

Louisiana Health Service & Indemnity Co. 'A' Ratings Placed On CreditWatch Positive On Announced Acquisition By Elevance

- Elevance Health Inc. has entered a definitive agreement to acquire Louisiana Health Service & Indemnity Co. (d/b/a Blue Cross and Blue Shield of Louisiana [BCBSLA]).
- As a result, we placed our 'A' ratings on BCBSLA on CreditWatch with positive implications.
- Our ratings on Elevance are unaffected at this time.
- When the acquisition closes, we could raise the rating on BCBSLA by up to two notches depending on our determination of its strategic importance within Elevance's group of companies.

TORONTO (S&P Global Ratings) Jan. 27, 2023-- S&P Global Ratings said today it placed its 'A' insurer financial strength and issuer credit ratings on Louisiana Health Service & Indemnity Co. (d/b/a Blue Cross and Blue Shield of Louisiana [BCBSLA]) and HMO Louisiana Inc. on CreditWatch with positive implications.

The CreditWatch placement follows BCBSLA's announcement that it has entered into an agreement to be acquired by Elevance Health Inc. (whose core subsidiaries are higher-rated AA-/Stable/--). Elevance is the largest member of the Blue Cross Blue Shield (BCBS) system, operating 14 of the 34 independent health plans in the system, and it is the second-largest U.S. health insurer based on 41.1 million medical members, excluding BlueCard, as of Dec. 31, 2022. Under the proposed acquisition agreement, Elevance will acquire all of BCBSLA's underlying businesses, including Vantage and its provider assets. BCBSLA will add an incremental 1.1 million members (excluding BlueCard and Healthy Blue members) to Elevance, as well as annual revenue of about \$4.5 billion.

Upon close, we will likely view BCBSLA as at least highly strategic to the Elevance group, which will likely result in an upgrade for BCBSLA. The ratings on Elevance are unaffected at this time. We believe this acquisition aligns with Elevance's BCBS-branded operations in its existing geographic footprint. Moreover,

the acquisition provides growth opportunities for Elevance's noninsurance Caelon businesses, an important part of its long-term growth strategy. Elevance and BCBSLA's strategic fit will benefit from an existing relationship that they have through their Healthy Blue partnership, which serves Medicaid and Dual Eligible Special Needs Plan (D-SNP) members (since 2017). We expect BCBSLA will maintain its local presence and strength as local-market depth which is key to strategy for both companies.

As a mutual company, BCBSLA will require policyholder and regulatory approval to de-mutualize. The acquisition is also subject to regulatory approvals from the Department of Justice and Departments of Insurance in Louisiana, Arkansas, and Mississippi because BCBSLA has some business outside of its home state.

We expect the acquisition to close in the second half of 2023.

We placed the rating on BCBSLA on CreditWatch with positive implications given the early stage of the proposed acquisition. We will resolve the CreditWatch listing when the proposed acquisition closes. At the time of close, we could raise the rating by up to two notches depending on our determination of BCBSLA's strategic importance within Elevance's group of companies. If the deal does not close, we would likely remove the ratings from CreditWatch and assign a stable outlook.

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Insurance | General: Insurers Rating Methodology](#), July 1, 2019
- [Criteria | Insurance | General: Methodology For Assessing Capital Charges For U.S. RMBS And CMBS Securities Held By Insurance Companies](#), Aug. 29, 2014
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model](#), June 7, 2010

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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