHS will each appoint three directors to GHP's board of directors with three independent directors appointed by the board. Also after the transaction closes, GHP's management will change as reflected in the Form A Statement. Terry Bolz will become President and CEO; Gary Lenth, MD, will become Executive Vice president and Chief Medical Officer; James Hiveley will become Vice President of Finance, Treasurer and Chief Financial Officer; and Christine Senty 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 GHP and that they are in the public interest.

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

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 control Unity and who have controlled Unity for some time will be active in the management of GHP 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 Unity. Their considerable experience with health insurance, health insurance markets and provider networks supports the position that their work with GHP post-transaction would be in the best interest of the policyholders of GHP and of the public.

Respectfully Submitted,



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Michael Dallman  
President  
University Health Care, Inc.

