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May 3, 2023

Via Secure Folder

Eric Smith

Insurance Specialist, Company Licensing

Office of Licensing and Compliance

Louisiana Department of Insurance

P.O. Box 94214

Baton Rouge, Louisiana 70804-9214

RE: Proposed Plan of Reorganization Regarding the Conversion of Louisiana Health Service & Indemnity Company (d/b/a Blue Cross and Blue Shield of Louisiana) from a Mutual Insurance Company to a Stock Insurance Company

Dear Mr. Smith:

In response to your letter dated April 11, 2023 (the "Letter"), requesting additional information in connection with the Plan of Reorganization Regarding the Conversion of Louisiana Health Service & Indemnity Company (d/b/a Blue Cross and Blue Shield of Louisiana) ("BCBSLA") from a Mutual Insurance Company to a Stock Insurance Company (the "Plan of Reorganization") submitted to the Louisiana Department of Insurance (the "Department") by BCBSLA on January 23, 2023, we are providing the following information and documents on behalf of BCBSLA.

As set forth in the Letter, the Department has requested the information identified herein pursuant to La. Rev. Stat. 22:236.2(E), 22:691.8 and 22:1981. As such, the Letter, and all information provided in this response, including Exhibits (together, the "Confidential Response"), should be held confidential as provided for in La. Rev. Stat. 22:691.10 and 22:1983(J). Specifically, BCBSLA requests that (1) the Letter and Confidential Response be afforded confidential treatment to the fullest extent permitted by Louisiana law, including but not limited to La. Rev. Stat. 22:691.10 and 22:1983(J), (2) BCBSLA be notified in advance of any proposed disclosure by the Department of such Letter and Confidential Response, and (3) BCBSLA be given a reasonable opportunity to seek a protective order or take other action to prevent or limit any such disclosure.

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Confidential and Exempt from Public Records Law Disclosure Pursuant to La. R.S. 22:236.2(E),
691.8, 691.10, 1981, 1983(J) and 44:4.1(B)(11)

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Capitalized terms used herein have the same meanings as set forth in the Plan of Reorganization, except as otherwise defined herein. For convenience of reference, we have repeated the Department's questions or information requests in boldface below, and under each have provided a response.

* * *

(1) Certain individuals failed to complete their biographical affidavits. Please have each person file a separate signed and notarized statement which answers the indicated questions. The statement from each person must contain that individual's full legal name and their Social Security Number.

(a) Ryan Schneider- Page 2 question 8 please complete 20 year work history, the information submitted with the biographical affidavit work history begins on 12/2007.

(b) Robert Dixon Jr-Page 1 question 5 and Page 2 question 8 must use MM/YY for both beginning and ending dates.

This information request was also sought by the Department from, and is being responded to by, Elevance Health, Inc. ("Elevance Health") and ATH Holding Company, LLC ("ATH").

(2) Submit Director's acceptance of trust and/or oath of officer forms for all officers/directors of Blue Cross Blue Shield associated with this application.

A similar information request was also sought by the Department from, and is being responded to by, Elevance Health and ATH.

(3) Submit Conflict of Interest forms for all officers/director's of Blue Cross Blue Shield associated with this application.

A similar information request was also sought by the Department from, and is being responded to by, Elevance Health and ATH.

(4) The following officers/directors Korey Harvey and Neil Steffens must have new letters of no objections issued. These two officers do not meet the requirements of La. R.S. 22:41.3 (E) (1) and (2).

This information request was also sought by the Department from, and is being responded to by, Elevance Health and ATH.

(5) Please supply evidence that the Fingerprints and Investigative Reports have been ordered and paid for all 23 officers/director's.

This information request was also sought by the Department from, and is being responded to by, Elevance Health and ATH.

(6) BCBSLA's Board of Directors' independent financial advisor, Cain Brothers, A Division of Keybank Capital Markets, presented a financial analysis of the Proposed Transactions and its opinion. Please provide a copy of the financial analysis and opinion.

BCBSLA selected Cain Brothers as its financial advisor for the Proposed Reorganization. Cain Brothers, a division of KeyBanc Capital Markets, is a pre-eminent, experienced, and highly reputable health care investment bank. Cain Brothers was founded in 1982 and specializes not only in health care (payor and provider), but also Blue plans with several engagements over time. The scope of services provided by Cain Brothers is varied and includes mergers and acquisitions, debt and equity financing, and strategic and financial advisory services, from its offices across the country. The financial analysis of the Proposed Reorganization and the opinion presented by Cain Brothers is attached as Exhibits I(a) and I(b).

(7) BCBSLA's 1/13/2023 Board Resolution indicates the Board considered the advantages and disadvantages of the Proposed Transactions. Please describe the disadvantages that were considered.

At the outset, it is important to note that the Board and senior management of BCBSLA believe that the benefits of the Proposed Reorganization outweigh any potential disadvantages and that these benefits satisfy the requirements of La. R.S. 22:236.4 in properly protecting the interests of BCBSLA's policyholders and members, serving the best interests of BCBSLA's policyholders and members, and is fair and equitable to BCBSLA's policyholders and members. It should also be noted that the Proposed Reorganization is in furtherance of the purposes set forth in BCBSLA's current Articles of Incorporation to work to improve the health and lives of the citizens of Louisiana. Finally, policyholders will have an opportunity to vote on whether they agree that the Proposed Reorganization is in their best interest prior to the Department making its final determination on the Proposed Reorganization.

With regard to what the Board considered in terms of advantages and disadvantages, the Board primarily focused on two possible paths forward: (i) maintaining the status quo as an independent, single-state Blue Cross Blue Shield plan (without a demutualization and transaction); and (ii) pursuing a demutualization and transformative transaction to become part of a larger Blue Cross Blue Shield organization.

As the Board thoroughly vetted the disadvantages of maintaining the status quo, the following issues were considered:

- (i) Consolidation within the Blue Cross and Blue Shield system moving forward appears inevitable for multiple reasons, including the need for growth, efficiencies, and access to capital to invest in new capabilities at an increasingly rapid pace to maintain a competitive market position against larger national insurers, including United Healthcare. These new capabilities include customer-facing and provider-facing digital capabilities, which are expensive to create, maintain and update, and additional capabilities to improve the health of members and to improve the affordability of health care;
- (ii) The ability of BCBSLA to maintain competitive pricing (affordability) for its customers will be diminished over time without access to increased growth and to new capabilities, which requires access to capital;

- (iii) The continued increase in the cost of administration to maintain compliance with federal and state regulations and requirements highlights the need for greater volumes to defray these costs; and
- (iv) The historical core market for BCBSLA, which is insured commercial business, is shrinking, while self-funded commercial business and government business (e.g., Medicare Advantage and Medicaid) are growing. BCBSLA's historic strengths do not position it well for future success and growth and BCBSLA has already demonstrated the need to enter into partnerships with other organizations to serve these growth market segments. However, the Board does not view these multiple partnership arrangements as sustainable long term.

Overall, the Board concluded that, while maintaining the status quo would provide the benefit of allowing BCBSLA to continue to be locally governed and managed, the potential disadvantages outweigh this benefit and would negatively impact policyholders, members and the communities in Louisiana that BCBSLA serves. Specifically, BCBSLA would not be able to invest enough to maintain market leading services and capabilities as compared to better-capitalized national competitors. Further, maintaining the status quo would ultimately result in a relative inability to manage rising health care costs and rising administrative costs, resulting in higher costs and premiums compared to its competitors. The tools and programs that health insurers have established to maintain affordable price points for customers are costly to create and maintain, adding to the need for significant long-term capital beyond what is needed as reserves against future claims. From the perspective of health care providers, maintaining the status quo could also result in providers working preferentially with national competitors who have a greater ability to invest in innovative partnerships. This has already occurred in selective geographies in Louisiana and is likely to accelerate moving forward.

The Board carefully weighed the potential disadvantages of a demutualization and transaction with Elevance Health and considered the following:

- (i) The potential impact of conversion from a legal nonprofit mutual insurance company to a subsidiary of a publicly-traded for profit company (BCBSLA is a nonprofit mutual that does not pay dividends, and is not tax-exempt as it fully pays state and federal taxes);
- (ii) Certain decisions regarding BCBSLA's strategy and operations may no longer be exclusively made by a local, community board and a management team based solely in Louisiana;
- (iii) Local plan priorities could compete with national priorities of a larger, multi-state company;
- (iv) The possible consolidation of local operations into other out-of-state locations, with corresponding job loss; and
- (v) Whether the culture of Elevance Health is consistent with the culture of BCBSLA.

To address these potential disadvantages, management and the Board conducted lengthy due diligence efforts, and as a result were able to alleviate these concerns almost entirely.

There was speculation that medical and administrative cost efficiencies gained through greater volume, enhanced capabilities and improved value-based contracting with providers would result in higher profit margins rather than in better managing the costs passed on to customers and policyholders. However, BCBSLA determined that local market forces and intense competition make this unlikely. In fact, the diligence conducted with Elevance Health confirmed that its goal is to offer the most competitive, affordable products it can, including targeting medical cost trends that are at or below the Consumer Price Index. This goal is laudable and would be difficult for BCBSLA to achieve on its own, as a single-state Blue plan with its current resources. To be clear, Elevance Health is a market leader in pioneering innovative partnerships and quality programs with health care providers.

Elevance Health committed to BCBSLA that it would maintain current employment levels in Louisiana for at least two years, and current discussions are centered on actually looking for ways to bring additional Elevance Health jobs to Louisiana. It should be noted that Elevance Health has almost as many job openings nationally as BCBSLA has employees. Current BCBSLA employees, and Louisianians at large, will be able to apply for many of these jobs and perform them from Louisiana. To further such commitments, BCBSLA and Elevance Health agreed to establish an Advisory Board, comprised of the same type of locally based, community leaders that currently sit on the BCBSLA Board. The Advisory Board is intended to provide input to local leadership, and to monitor the commitments made by Elevance Health.

Finally, BCBSLA confirmed that the culture of Elevance Health is very similar to that of BCBSLA. This was not surprising given that Elevance Health, at its core, is a combination of 14 locally based Blue Cross Blue Shield companies, that have the same origins as BCBSLA. In fact, BCBS of Indiana, the precursor to Elevance Health, was founded as a mutual Blue plan. Elevance Health recognizes that Blue Cross and Blue Shield plans are strongest and most competitive for employees and customers when those plans maintain their local focus and presence.

After extensive consideration, senior management and the Board of BCBSLA determined that the long-term potential disadvantages of remaining independent far outweigh any limited potential disadvantages of the Proposed Transaction. Moreover, the conclusion was that all policyholders and members of BCBSLA, as well as the State of Louisiana as a whole, would be better off after the Proposed Transaction in a number of ways. These future benefits of the Proposed Transaction include:

- (i) BCBSLA would have the financial resources to improve the performance of existing business, develop new business opportunities and enhance its competitive position in the health benefits industry by becoming part of Elevance Health, a company with more than \$100 billion in market capitalization and one of the most diversified asset portfolios in the entire industry.
- (ii) As part of Elevance Health, BCBSLA could in the future better improve service to customers and grant members the ability to utilize tools already available to customers of Elevance Health and its affiliates. These tools enhance the availability of health care services and allow members to better manage their own health. Such tools include Elevance Health's digital platforms and products which give members

24-hour digital support and includes text and video visits with integrated health care providers, integrated pharmacy support, at-home diagnostics solutions and care navigation. BCBSLA anticipates gaining access to services and capabilities in as little as two years that it could otherwise not develop on its own over the span of a ten-year period.

- (iii) Elevance Health's scores for quality outcomes for patients are higher than BCBSLA's, as measured by nationally recognized standards.
- (iv) With more than 48 million members, Elevance Health can lower increases in administrative costs for BCBSLA and its customers to a greater extent than if BCBSLA remained independent.
- (v) Elevance Health has developed a portfolio of whole health solutions, and capabilities through investments of over \$4 billion in recent years. This portfolio provides solutions for a variety of member needs, including condition-specific needs regarding diabetes, cancer, heart conditions, and several others. Having condition-specific solutions that complement the care delivered by health care providers enables members to focus on what will improve their health and lives.
- (vi) Increasingly, health care is being delivered digitally and outside of the traditional physician's office when appropriate, especially in rural parts of Louisiana where health care services can be located hours away from a member's home or work. Elevance Health's digital platforms and health care delivery assets dramatically improve access via mobile devices, internet and phone at the convenience of members.
- (vii) These whole health capabilities have demonstrated success in improving the health of Elevance Health's members. Elevance Health has recently developed a 'whole health index', a dynamic model to better understand the drivers of health and measure the impacts of its various solutions on health outcomes in a community. This index also helps identify the most promising future opportunities to improve the health of members and their communities.
- (viii) In the aggregate, access to these capabilities and services will allow BCBSLA to better improve the health of its members, and to better manage health care costs than if BCBSLA remained independent.
- (ix) Elevance Health plans to invest over \$1 billion annually in maintaining, enhancing and expanding these capabilities – capabilities that BCBSLA strives to bring to members, but that have proven challenging to deliver thus far.
- (x) Please see Section C of the "Affirmations" in the Plan of Reorganization for a description of whole health solutions that Elevance Health offers which include Elevance Health's Cancer Care Navigator and Concierge Care, personalized care programs, maternal health solutions, and behavioral health services.

Elevance Health is at the vanguard of the health insurance industry with respect to the capabilities described above, which not only allows members to improve their health and lives, but also bends the cost curve to maintain affordability for the insurance-buying public. These capabilities require considerable capital, and over time the need for that capital will increase for health insurers that wish to remain competitive and deliver the products and services that their customers expect.

8. The Plan of Reorganization's Exhibit E "Eligible Member Payment Methodology" indicates that each Eligible Member means a fully insured group or individual policyholder of an active (not terminated) BCBSLA insurance policy. Article XI, Section D indicates that self-funded or administrative services-only contracts are not contracts of insurance and do not create Membership Interests. Article VII "Voting Membership" of the Louisiana Health Service & Indemnity Company's Articles of Incorporation defines "insurance contract or policy" to be a written agreement or contract issued by BCBSLA for or effecting insurance, other than reinsurance. Please explain why policyholders of self-funded contracts are being excluded from the definition of Eligible Member.

An "Eligible Member" is a "Voting Member" with a policy effective on both the adoption date of the Plan of Reorganization (January 23, 2023) and the effective date of the Reorganization. A Voting Member is the named policyholder of a contract of insurance issued by BCBSLA, excluding contracts of reinsurance. Neither persons who are BCBSLA members through a self-funded employee welfare benefit plan nor the entity that sponsors a self-funded employee welfare benefit plan are policyholders.

Under Louisiana law, a policyholder is a person or entity to whom a policy or contract of insurance is issued by BCBSLA. La. R.S. 22:46(13)(a) defines "insurance" as

a contract whereby one undertakes to indemnify another or pay a specified amount upon determinable contingencies. It shall include any trust, plan or agreement, popularly known as employee benefit trusts, not specifically exempted from state regulation under Public Law 93-406, except collectively bargained union welfare plans, single employer plans or plans of the state or political subdivisions. The term "insurance" shall not include any arrangement or trust formed under Subpart J of Part I of Chapter 10 of Title 23 of the Louisiana Revised Statutes of 1950.

Self-funded employee welfare benefit plans are plans administered by BCBSLA on behalf of a sponsoring employer, but for which BCBSLA does not indemnify the employer-sponsor of the plan for the expenses of the plan, including claims expenses. BCBSLA acts solely as a third party-administrator, not an insurer, for such plans. Therefore, such self-funded plans do not qualify as insurance under the Louisiana Insurance Code, as noted in La. R.S. 22:46(13)(a). Such plans are generally governed by Public Law 93-406, the Employee Retirement Income Security Act of 1974, section 514 of which preempts state laws in so far as they relate to employee welfare benefit plans and prohibits any state from deeming such plans to be "insurance." Accordingly, persons covered by such plans cannot be considered either Voting Members or Eligible Members.

9. The Plan of Reorganization includes a fully insured group policyholder as an “Eligible Member.” Article VII “Voting Membership” of the Louisiana Health Service & Indemnity Company’s Articles of Incorporation states that the holder of an insurance certificate issued pursuant to group insurance contracts shall not be a Voting Member of the Corporation. Please discuss the apparent discrepancy.

There is no discrepancy. The Plan of Reorganization and the Articles of Incorporation are consistent because they both distinguish between a “policyholder” and a “certificate holder.” In the case of a fully insured group, the policyholder is the entity to whom the contract of insurance is issued, i.e., the employer plan sponsor. The policyholder is the Voting Member. On the other hand, a certificate holder is a person who is covered under a policy, but who is not the policyholder.

Additionally, this distinction between policyholder and certificate holder is recognized in Louisiana law, e.g., La. R.S. 22:890(A)(1), which defines a “certificate of insurance” as

any document, instrument, or record, including an electronic record, no matter how titled or described, which is prepared by an insurer or insurance producer and issued to a third person not a party to the subject insurance contract...

The distinction is replicated throughout the Louisiana Insurance Code on numerous occasions in the definition of “health insurance issuer”, in which the definition recognizes the distinction between a policy and a certificate of insurance. See for example La. R.S. 22:1242(11).

Accordingly, the policyholders possess voting rights, and certificate holders under both the Plan of Reorganization and the Articles of Incorporation do not possess voting rights.

10. Will a policyholder’s full tenure with BCBSLA be considered even if there may have been gaps in coverage from the earliest policy date through the current policy date?

Yes. BCBSLA engaged in exhaustive best efforts to ensure that a policyholder’s full tenure was considered in its calculations. It is important to note that policyholder consideration does not vary by member, regardless of the number of member months a member may have contributed on an individual basis. This is because Eligible Members do not hold an economic interest or right in BCBSLA, and the consideration is solely for the purpose of extinguishing their membership interests (i.e., voting rights), which is a “fixed component” of consideration under La. R.S. 22:236.3. This conclusion is an accepted actuarial standard as to normally acceptable ranges of consideration for the extinguishment of a voting right as noted in the actuarial opinion furnished by Deloitte and provided as Exhibit F to the Plan of Reorganization as filed by BCBSLA and in the actuarial standard submitted herewith (see attached Exhibit II).

Further, Article VII, subsection 1 of BCBSLA’s current Articles of Incorporation explicitly prohibit the payment of dividends. That subsection provides in pertinent part: “The Corporation is organized and shall function entirely as a nonprofit mutual insurer. It shall issue no shares of stock and pay no dividends.” Since BCBSLA’s incorporation, its Articles of Incorporation, as amended (and the Articles of Incorporation, as amended, of all relevant predecessor entities), have never included provisions providing for the payment of dividends. Further,

BCBSLA has no policies that provide for the payment of dividends and, to date, no dividends have been paid. Moreover, Deloitte reviewed BCBSLA's policyholder consideration methodology and opined that "[a]ctuarial standards of practice in this area are not prescriptive with regard to allocation of consideration among eligible members, and industry practices vary. Moreover, BCBSLA's proposed demutualization is unique in that none of BCBSLA's policies provide for dividends to be paid (i.e. none are participating insurance policies), in contrast to what is typically seen in mutual insurance companies."

In consideration of policyholder tenure, BCBSLA was able to review electronic records back to 2010. Due to record retention policies, data was not available prior to 2010 on an individual-by-individual basis. As such, to account for the tenure of Eligible Members, BCBSLA utilized the Original Effective Date of the policy in determining member months attributed to Eligible Members and the total consideration to be paid to the Eligible Members as a group.

For example, where an Eligible Member was active on the Record Date and the Original Effective Date of the policy was January 1, 1990, BCBSLA attributed member months between January 1, 1990 and the Record Date to the calculation. If the Eligible Member had a break in coverage and held a separate policy prior to the Original Effective Date used in BCBSLA's calculation, data was not available to identify such a policy and therefore such was not included in the overall calculation.

11. Will the special meeting of Members be held in-person only or will a virtual option be provided? Will the voting be in-person only or will mail and/or electronic voting be permitted?

The Special Meeting of the Voting Members will be held in-person with the option for voting to be completed through special proxies. Specifically, the Special Meeting of the Voting Members will be held in compliance with La. R.S. 22:236.5 which provides in pertinent part that voters be "present or represented by special ballot or special proxy". Each Voting Member will receive a Letter to Members, Exhibit III(a), buck slip, Exhibit III(b) and an Information Statement, Exhibit III(c) all for your review and consideration, setting forth why the Plan of Reorganization is consistent with BCBSLA's mandate under the Articles of Incorporation and is in the best interests of policyholders and members of BCBSLA, and a Special Proxy, a draft of which is likewise attached as Exhibit IV for your review and consideration. The Special Proxy permits any Voting Member to instruct the holder of the proxy to vote in favor or against approval of the Plan of Reorganization. The Special Proxy permits the vote of a Voting Member to be cast without having to be physically present at the Special Meeting. The Voting Member may grant his or her proxy to any other Voting Member.

12. In or around 2011, BCBSLA provided approximately \$30 Million in premium reductions to group and individual policyholders. How were the policyholders for these distributions determined? Were there any similar premium reductions prior to or subsequent to this reduction?

BCBSLA issued a reduction in renewal premiums in 2011 for customers that renewed in certain group and individual lines of business. The lines of business were chosen due to higher profitability variance than expected. The expense was charged against 2010 income (the year in which the variance occurred) but the benefit to renewing customers was realized in 2011. The premium reduction upon renewal totaled approximately \$30M for BCBSLA and \$9.5M for HMO of Louisiana, Inc. ("HMO LA").

In December 2011, BCBSLA (not HMO LA) implemented a premium rate credit on December invoices for individual lines of business that are subject to the MLR and rebate requirements of Section 1001 of the Patient Protection and Affordable Care Act ("PPACA") and Section 2718 of the Public Health Service Act. These lines of business were chosen in an effort to avoid a subsequent MLR rebate under the provisions of PPACA. The rebates totaled approximately \$7.5M and were approximately \$100 for individuals and \$145 for family groups. The 2011 calendar year was the first year in which insurers were subject to the rebate requirements of PPACA.

In December 2020, both BCBSLA and HMO LA implemented a one-time premium invoice credit as a 15% discount for December premiums. For BCBSLA, the discount was applied to fully-insured groups and Medicare Supplement policyholders and totaled approximately \$20.7M. For HMO LA, the discount was applied to fully-insured groups and totaled approximately \$6.1M. The credits were a result of extreme MLR favorability due to a reduction in claims liabilities during the first year of the COVID-19 Public Health Emergency. For a period of time in 2020, health care providers were unable to see patients and access to care was limited, which resulted in an unpredictable reduction in expected claims. This credit was similar to credits issued by automobile liability insurers for similar reasons in 2020 due to the public health emergency. Individual lines of business were not included due to the extreme complexity of applying a premium discount to Federally-facilitated Exchange (Exchange) policies as well as coordinating with the federal government.

Please note that BCBSLA has provided the above responses regarding the details of the premium reductions. These answers demonstrate that determining premium reductions in prior special circumstances does not take into account the same factors or requirements for what constitutes an "Eligible Member" in the Proposed Transaction.

13. Do any Members who are not considered Eligible Members currently possess voting rights?

No. All policyholder members of BCBSLA are entitled to vote (i.e., a "Voting Member") if their policy was in effect on the date of adoption of the Plan of Reorganization (i.e., the "Adoption Date"). If a Voting Member cancels or permits their contract of insurance to lapse or otherwise ceases to hold their membership interest following the Adoption Date but prior to the effective date of the Reorganization, that Voting Member will not become an Eligible Member.

14. What has been BCBSLA's experience historically regarding member participation in voting on BCBSLA matters (i.e. how many members have actually voted historically)?

Historically, members have not chosen to participate in person in the BCBSLA Annual Meetings, which are noticed and then held every February. In fact, only one member attended in person each of the 2012, 2013, and 2014 Annual Meetings respectively. For the time period of 2015-2023, no member has attended an Annual Meeting in person.

15. Do BCBSLA policies include a proxy delegating authority to vote on BCBSLA matters?

Yes. Generally, BCBSLA's applications for insurance coverage contain the opportunity for policyholders to grant their proxy, or to retain their voting right. The Special Meeting of the Voting Members, however, will be held in-person with the option for voting to be completed through the Special Proxy described in response to Question 11, rather than any proxy previously granted through an application for insurance coverage.

16. The consulting investment banker's review included analysis of the following documents provided by BCBSLA:

- a) Draft Project River Step Plan, prepared by PwC, dated October 7, 2022;
- b) Draft Memorandum Re: Request of Elevance, Inc. and Blue Cross and Blue Shield of Louisiana for a Private Letter Ruling, dated December 22, 2022;
- c) Project River - Member Months and Policyholder Consideration Spreadsheet, including but not limited to estimates of assumptions by BCBSLA of cumulative member months since inception of BCBSLA, accumulated member months for active members (as of 8/31/2022), voting right adjustment to member month calculation for group related members, and adjustment to member month calculation for group related members assuming that employer portion of policy cost is 75% and 50%, dated November 17, 2022;
- d) Memorandum from Korey Harvey to Vanessa Brown Claiborne, Re: Engagement & Management Recommendation, dated September 30, 2022;
- e) Memorandum from McGlinchey Stafford PLLC to Korey Harvey, Re: Conversion of Louisiana Health Service & Indemnity Company d/b/a Blue Cross Blue Shield of Louisiana from a Mutual Insurer to a Stock Insurer, dated July 27, 2022;
- f) Memorandum from Korey Harvey to Vanessa Brown Claiborne, Re: Engagement & Management Recommendation, dated August 24, 2022;

Please provide the above listed documents.

BCBSLA elected Chaffe & Associates as its consulting investment banker for the Proposed Reorganization. Chaffe & Associates, based in New Orleans, LA, is a leading, well-respected, experienced investment banker and trusted valuation authority that provides valuation, merger and acquisitions, and other transaction advisory services. The above listed documents are attached as Exhibits V through X.

17. Has the methodology provided in Exhibit E - Eligible Member Payment Methodology to the Agreement and Plan of Acquisition been revised or re-estimated since the filing was filed with the LOI? If so, please provide an updated Exhibit E.

The underlying methodology in the draft Exhibit E to the Plan of Reorganization, and further explained in the Plan of Reorganization, has not been revised. That methodology, which was reviewed and found to be reasonable by Chaffe & Associates, remains BCBSLA's recommendation to the Voting Members for approval under the Plan of Reorganization. BCBSLA believes the proposed methodology satisfies the requirements of La. R.S. 22:236.3. However, as noted in the draft Exhibit E, the final calculations regarding member months and the proposed compensation to Eligible Members were estimated and will require reconciliation.

Subsequent to the filing of the Proposed Plan of Reorganization and the attached Exhibit E on January 23, 2023, BCBSLA was able to conduct an exhaustive search of all available records, including records located in archived systems and files, in order to prepare an updated draft Exhibit E (a copy of which is attached as Exhibit XI). The updated draft Exhibit E shows a currently-estimated gross consideration to be paid to Eligible Members of approximately \$307.7M, or approximately \$3,028 per policy held by an Eligible Member on both the date of adoption of the Plan of Reorganization and the effective date of the Reorganization.

18. The consulting actuary's review included analysis of the following documents provided by BCBSLA:

- a) Estimation of per member policyholder considerations found in "Project River – Member Months and Policyholder Consideration 11.17.22.xlsx";
- b) Details and Information found in the draft plan of reorganization, "116697_113352904v7_Project River – Plan of Reorganization (MLR draft 12.12.2022.DOCX)";
- c) Sample BCBSLA member contracts including, "2023 GF IND CSD PLAN G CONTRACT- FINAL V1.pdf", "2023 IND CONTRACT PREF ESSEN DENTAL - FINAL V1.pdf", "2023 NGF IND BLUE SAVER CONTRACT - FINAL DMSR.pdf", "2023 NGF SM GRP PREMIER BLUE BP - FINAL DMSR.pdf"

Please provide the above listed documents.

BCBSLA selected Deloitte as its consulting actuary for the Proposed Reorganization to provide the actuarial opinion required by LA R.S. 22:236.3 based on Deloitte's significant health care experience, including experience in demutualizations. Deloitte, with more than 100,000 professionals, is a nationally-renowned professional services firm that provides audit and assurance, tax, consulting, and risk and financial advisory services to a broad section of the largest corporations and governmental agencies in the country. The above listed documents are attached as Exhibits XII through XIV(d).

19. Please provide the transaction expenses incurred related to the fairness opinions received from both the consulting investment banker and the consulting actuary.

BCBSLA paid the independent consulting investment banker (Chaffe & Associates) and independent consulting actuary (Deloitte) a total of \$255,000 for their services in conjunction with the issuing of their respective fairness opinions. Specifically, the individual payments were as follows:

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- Chaffe & Associates, Inc. - Investment Banker Opinion \$175,000
- Deloitte – Actuarial Opinion \$80,000

* * *

Please contact me if you should have any questions or comments regarding the above or any other related matters.

Sincerely,

McGlinchey Stafford PLLC



Ronnie L. Johnson

cc: Lou Patalano, Chief Legal Officer,
Senior Vice President & Corporate Secretary

Korey Harvey, Vice President, Deputy General Counsel

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