

Blue Cross and Blue Shield of Vermont Chapters 123 and 125 Regulatory Filings

The following information is hereby submitted as the application of Blue Cross and Blue Shield of Vermont (“BCBSVT”) requesting that the Vermont Department of Financial Regulation (the “DFR”) approve of the proposed affiliation (the “Affiliation”) between BCBSVT and Blue Cross Blue Shield of Michigan Mutual Insurance Company (“BCBSM”).

This application (the “Application”) details how the Affiliation will advance the general good of the State of Vermont (the “State”) by addressing the relevant provisions of the Vermont Non-profit Hospital Service Corporations Act and the Vermont Non-profit Medical Service Corporations Act, 8 V.S.A. §§ 4525(b) and 4595(b), respectively.

BCBSVT has been working on a long-term sustainability plan for over two years. Its work has been guided by the following principles:

- a focus on serving the Vermont market;
- emphasis on members and clients;
- how critical employees are to BCBSVT’s success;
- ability to retain local presence;
- the need to achieve financial viability; and
- access to technological maturity.

BCBSVT believes that the Affiliation described in this Application is the best path for achieving these principles.

I. Overview of the Parties and the Affiliation

BCBSVT

BCBSVT is a Vermont nonstock corporation authorized as a non-profit hospital service corporation under Title 8, Chapter 123 of the Vermont Statutes Annotated and as a non-profit medical service corporation under Title 8, Chapter 125 of the Vermont Statutes Annotated. BCBSVT has continuously been licensed as a non-profit hospital service corporation and a non-profit medical service corporation in the State of Vermont since 1980.

BCBSVT is headquartered in Berlin, Vermont and provides various types of insured health coverage as well as health plan administrative services to individuals, groups, and governmental entities in the State. BCBSVT is a licensee of the national Blue Cross Blue Shield Association (“BCBSA”), which owns the “Blue” names and trademarks, and pursuant to such license, BCBSVT markets health insurance using the Blue names and trademarks throughout Vermont.

As a small, independent plan in a small market, BCBSVT has struggled to generate the capital to make the investments necessary to remain competitive in a rapidly changing and highly competitive marketplace, increasingly dominated by national for-profit health plans. BCBSVT

and other smaller plans within the BCBSA system are under pressure to achieve the scale and efficiencies enjoyed by larger plans but without similar resources to achieve those objectives. Based on that recognition, BCBSVT began the process of exploring options, including: outsourcing its operations and technology to a third party, building out its third-party administrator to take on its administrative services only (“ASO”) book of business, and seeking an appropriate partner for an affiliation. Following a thorough review of its alternatives, BCBSVT determined that an affiliation with a Blue partner, specifically BCBSM, would best position it for long-term success, allowing it to access the scale and efficiencies from a larger, like-minded non-profit plan that supports maintaining a strong local presence in Vermont and retaining the local character of its products and services.

BCBSVT believes the Affiliation with BCBSM offers it an opportunity to meet all of its key objectives outlined above and to retain its non-profit status. BCBSM offers BCBSVT, among other things: access to significant economies of scale; proven, market-leading systems and technology; new employer and customer medical and pharmacy management products; and extensive experience and expertise in the development and marketing of innovative products and services geared for a changing market. An affiliation with BCBSM will also afford BCBSVT an efficient path to effective competition in the market and significant added value for BCBSVT subscribers and other stakeholders (employers, providers and the Vermont community at large).

BCBSM

Under separate cover, BCBSM is filing with the DFR a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the “Form A”) to request the approval of the Affiliation pursuant to 8 V.S.A. § 3683(a)(1). For background on BCBSM, including a discussion of BCBSM’s current business operations, please refer to Item 2(b)(1) of the Form A, which is hereby incorporated by reference herein.

The Affiliation

BCBSM and BCBSVT will affiliate pursuant to a Principal Transaction Agreement, dated as of April 28, 2023, a copy of which is attached hereto as Exhibit 1 (the “Affiliation Agreement”), and related ancillary agreements.

The Affiliation is *not* an acquisition, merger, conversion, stock purchase, asset purchase or consolidation. Rather, BCBSM, a Michigan non-profit mutual insurance company, will become the sole member of BCBSVT, which will continue as a separate Vermont nonstock corporation, subject, as it is today, to regulation by the DFR. BCBSM also will become the primary BCBSA licensee in Vermont, with BCBSVT becoming a “controlled affiliate” of BCBSM (within the meaning of the BCBSA rules), with the right, derivative from BCBSM, to continued use of the “Blue” names and service marks in Vermont. The Affiliation would not provide BCBSM an economic interest in BCBSVT; similarly, BCBSVT would not have an economic interest in BCBSM. Additionally, neither party would have access to the capital or surplus of the other.

The Affiliation will be accomplished by amending and restating the Articles of Incorporation and the Bylaws of BCBSVT. Copies of the proposed amended and restated Articles

of Incorporation (the “Articles”) and the proposed amended and restated bylaws (the “Bylaws”) are attached hereto as Exhibit 2 and Exhibit 3, respectively. The summary of the Affiliation contained in this Application is qualified in its entirety by reference to the Affiliation Agreement, including the Articles and the Bylaws.

Pursuant to the Articles and Bylaws, following the closing of the Affiliation (the “Closing”), the BCBSVT Board of Directors (the “Board”) will be comprised of twelve (12) directors. Five (5) directors will be individuals appointed by BCBSM (the “Member Board Appointees”). Seven (7) directors will be individuals, each of whom is any of (i) a member of the public, (ii) a subscriber or (iii) the Chief Executive Officer or President of BCBSVT.¹ All directors other than the Member Board Appointees and the Chief Executive Officer or President will be elected from those nominated by a committee of the Board (the “Governance and Nominating Committee”), subject to approval of BCBSM.² Notwithstanding the foregoing, (i) at least three quarters (3/4) of the Board will be composed of individuals who are subscribers or members of the public; and (ii) a majority of the directors will be subscribers.³ The remainder may (but need not) be providers.

The initial non-Member Board Appointees of the Board will consist of the Chief Executive Officer of BCBSVT and six (6) members of the pre-Closing Board that have been slated for continuing service following the Closing. A complete list of the individuals who are proposed to serve on the post-Closing Board is attached as Exhibit 4 hereto.

Following the date of execution of the Affiliation Agreement (the “Execution Date”), the parties have been working to align on a preliminary organizational structure and operating model immediately following Closing (“Day 1”) through a series of meetings and workshops (*see* Exhibit 5). Additionally, the parties have worked to develop a preliminary framework for the Integration Office (defined below), including its responsibilities, guiding principles, and rules of engagement. Both parties are contributing to a set of standardized tools, templates and protocols to ensure consistent outcomes.

An integration plan will develop the processes by which the parties will work towards achieving value post-Closing. The integration plan will include, among other things, plans for integrating technology, operations and vendors, improving the customer experience including customer-facing technologies, improving product capabilities, improving data analytics and improving account retention support, where such plans will be cost-effective and likely to produce a return on investment for BCBSVT. The parties have agreed to rules of engagement and guiding principles for building that integration plan. BCBSVT and BCBSM are currently establishing an integration committee consisting of representatives from BCBSVT and BCBSM that will be charged with (i) developing the integration plan and (ii) overseeing an integration office (the “Integration Office”) that will oversee the means by which the parties will execute the integration plan. The Integration Office will be overseen by executives from BCBSVT and

¹ See Amended and Restated Bylaws at §§302(a) and (b).

² *Id.* at §302(d).

³ *Id.* at §302(c).

BCBSM and will be staffed by both parties to achieve the goals it identifies, maximizing the post-Closing value of the Affiliation to BCBSVT subscribers.

The parties desire to close the Affiliation on or around October 1, 2023, subject to the making of required filings with, and the receipt of required approvals from, governmental and regulatory authorities (including, among other things, the approval of this Application by the DFR),⁴ and the satisfaction of other customary closing conditions set forth in the Affiliation Agreement.

Future Plans

BCBSM has no plans to liquidate BCBSVT, sell its assets to any person or persons (other than sales of invested assets in the ordinary course of business), merge it with any person or persons, or reduce its headcount. As a nonstock company, BCBSVT does not make ordinary or extraordinary dividends at any time.

BCBSM and BCBSVT anticipate working together cooperatively to plan and, following the Closing, implement appropriate improvements to the technological capability of BCBSVT to realize the benefit of the Affiliation to BCBSVT, its subscribers, employer clients, providers and the communities served by BCBSVT while still enabling BCBSVT to maintain its strong local presence in Vermont. The parties will continue to iterate jointly on the future state-operating model while maintaining the previously agreed upon rules of engagement and value-creation priorities.

BCBSM has no current plans to replace the current officers of BCBSVT. As discussed in more detail above, the post-Closing Board will be reorganized as set forth in the Bylaws.

A discussion of BCBSM's future plans for BCBSVT is included in Item 5 of the Form A, which is hereby incorporated by reference herein.

II. The Affiliation Will Satisfy the Statutory Criteria of Chapters 123 and 125 of Title 8 of the Vermont Statutes Annotated

The Affiliation is subject to the DFR's approval pursuant to 8 V.S.A. §§ 4523 and 4595. 8 V.S.A. §§ 4523(a)(1) and 4595(a)(1). An application for such approval must establish to the satisfaction of the Commissioner of the DFR (the "Commissioner") that the transaction meets the general good of the State. 8 V.S.A. §§ 4523(b) and 4595(b). The Commissioner shall consider seven statutorily enumerated factors in making the general good determination. *Id.* This section of the Application lists the identical⁵ statutory factors for making the general good determination under the Non-profit Hospital Service Corporations Act ("Chapter 123") and the Non-profit

⁴ The Affiliation is also subject to the DFR's approval pursuant to the Vermont Holding Company Act (8 V.S.A. §§ 3683(a)(1), (h)(3)) and the provisions of the Vermont insurance code governing health maintenance organizations (8 V.S.A. §§ 5101–5115). Under separate cover, the parties are submitting applications to the DFR to address these requirements.

⁵ There are three punctuation differences between the statutory criteria of Chapters 123 and 125, but none changes the substance of the statutes' parallel requirements.

Medical Service Corporations Act (“Chapter 125”) and explains that the application of each of the relevant factors to the Affiliation demonstrates that the Affiliation would serve the general good of the State.

(1) whether, after the transaction, the corporation continues to satisfy the requirements for a permit to do business under these chapters;

Following the Affiliation, BCBSVT will continue to satisfy the requirements of Chapters 123 and 125 of Title 8, as it does today. BCBSVT will continue to operate solely for the benefit of subscribers, as required by 8 V.S.A. § 4512(a). BCBSVT will continue to comply with Vermont rating requirements, and the rate filing process will be managed and directed by local BCBSVT staff. 8 V.S.A. § 4512(b). In addition to other applicable statutory criteria, BCBSVT rates will not be excessive, inadequate or unfairly discriminatory as required by 8 V.S.A. § 4513(b). BCBSVT will continue to ensure that benefits are provided at minimum cost under efficient and economical management, per 8 V.S.A. § 4512(c). BCBSVT will also continue to comply with supplemental orders from the Green Mountain Care Board intending to ensure that benefits and services are provided at minimum costs under efficient and economical management as contemplated by 8 V.S.A. § 4513(c). As it does today, as permitted by the Commissioner, BCBSVT will continue to provide administration services to self-funded clients. 8 V.S.A. § 4512(c). Likewise, pursuant to 8 V.S.A. § 4516, BCBSVT will continue to file its annual statement with the DFR and, as part of that statement, will certify its continued commitment to serving as Vermont’s safety net carrier, providing coverage without discrimination.

As discussed in greater detail above in Section I of this Application, the composition of the post-Closing Board complies with 8 V.S.A. § 4513(a), which requires that a majority of the Board be subscribers and at least three quarters (3/4) of the Board be subscribers or members of the public.

8 V.S.A. § 4517 allows BCBSVT to maintain member reserves in prudent investments and requires that BCBSVT’s investment guidelines be filed and approved. BCBSVT anticipates moving investment management services to BCBSM’s Bricktown subsidiary, which will allow for lower cost and potential for better market returns. BCBSVT’s Board will continue to approve BCBSVT’s investment policies and guidelines, including target asset allocation. The parties understand that the guidelines applicable to BCBSVT’s investments are subject to regulatory approval, and BCBSVT will seek and abide by all related regulatory decisions.

BCBSVT will continue to operate within the confines of its existing statutory obligations, as well as continue to be bound by the various regulatory orders from the DFR and other parties pursuant to which it is currently bound. Neither BCBSVT nor BCBSM anticipates any change in the regulatory compliance approach or objectives of BCBSVT.

(2) whether the effect of the transaction would be to substantially lessen competition in health insurance in this State or tend to create a monopoly in health insurance in this State;

The Affiliation would neither create a monopoly in health insurance in this State nor substantially lessen competition in the State. The number of health insurers offering major medical insurance in this State will remain the same following the Affiliation. BCBSVT and its affiliates, The Vermont Health Plan, LLC (“TVHP”) and Vermont Blue Advantage, Inc. (“VBA”), will each remain licensed, operating Vermont health insurers. BCBSVT, TVHP, and VBA will continue to offer the same types of insurance products after the Affiliation which are currently offered, which will prevent any negative impact on the competitiveness of the Vermont insurance market.

In addition, as illustrated in Exhibit 6 attached hereto, based on the 2022 market share percentages of BCBSVT and its affiliates (the “BCBSVT Insurers”), on the one hand, and BCBSM and its subsidiaries (the “BCBSM Insurers”),⁶ on the other hand, there was no overlap in the State of Vermont for the lines of business (as defined by the National Association of Insurance Commissioners (“NAIC”)) written by such insurers and reported in the health annual statements filed by such insurers. As such, in all pertinent lines of business, the Affiliation meets the pre-acquisition notification exemption standards set forth in 8 V.S.A. § 3683a(b)(4)(B) because, as an immediate result of the Affiliation, there will be no increase in any market share. Accordingly, applying the criteria set forth in 8 V.S.A. § 3683a, the Affiliation will not substantially lessen competition in any line of insurance in the State of Vermont or tend to create a monopoly in the State of Vermont.

The Affiliation will provide economies of scale for BCBSVT’s operations, reduce pressure on future spending needs, and offer other benefits to BCBSVT. Those benefits, which will only be available to BCBSVT through the Affiliation, may enable BCBSVT to offer more insurance products long-term than it currently does or otherwise would be able to do so. Regarding ASO accounts, where competition tends to be from national for-profit health plans, reducing pressure on technology spending and expanding available features will allow BCBSVT to more effectively compete. Acquiring and retaining ASO customers, although generally not high margin, can significantly reduce pressure on certain fixed costs at BCBSVT by expanding the number of lives over which such costs can be charged, which benefits BCBSVT’s fully insured subscribers. This expanded access to higher quality and less expensive technology will make BCBSVT more competitive and improve its ability to effectively compete in all lines of business. Such an end result of the Affiliation would actually increase competition in the State’s insurance market long-term and expand opportunities for quality health insurance and positive health outcomes for BCBSVT subscribers.

Following the Affiliation, BCBSVT would continue to seek Blue-branded subscribers only in the State. This transaction will increase the ability of BCBSVT to offer more tools to subscribers

⁶ BCBSVT and BCBSM currently indirectly control 49% and 51%, respectively, of the voting securities of VBA. As the majority owner of VBA, VBA’s Vermont direct written premium is attributed to BCBSM’s health insurance group. VBA is the only company included in BCBSM’s health insurance group that reported any direct written premium in Vermont in 2022.

and clients, and with a lower-cost structure, maintain these and previous benefits at a minimum cost to grow membership in all lines of business.

(3) whether the financial condition of any acquiring or acquired party is such as might jeopardize the financial stability of the corporation, or prejudice the interest of its subscribers;

The Affiliation will improve, and in no way jeopardize, BCBSVT's financial stability, by accelerating the recovery of BCBSVT's risk-based capital ("RBC") back to the DFR-ordered RBC range. The effect of the Affiliation on BCBSVT's financial condition is illustrated in the confidential financial projections for BCBSVT, which will be filed confidentially with the DFR once available promptly following the filing of this Application. Without the Affiliation, when considering necessary IT spend, not currently reflected in market pricing, it is not projected that BCBSVT would reach the target RBC range in the next five (5) years. When considering options, BCBSVT explored outsourcing its IT functions but determined that action would not be optimal for various reasons, including that it would be cost-prohibitive.

The significant value that BCBSVT will realize from the Affiliation will give BCBSVT the strength and support that it needs to deliver on the fundamental purpose for which it was founded and has operated for its forty-three (43) year history: operating for the benefit of subscribers. The Affiliation will also position BCBSVT to benefit the State by enhancing its ability to deliver on its mission and vision. The BCBSVT mission is committed to the health of Vermonters, outstanding subscriber experiences and responsible cost management for all the people whose lives we touch, and its vision is that together we can build a transformed health care system in which every Vermonter has health care coverage, and receives timely, effective, affordable care. Examples of such benefits to BCBSVT mission and vision include ensuring continued access to quality care through enhanced digital and self-service capabilities to supplement BCBSVT's continued emphasis on subscriber and customer experience, pharmacy benefit savings to enable affordable care to subscribers and employers, and mature technology infrastructure that BCBSVT can leverage to accelerate progress towards its health care reform priorities, thereby advancing BCBSVT's vision to build a transformed health care system.

In addition, in connection with the Form A, the DFR will receive copies of the historical financial statements of BCBSM for the past five years, which information is hereby incorporated by reference herein. Such financial statements demonstrate that BCBSM is a well-capitalized company, with total net admitted assets in excess of \$10 billion and unassigned funds (surplus) in excess of \$6.4 billion, in each case, as of December 31, 2022. As such, the financial condition of BCBSM will not jeopardize the financial stability of BCBSVT or prejudice the interest of its subscribers.

The Affiliation would not provide BCBSM an economic interest in BCBSVT; similarly, BCBSVT would not have an economic interest in BCBSM. Additionally, neither party would have access to the capital or surplus of the other. Specifically, BCBSM will not fund BCBSVT's operations, subsidize BCBSVT plan premiums, or impact rate-setting for BCBSVT. Likewise, BCBSVT will not be required to support BCBSM financially. This means that any future (though unanticipated) financial challenges of BCBSM will not negatively impact BCBSVT's finances.

BCBSVT policyholder reserves will, at all times, remain under control of BCBSVT and be held and/or invested for the benefit of BCBSVT subscribers. That separation of finances also ensures that the State and BCBSVT subscribers will benefit from the Affiliation, and that such benefits will not be repatriated to the State of Michigan or its residents.

Following the Affiliation, BCBSM and BCBSVT will jointly comply with the BCBSA's minimum RBC requirements for controlled affiliates, but neither party will otherwise have any obligation related to contributing capital, or entering into keep-well or capital maintenance arrangements or maintaining certain RBC levels, in each case, with respect to the other party. Separately, BCBSVT will remain responsible for compliance with, and will continue to target, RBC in the range ordered by the DFR in support of Vermont member reserves and will continue to require fully funded premium rates in support of financial solvency in Vermont.

A key component supporting Affiliation value is BCBSM's commitment to paying for the costs of transitioning BCBSVT to BCBSM technology. Pursuant to the Affiliation Agreement, BCBSVT will pay for enhancement costs (essentially the cost of any changes, customizations or upgrades that need to be developed specifically for BCBSVT), but unlike with a third-party vendor, BCBSVT will not compensate BCBSM for the transition costs themselves. The Integration Office, jointly staffed by BCBSVT and BCBSM, will develop the integration plan to achieve "affiliation value" (as defined in the Affiliation Agreement) by, among other things, balancing the needs of Vermont subscribers against the costs and transition impacts to the market and employees.

Except as disclosed above, the only funds which are anticipated to flow from BCBSVT to BCBSM as a result of the Affiliation will be the fair and reasonable fees for technology and other services that BCBSM will provide and the aforementioned enhancement costs, as applicable. The parties will obtain all required insurance regulatory approvals prior to effecting those arrangements, and no fees for technology will be charged by BCBSM to BCBSVT until the applicable intercompany agreements have been filed and approved. Any payments for services or products under intercompany agreements between BCBSM or its affiliates, on the one hand, and BCBSVT or its affiliates, on the other hand, will be fair, reasonable and arms' length. Further, any passthrough or other costs that may be accrued and paid for by BCBSM and/or its affiliates will be apportioned to BCBSVT based on appropriate methods of measurement and allocation based on actual cost to BCBSM (as will be detailed in the applicable intercompany agreements, which will be submitted to the DFR for requisite approval (or non-disapproval)). BCBSVT already pays such fees to third parties, and spending on these fees is projected to decrease as a result of the Affiliation because of the resources that BCBSM and its affiliates can provide directly and its relationships and resulting economies of scale with unrelated third-party vendors. The fees are also subject to review and regulation by the DFR, which will prevent their causing a negative impact on the financial stability of BCBSVT.

While savings projections developed by both parties show significant value for BCBSVT, both in the near-term and the long-term, BCBSM has demonstrated its commitment to alignment on value drivers with a guarantee that the Affiliation will save BCBSVT money. If BCBSVT does not save \$10 million within three (3) years of the Closing, BCBSM will pay BCBSVT the difference between that minimum savings ("Benchmark Measurement of Value Realized")

guarantee and the amount which BCBSVT actually saved over the specified time period. Additional detail on the areas of potential cost savings is available in the Form A. This savings guarantee provides valuable assurance that the Affiliation will benefit BCBSVT subscribers as intended. Based on financial modeling, BCBSVT and BCBSM both believe that savings minimum to be a conservative target of estimated savings. The greater financial savings BCBSVT is expected to realize would provide BCBSVT with increased opportunity to continue developing ever-greater benefit to BCBSVT subscribers and compete more effectively to support long term sustainability.

The Affiliation will improve, not harm or jeopardize, BCBSVT's financial long-term sustainability. The Affiliation will result in improved technology and systems available to BCBSVT and, in turn, its subscribers and providers, which will directly benefit BCBSVT subscribers, providers, and BCBSVT, as well as the State, by improving the quality and competitiveness of BCBSVT's insurance and service offerings.

Perhaps more importantly, absent the benefits of the Affiliation, BCBSVT's financial stability may be insufficient to support its mission. The 2023-2025 Strategic Plan, filed as part of BCBSVT's Enterprise Risk Management (ERM) filing in March 2023, illustrates this point. As noted therein, in the face of continuing financial, technology, and competitive concerns, BCBSVT may need to consider tradeoffs between the way it currently operates and its existing vision and mission. The Board has directed management to consider whether, if the Affiliation does not occur, it will be necessary to reduce and repurpose resources away from health care reform and population management goals, in order to ensure core business is viable. The Affiliation will help ensure that BCBSVT can continue to pursue its mission to "work with other stakeholders to strengthen Vermont's health care system to meet the population's need for access to high-quality, affordable health care." Likewise, the Affiliation will support BCBSVT's efforts in pursuit of its vision of "a transformed health care system in which every Vermonter has health care coverage, and receives timely, effective, affordable care."

(4) whether the transaction contemplates the liquidation of the corporation or any other material change in its business or corporate structure or management that would be unfair or unreasonable to its subscribers or not in the public interest;

Neither BCBSM nor BCBSVT intends to liquidate BCBSVT. Neither BCBSM nor BCBSVT intends to make any material change in BCBSVT's business or corporate structure or management that would be unfair or unreasonable to BCBSVT's subscribers or not in the public interest. A discussion of BCBSM's future plans for BCBSVT is included in Item 5 of the Form A, which is hereby incorporated by reference herein.

The Affiliation will strengthen BCBSVT and enhance its ability to benefit its subscribers, without sacrificing the local focus and local presence of BCBSVT. BCBSVT's network, benefits, coverage decisions, and other matters that affect the quality of care for BCBSVT subscribers, the strength and stability of its provider network, and otherwise benefit from local knowledge and presence will all remain locally-driven. BCBSM and BCBSVT intend to keep BCBSVT's provider relations, customer service operations and call center and most corporate functions, such as regulatory relations, in Vermont. BCBSVT's commercial business will continue to operate in

the State with a strong local presence as today, and BCBSVT's directors and executive officers will retain decision rights over many local matters.

Following the Closing, BCBSVT will continue to maintain its separate corporate existence and substantially continue its operations as currently conducted. No plans currently exist to make material staff reductions, or undertake any office closures, that would affect BCBSVT. Both parties agree that headcount reduction is not a driver of savings.

There will be continuity of management at BCBSVT. The current President and CEO, who has worked for BCBSVT for thirty (30) years and led BCBSVT for fourteen (14) of those years, will remain at the helm of BCBSVT as CEO and President, continuing to guide BCBSVT in the direction that best serves the interests of BCBSVT subscribers. BCBSM and BCBSVT do not anticipate any changes to management nor the incumbents' roles at BCBSVT following the Affiliation.

Ensuring the long-term stability and competitiveness of BCBSVT will benefit the public interest by maintaining high-quality, local health insurance options for BCBSVT subscribers and other residents of the State. The Affiliation is also expected to provide direct benefits to BCBSVT subscribers, ranging from new, market-competitive technology, such as a mobile app, to greater financial stability that will allow BCBSVT to improve and expand its subscriber offerings, as well as other benefits outlined in the Form A as drivers of affiliation value. Many of the digital tools are focused on improving quality and access to care, such as asynchronous care management, medication adherence and wellness journey support. The expanded technological offerings are not intended to replace or supplant the personal, local customer service that is currently available to BCBSVT subscribers, but rather to increase their options and access to affordable health care and insurance.

Fortifying the strength of BCBSVT and potentially increasing its capabilities and offerings as a result of the Affiliation will allow BCBSVT to maintain its employee headcount, and may enable BCBSVT to hire more employees to support its own broadened capabilities and offerings. BCBSM recognizes the value of BCBSVT's workforce, and may also invest in expanding employment opportunities within Vermont to support its operations and that of its affiliates, such as with expanded call center operations. A stronger, more robust BCBSVT could also support job creation by service providers to BCBSVT.

(5) whether the competence, experience, and integrity of those persons who would control the operation of the new entity or the acquiring or acquired party are such that it would not be in the interest of the public to permit the transaction;

The current leadership of BCBSVT, including its executive employees and its Board of Directors, and the BCBSM leaders who are involved in leading the Affiliation, are all committed to maintaining the quality and integrity for which BCBSVT is known. In conjunction with this Application, the DFR will receive the results of background checks, which are being performed by an independent third party, using the rigorous standards set by the NAIC, on each person whom BCBSVT and BCBSM have determined will sit on the post-Closing Board or serve as post-Closing corporate officers of BCBSVT (collectively, the "Future Leaders"). Similarly, in connection with

the Form A, the DFR will receive biographical affidavits of each person who serves as a director or executive officer of BCBSM, regardless of whether or not such individual is also a Future Leader. The NAIC biographical affidavits completed by these individuals have been provided to the DFR to highlight the competence, experience, and integrity of those persons who would control the operation of BCBSVT and BCBSM following the Affiliation. In addition, a discussion of BCBSM's current business operations is included in Item 2(b)(1) of the Form A, which is hereby incorporated by reference herein, and which further demonstrates the competence, experience and integrity of the persons who control the operations of BCBSM.

The majority of the post-Closing Board will be comprised of subscribers, including the President and/or CEO of BCBSVT.⁷ BCBSVT and BCBSM intend to allow seven (7) current BCBSVT directors, all of whom are BCBSVT subscribers, to continue to serve on the post-Closing Board, which will provide stability to the Board and to BCBSVT and help ensure continuity of BCBSVT's mission, values, and local focus. Those current BCBSVT directors have a combined thirty-eight (38) years of service on BCBSVT's Board, giving them critical insight into the needs of BCBSVT subscribers and the State. They have an invaluable understanding of the challenges BCBSVT faces and were integral in settling on this Affiliation as the best solution to securing BCBSVT's ability to continue serving the Vermont market.

None of the persons filling the BCBSVT leadership positions listed below will change as a result of the Affiliation:

- i. President and Chief Executive Officer
- ii. Vice President of Client Relations and External Affairs
- iii. Treasurer and Chief Financial Officer
- iv. Vice President of Consumer Services and Planning
- v. General Counsel
- vi. Chief Medical Officer
- vii. Chief Information Officer and Vice President of Business Technology

Each of the persons filling those roles has valuable experience, including knowledge of BCBSVT, the State, and the needs of subscribers. These current leaders of BCBSVT have also demonstrated integrity and competence during their years of service to BCBSVT, which exceeds over forty-five (45) years combined.

⁷ BCBSVT currently refers to its chief employee as the President and CEO. The title of BCBSVT's leader will be changed to President when the person filling that role changes. BCBSVT and BCBSM do not intend to remove or change BCBSVT's President and CEO upon the Closing.

(6) whether the transaction will promote cost-effective, high-quality health care in the State; and

The Affiliation between BCBSVT and BCBSM will strengthen BCBSVT in significant ways. BCBSM makes over \$250 million in technology-related investments per year, and recently acquired NASCO, a leading technology provider serving the Blues system. By strengthening BCBSVT, this Affiliation will allow it to promote cost-effective, high quality health care in the State more effectively. Item 2(b)(2) of the Form A, which is hereby incorporated by reference herein, includes additional information regarding the benefits of the Affiliation to BCBSVT and its subscribers, including ways that the Affiliation will promote cost-effective, high-quality health care in the State.

6.1 The Affiliation will Promote Cost-Effective, High-Quality Health Care by Enabling BCBSVT to Repurpose Strategic Development Resources.

The Affiliation will reduce future information technology investment pressure for BCBSVT and facilitate BCBSVT's cost-effective access to mature technology, which BCBSVT can leverage to accelerate progress towards its health care reform priorities. That will advance BCBSVT's vision to build a transformed health care system and its population health initiatives, thereby furthering BCBSVT's mission of improving the health of Vermonters.

The Affiliation will enable BCBSVT to leverage BCBSM's scale, allowing for an improved future cost structure and lower new program development costs than that available without the Affiliation. Existing shared vendors will allow BCBSVT to tap into pricing arrangements that take advantage of BCBSM's scale, reducing cost structure. Three identified sources of financial value include administrative cost savings, market growth opportunities and strategic development, and access to more mature technology without the cost of building it or buying it from unaffiliated third parties.

As an affiliate of BCBSM, additional volume discounts applied to BCBSVT volumes are projected to result in significantly reduced NASCO transaction fees. In addition to NASCO, other shared vendors include pharmacy benefit management, payment integrity, claims editing, telehealth, and care management. Although it is premature to estimate the specific savings that might be available by transitioning BCBSVT's service provider contracts to BCBSM's larger scale contracts, it is anticipated that the reduced costs will allow for greater access to tools that will facilitate better access to lower cost, higher quality health care. Lowering the cost structure of BCBSVT's technology expenditures allows BCBSVT to deliver innovative programs more efficiently.

Similarly, the parties plan to adopt the BCBSM enterprise's "One IT" technology operating model that eventually should allow BCBSVT to take advantage of BCBSM's more robust and mature technology, some customer facing, but much of it also internal, such as infrastructure and cybersecurity. Although these technology capabilities are not visible to customers, vital IT infrastructure challenges put pressure on premiums. Reducing this pressure will benefit customers by improving affordability over time. Adopting this model will improve cost efficiency going forward, avoid the high cost of building BCBSVT's own technology capabilities or buying such

capabilities from unaffiliated third parties and enable BCBSVT to benefit from BCBSM's \$200M annual investment in technology.

6.2 The Affiliation Will Improve Access to High-Quality Health Care by Supporting Provider Enablement and Value-Based Capabilities

BCBSM has a robust provider enablement infrastructure and value-based care tools which will facilitate transition away from a fee-for-service payment system including tools which integrate with NASCO and support value-based payment initiatives and subscriber attribution required to support risk-based models. BCBSVT expects that BCBSM will continue to make significant investments to the NASCO platform to continue improving value-based capabilities as the market rapidly evolves. Additionally, BCBSM has developed tools that allow provider data management leveraging NASCO, making it possible for providers to engage in value-based arrangements. Although further analysis is required, it is likely that these features can be extended to BCBSVT in a cost-effective manner. A discussion of BCBSM's additional provider enablement and value-based care capabilities and how they can be leveraged to support the strategic priorities of BCBSVT is set forth in Item 2(b)(1) and Item 2(b)(2) of the Form A, which are hereby incorporated by reference herein.

6.3 The Affiliation will Promote High-Quality Health Care through Improved Subscriber Engagement and Digital Tools

Following the Affiliation, BCBSVT will have access to a more favorable pricing schedule for more robust customer-facing tools to facilitate access through better information. With this Affiliation, BCBSVT will gain lower-cost access to new technology solutions to support subscriber engagement. Currently, BCBSVT has been engaged in a multi-year technology development strategy intended to support subscriber engagement through various enhancements, including allowing subscribers to interact with the plan through the channel they prefer—the phone, the subscriber portal, or the website. BCBSM currently offers a robust suite of subscriber engagement tools with market-leading capabilities, including a subscriber portal with multiple touchpoints such as pop-up messages and texts and a mobile app. A discussion of how BCBSM's subscriber engagement and digital tools can be leveraged to support the strategic priorities of BCBSVT is set forth in Item 2(b)(2) of the Form A, which is hereby incorporated by reference herein.

BCBSM's customer engagement and digital health tools span primary care, preventive care, wellness, and chronic condition and case management. These capabilities are exactly the type of capabilities which have been historically prohibitively expensive and too resource intensive for BCBSVT to successfully offer. To the extent that the Affiliation results in a more favorable pricing schedule for BCBSVT to use these tools, these tools can be deployed to BCBSVT subscribers, enhancing their ability to engage with and navigate their health care system. That said, neither BCBSVT nor BCBSM intends to force subscribers to interact digitally if they prefer to speak to a live human being. BCBSVT will continue to invest in its award-winning local customer service staff after the Affiliation.

Although it will not be immediate, using a phased approach, the jointly-staffed Integration Office that will manage post-Affiliation priorities and transitions will work to identify areas where existing BCBSM customer engagement technology can be deployed in a cost-effective manner with BCBSVT's local customer service team to benefit BCBSVT subscribers. The enhancement of these tools will allow subscribers who are interested in self-service (through the subscriber portal, the website or via automated phone service) to engage with BCBSVT via their preferred means, without sacrificing the option for BCBSVT subscribers who prefer to reach BCBSVT by phone to do so.

Examples of the digitization capabilities discussed for BCBSVT's potential adoption after the Affiliation include the following:

- BCBSM has developed the engine for Next Best Action Recommendation to proactively identify care gaps and recommend follow-up action. One of BCBSM's enterprise goals is to deliver personalized and intuitive experiences for subscribers, and there are ongoing, significant investments to progress its digital roadmap and develop a fully connected engagement ecosystem. This goal is highly aligned with BCBSVT's aspirations, and BCBSM is farther along in its digital innovation and can not only make more sophisticated technology available to BCBSVT for its subscribers' use, but also further accelerate future innovation for BCBSVT subscribers due to the scale of technology investments. BCBSVT has invested significant resources into digital enablement, but progress has been slow, hampered by cost and limited resources.
- BCBSM has developed a virtual assistant chat bot in its subscriber portal that can handle more complex questions than subscribers can currently get answered on the BCBSVT portal. Similarly, BCBSM has a highly-rated mobile app for subscriber service which the plans hope to introduce to the Vermont market.
- BCBSM utilizes a nationwide database which BCBSM care managers leverage to refer subscribers to high-quality community resources. Access to this database will allow BCBSVT care managers to provide better resources to subscribers, particularly those that are out of state. BCBSVT has a small group of subscribers struggling with mental health and substance abuse issues who do not live in Vermont. Access to BCBSM's database may allow BCBSVT to support these subscribers in a more comprehensive fashion, while also leveraging BCBSM's existing pricing and integration.
- BCBSM offers a diabetes management benefit, through an outside vendor, to over one million of its subscribers. That vendor utilizes telehealth (such as health coaching) and smart devices (such as blood glucose meters, blood monitors and other tools) to offer personalized chronic condition management help to subscribers by leveraging smart devices, expert support, and health management strategies. BCBSVT will now have more cost-effective access to this service and hopes to offer it to its Qualified Health Plan population, as well as potentially introducing it in other markets. Providing innovative support for those managing diabetes has long been a focus for BCBSVT and less expensive access to this valuable offering has the potential to improve outcomes for these subscribers.

- Other digital health tools that BCBSM offers which could potentially be deployed by BCBSVT post-Affiliation include a fall prevention program that provides digital balance and training to reduce ER visits, a virtual well-being platform which offers live weekly webinars that cover a variety of mental health topics, and a toolkit for members that includes templates for tracking food intake and activity, health coaching videos, an eating plan and healthy recipes.

6.4 The Affiliation will Promote High-Quality Health Care Through Self-Service Capabilities for Providers, Employees, Employers, and Brokers

Beyond subscriber engagement, BCBSM also offers portals for providers, employers, and brokers with self-service capabilities. BCBSM's provider portal functionality offers a complete hub for provider servicing, including provider operations and data management, value partnerships, clinical transactions (such as gaps in care), care management processes, financial transactions, and provider communications. The self-service capabilities are integrated with provider systems and allow for seamless care planning with the payer-provider care management platform integration.

BCBSVT has improved provider and employer portals that were launched in 2022, but there is room for further enhancements. Provider and broker relations, along with other market-facing functions will continue to be locally-driven. The Integration Office jointly staffed by BCBSVT and BCBSM will work to identify areas where existing BCBSM technology can be deployed in a cost-effective manner to create self-service options for BCBSVT providers and employers (as well as subscribers, as discussed earlier). For example, BCBSM may be able to provide maintenance support and content updates to the provider portal. Further, upon the integration into the BCBSM IT ecosystem, it is anticipated that such tools will be integrated in a way that enhances the customer experience, such as with single sign on capability.

6.5 The Affiliation Will Promote High-Quality Health Care Through Improving Health Equity

An important goal of the Affiliation which would benefit subscribers is providing BCBSVT access to social determinants of health programs that might otherwise be unaffordable for BCBSVT. BCBSM partners with a meal delivery service to offer fourteen (14) days of nutritional, dietitian-designed meals to select subscribers engaged in care management following inpatient discharges. BCBSVT has long examined the possibility of offering such a program, but cost has been a persistent barrier. BCBSVT hopes that by tapping into BCBSM's expertise in introducing a successful program, BCBSVT will be able to overcome these barriers, at least in some markets.

BCBSVT routinely engages in population health campaigns encouraging subscribers and providers to take action to close gaps in care, such as cancer screenings. BCBSM engages in similar campaigns, but with additional scale that allows for a greater volume of such programs, as well as more sophisticated data analytics support. Its robust analytics and enhanced data sets can identify chronic disease prevalence, subscribers who are high risk or clinically complex, and

subscribers who are likely to rise in risk or costs based on early indicators or potential future needs. Following the Affiliation, BCBSVT staff will have cost-effective access to these resources to improve the overall volume and quality of these population health support strategies.

BCBSM has a Health Disparities Action Team and Office of Health and Healthcare Disparities which employs dedicated resources to support a comprehensive health equity strategy. Local BCBSVT staff will have cost-effective access to these resources to expand and enhance current programming aimed at identifying and addressing health disparities in the Vermont health care system, providing valuable opportunities to improve health care access for all.

6.6 The Affiliation will Promote High-Quality Health Care through Improved Infrastructure to Facilitate Health Care Reform

BCBSVT can accelerate health care reform initiatives with more access to technology. The State has expressed interest in the concept of global budgets for hospitals. Although numerous details need to be developed to institute a global budgeting system that works for both payers and providers, the technology required to support some form of capitated payment to hospitals has proven challenging in core NASCO, which BCBSVT currently utilizes. As a result of the Affiliation, BCBSVT may be able to deploy NASCO enhancements developed by BCBSM for minimal cost to BCBSVT, which will greatly facilitate BCBSVT's ability to pay providers in this way.

(7) such other factors as the Commissioner deems relevant to the transaction.

BCBSVT respectfully requests that the Commissioner identify any additional factors which the Commissioner would like addressed in supplements to this Application. On the basis of the information set forth herein, BCBSVT respectfully submits that the Affiliation will advance the general good of the State, and BCBSVT respectfully requests the Commissioner's approval of the Affiliation pursuant to 8 V.S.A. §§ 4523 and 4595.

* * *

A list of all exhibits referenced in this Application is itemized below:

- Exhibit 1 Principal Transaction Agreement (**confidential**)
- Exhibit 2 Amended and Restated Articles of Incorporation of Blue Cross and Blue Shield of Vermont
- Exhibit 3 Amended and Restated Bylaws of Blue Cross and Blue Shield of Vermont
- Exhibit 4 Proposed Board Members
- Exhibit 5 Organizational Structure and Operating Model
- Exhibit 6 Competitive Impact (**confidential**)

SIGNATURE

Blue Cross and Blue Shield of Vermont has caused this Application to be duly signed on its behalf in the City of Berlin and State of Vermont, on the 15th day of May, 2023.

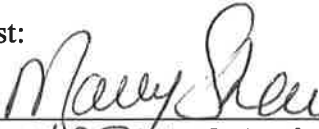
BLUE CROSS AND BLUE SHIELD OF VERMONT

By: 

Name: Don George

Title: President and CEO

Attest:

By: 
Name: MARY SHEA
Title: Executive Assistant

Mary Shea
Notary Public
State of Vermont
Commission Number: 0000833
Commission Expires: 01/31/2025

Exhibit 2

**AMENDED AND RESTATED ARTICLES OF INCORPORATION OF
BLUE CROSS AND BLUE SHIELD OF VERMONT**

[See Attached.]

AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
BLUE CROSS AND BLUE SHIELD OF VERMONT

ARTICLE I

NAME

The name of the Corporation is Blue Cross and Blue Shield of Vermont.

ARTICLE II

DURATION AND FISCAL YEAR END

The period of its duration is perpetual. The fiscal year end of the Corporation shall be December 31 of each year.

ARTICLE III

PRINCIPAL PLACE OF BUSINESS

The street address of the principal place of business of the Corporation in the State of Vermont is 445 Industrial Lane, Berlin, VT 05602.

ARTICLE IV

STATUTORY AGENT

The name and address of the registered agent of the Corporation is Angelina Buzzi, Blue Cross and Blue Shield of Vermont, 445 Industrial Lane, Berlin, VT 05602.

ARTICLE V

MEMBER

Blue Cross Blue Shield of Michigan (“BCBSM” and in its capacity as sole member of the Corporation, the “Sole Member”) shall be the sole member of the Corporation with all rights, privileges and obligations under Chapter 6, Title 11B, Vermont Statutes Annotated or as otherwise provided in these Amended and Restated Articles of Incorporation (the “Articles”) or the Bylaws of the Corporation (the “Bylaws”). BCBSM’s status as the Sole Member will not entitle BCBSM to any economic rights in the Corporation and will not give rise to any liability to pay assessments or similar amounts, except as required by the BCBSA licensee agreement, to or on behalf of the Corporation. Neither BCBSM nor the Corporation shall have access to the capital or surplus of the other party as a result of BCBSM’s status as sole member of the Corporation.

ARTICLE VI

PURPOSES

The Corporation is organized as a mutual benefit corporation for the purposes of establishing, maintaining and operating, pursuant to Chapter 123, Title 8, Vermont Statutes Annotated, a non-profit hospital service plan operated for the benefit of subscribers and, pursuant to Chapter 125, Title 8, Vermont Statutes Annotated, a medical service plan in the State of Vermont and to do all the things authorized by, and have the privileges and be subject to the provisions of, Chapters 123 and 125 of Title 8 and Title 11B of Vermont Statutes Annotated.

The Corporation shall have no capital stock. Voting power of the Corporation shall be vested exclusively in the Sole Member as set forth in the Bylaws. The Corporation is not organized for profit and shall operate exclusively for the benefit of the subscribers and participants of the Corporation's plans.

ARTICLE VII

DIRECTORS

The governing body of the Corporation is the Board of Directors, which shall be elected annually by the existing directors, and shall be composed of not fewer than three (3) natural persons who are at least 18 years of age, provided that the makeup of the Board of Directors shall, at all times, satisfy all statutory requirements and requirements of the Bylaws related thereto. The exact number of directors shall be fixed by the Bylaws. Their terms and the manner of their election shall be as provided in the Bylaws, and each director shall serve until said director's successor is elected and qualified or until said director's earlier resignation or removal as provided in the Corporation's Bylaws. The Board of Directors may make and amend the Bylaws of the Corporation in accordance with the terms and conditions therein, subject to the approval of the Sole Member.

ARTICLE VIII

DISSOLUTION

In the event of dissolution or liquidation of the Corporation, its assets, after provision for payment of debts and satisfaction of its obligations to subscribers and third parties, shall be distributed in an equitable manner for one or more exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, or the corresponding section of any future federal tax code, or to the federal government or a state government for a public purpose, as approved by its Board of Directors, subject to approval of the Commissioner of the Department of Financial Regulation and/or a court of competent jurisdiction and in accordance with the laws of the State of Vermont. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which the principal office of the Corporation is then located, exclusively for such exempt purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such exempt purposes. In no event shall any proceeds be distributed to the Sole Member.

ARTICLE IX

AMENDMENT

These Articles may be amended at any meeting of the Board of Directors by the affirmative vote of a majority of the Directors present, in person or by proxy, at a meeting at which a quorum of Directors is present, subject to the approval of the Sole Member.

ARTICLE X

SPECIAL PROVISIONS

1. Actions required or permitted by Vermont law to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all of the board seats entitled to vote on the action. Each action so approved must be evidenced by one or more written consents describing the action taken for inclusion in minutes or filing with corporate records.

2. No director or officer of the Corporation shall be liable to the Corporation for money damages for any action taken or any failure to take any action, solely as a director or officer, based on a failure to discharge such director's or officer's duties in accordance with the provisions of Section 8.51 of Title 11B, Vermont Statutes Annotated, except liability for:

- (a) improper personal benefit to a director or officer to which such director or officer is not entitled;
- (b) an intentional or reckless infliction of harm on the Corporation;
- (c) a violation of Section 8.33, Title 11B, Vermont Statutes Annotated; or
- (d) an intentional or reckless criminal act.

[Signature Page Follows]

Executed this [●] day of [●], 2023.

Duly Authorized Agent

CERTIFICATE TO ACCOMPANY THE AMENDED AND RESTATED ARTICLES OF INCORPORATION OF BLUE CROSS AND BLUE SHIELD OF VERMONT

Pursuant to Section 10.06, Title 11B, Vermont Statutes Annotated, Blue Cross and Blue Shield of Vermont hereby presents the attached Amended and Restated Articles of Incorporation and certifies as follows:

ARTICLE I

The name of the corporation is Blue Cross and Blue Shield of Vermont.

ARTICLE II

The Amended and Restated Articles of Incorporation attached hereto contain amendments to the Articles of Association of the Corporation, as amended, which require approval by the Corporation's Board of Directors. The Board of Directors adopted the Amended and Restated Articles of Incorporation by unanimous written consent in lieu of meeting dated as of [●] date of [●], 2023, which was sufficient for approval. The amendments are set forth in full in the attached Amended and Restated Articles of Incorporation.

ARTICLE III

The Amended and Restated Articles of Incorporation do not require approval by any other person.

ARTICLE IV

The Amended and Restated Articles of Incorporation shall take effect upon their filings with the Vermont Secretary of State.

Dated as of this [●] date of [●], 2023.

Secretary, Blue Cross and Blue
Shield of Vermont

Exhibit 3

**AMENDED AND RESTATED BYLAWS OF
BLUE CROSS AND BLUE SHIELD OF VERMONT**

[See Attached.]

AMENDED AND RESTATED BYLAWS OF

BLUE CROSS AND BLUE SHIELD OF VERMONT

EFFECTIVE AS OF [DATE]

TABLE OF CONTENTS

	Page
Chapter 1 DEFINITIONS	1
Chapter 2 SOLE MEMBER.....	2
201. Sole Member Defined.	2
202. Reserve Rights of the Member.	2
203. Annual Meeting of Sole Member.	3
204. Informal Action by Sole Member.	3
Chapter 3 BOARD OF DIRECTORS.....	3
301. Duties and Authority.....	3
302. Number and Qualifications.....	3
303. Election and Term of Directors.....	4
304. Voting.	5
305. Vacancies.	5
306. Meetings; Chairpersons and Vice Chairpersons.	5
307. Waiver of Notice.....	6
308. Quorum.	6
309. Committees.	6
310. Executive and Compensation Committee.....	7
311. Audit Committee.....	8
312. Governance and Nominating Committee.....	8
313. Finance Committee.	9
314. Advisory Committees.	9
315. Informal Action.....	9
316. Video or Telephonic Meetings.....	10
317. Conflict of Interest.	10
Chapter 4 OFFICERS	10
401. Officers.	10
402. Qualifications of Officers.	11
403. Chief Executive Officer or President.....	11
404. Vice-Presidents.	11
405. Treasurer.	11
406. Secretary and Assistant Secretary.....	12
Chapter 5 GENERAL PROVISIONS.....	12

501.	Bonds.	12
502.	Negotiable Instruments.	12
503.	Seal.....	12
504.	Fiscal Year.	12
505.	Principal Place of Business.	12
506.	Indemnification of Directors, Officers.....	13
507.	Amendments.	13

Schedules

Schedule A Schedule of Staggered Terms

Chapter 1

DEFINITIONS

“**Articles of Incorporation**” means the Amended and Restated Articles of Incorporation of the Corporation, as the same may be amended from time to time.

“**BCBSA**” means Blue Cross Blue Shield Association.

“**BCBSM**” means Blue Cross Blue Shield of Michigan Mutual Insurance Company, and its successor, the sole member of the Corporation (as defined below).

“**Board**” means the Board of Directors of the Corporation.

“**Bylaws**” means this governing document of the Corporation, as they may be amended from time to time.

“**Corporation**” means Blue Cross and Blue Shield of Vermont.

“**Director**” means any individually authorized to and seated on the Board.

“**Effective Date**” means [DATE].

“**Member Board Appointees**” shall have the meaning specified in Section 302.

“**Participating Provider**” means a Provider under contract with the Corporation to provide health care, drugs, medical supplies, services and/or devices to a Subscriber.

“**Provider**” means (a) any person who is or has been licensed to practice healing arts, (b) hospitals and like health care facilities, (c) any supplier of drugs, medical supplies, services and/or devices and (d) any person who is an owner of five percent (5%) or more of any of the foregoing, as well as a director, officer, trustee or employee of a of any of the foregoing, or of any professional or trade association comprised of providers of any of the foregoing.

“**Provider Director**” means any person who is a Director of this Corporation and who is a Provider.

“**Public Director**” means a Director of this Corporation who is a member of the public. A “member of the public” shall mean, without any further limitations, any individual who is not: (a) a Provider or the spouse of a Provider; (b) an ex officio Director; or (c) a member of management of either BCBSVT or BCBSM.

“**Sole Member**” shall have the meaning specified in Section 201.

“**Subscriber**” means any person enrolled as a subscriber or a member in a health service plan of the Corporation or one of its subsidiaries.

Chapter 2

SOLE MEMBER

201. Sole Member Defined.

BCBSM shall be the sole member of the Corporation (the “Sole Member”), thereby affording BCBSM with all rights, privileges and obligations of a member under Chapter 6, Title 11B, Vermont Statutes Annotated or otherwise provided for herein.

202. Reserve Rights of the Member.

Notwithstanding anything in these Bylaws to the contrary, subject to requirements of applicable law, the following actions relating to the Corporation and its business shall not be taken without the prior written approval of the Sole Member:

(a) Entering into, or agreeing to enter into any transaction or series of transactions that would constitute (i) a change of control of the Corporation, (ii) a sale or acquisitions of any subsidiaries of the Corporation, (iii) a merger, consolidation or other reorganization transaction involving the Corporation, (iv) a sale of all or substantially all of the assets of (A) the Corporation or (B) any of its subsidiaries, (v) an acquisition of any material business whether by purchase of stock, assets or otherwise or (vi) a transaction or series of transactions that are substantially similar to the foregoing, including any other transaction that may impact the Corporation’s risk based capital;

(b) Entering into, or agreeing to enter into, any transactions that require any joint investment or other obligation on the part of BCBSM;

(c) Initiating or resolving any material disputes or entering into any agreement with governmental authorities or regulators that would have a material adverse impact on the Corporation or BCBSM or their affiliates or their respective businesses or that could limit or impose requirements on the manner in which any of the foregoing is permitted or able to conduct its business;

(d) Initiating or resolving any material disputes or agreements with the BCBSA;

(e) Adopting any changes to the mission, strategy, organizational documents, organizational form, nonprofit status, governance, membership or board size, structure, or composition of the Corporation or any of its subsidiaries;

(f) Dissolving, liquidating or voluntarily entering into any bankruptcy, rehabilitation or similar proceedings with respect to the Corporation or any of its subsidiaries;

(g) Entering into any material financial transactions for which amounts are paid or payable by any person in excess of ten percent (10%) of the Corporation’s surplus;

(h) Exiting from or entering into any new line of business;

- (i) Issuing any membership interest or other voting or economic rights of the Corporation;
- (j) Adopting annual budgets and five-year capital plans of the Corporation; and
- (k) Engaging in any other matters with respect to which approval rights are afforded to members by BCBSA rules or applicable law.

203. Annual Meeting of Sole Member.

The annual meeting of the Sole Member shall be held annually on [●] or on such other date specifically set forth in the notice of meeting with the change in time being duly noted. The annual meeting may be held within or outside of the State of Vermont.

204. Informal Action by Sole Member.

Any action required or permitted to be taken by the Sole Member may be taken without a meeting (including the annual meeting), without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by an authorized officer of the Sole Member and delivered to the Secretary of the Corporation.

Chapter 3

BOARD OF DIRECTORS

301. Duties and Authority.

Except as otherwise expressly provided in this Agreement, the powers of the Corporation shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of the Board. The Board shall have the exclusive right to manage and control the business and affairs of the Corporation, subject to any provision of the Title 8, Chapters 123 and 125 and Title 11B, Vermont Statutes Annotated, the Articles of Incorporation, or other provisions contained herein specifically requiring the approval of the Sole Member (including Section 202). The Board shall have the right to perform all actions necessary, convenient or incidental to the accomplishment of the purposes and authorized acts of the Corporation, and the Board, acting as a body pursuant to these Bylaws; provided, however, that no individual Director shall have the authority or right to act for or bind the Company without the requisite consent of the Board and, if required hereunder, the Sole Member.

302. Number and Qualifications.

The Corporation shall have twelve (12) Directors, or such other number as may be determined by the Board and BCBSM, as sole member of the Corporation, from time to time. For so long as BCBSM is the Sole Member of the Corporation, the Board shall be comprised as follows:

(a) At least five (5) Directors shall be individuals who are appointed by the Sole Member (the “Member Board Appointees”), each of whom shall be considered an appointed director for purposes of Section 8.04, Title 11B, Vermont Nonprofit Corporation Act;

(b) At least seven (7) Directors shall be individuals each of whom is any of (i) a Public Director, (ii) a Subscriber or (iii) the Chief Executive Officer or President of the Corporation.

(c) Notwithstanding the foregoing, (i) at least three quarters (3/4) of the Board shall be composed of individuals who are Subscribers or Public Directors; and (ii) a majority of the Directors shall be Subscribers. The remainder may (but need not) be Providers.

(d) Except for the Chief Executive Officer or President of the Corporation, as applicable, and the Member Board Appointees, all Directors shall be elected from those nominated by the Governance and Nominating Committee constituted pursuant to Section 312 of these Bylaws, subject to approval of BCBSM. The Chief Executive Officer or President of the Corporation, as applicable, shall be a Director ex officio with voting powers and all such other powers as granted to Directors.

(e) If any Director, other than for a Member Board Appointee:

(i) becomes disqualified for no longer meeting the qualifications listed in this Section 302, or

(ii) fails, in any twelve (12) month period, to attend the lesser of at least six (6) or seventy-five percent (75%) of the meetings of the Board,

then that person shall automatically cease to be a Director.

Any Director may resign, at any time, by giving notice in writing to the Chairperson of the Board, if any, or the Chief Executive Officer or President, as applicable. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the occurrence of some other event, and, unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective. For the avoidance of doubt, any act taken by such Director prior to resignation or declaration of vacancy shall be valid.

Any Provider Director shall be a Participating Provider at the time of such Provider Director’s initial election to the Board. In the event such Provider Director ceases to be a Participating Provider, he/she/they shall be disqualified as a Director, unless the Board consents to such individual’s continued service as a Director.

The Board may remove any Director from office at any time and for any reason upon a three-fourths (3/4) vote of the Board, subject to the consent of the Sole Member.

303. Election and Term of Directors.

(a) Except for the Chief Executive Officer or President of the Corporation, as applicable, and the Member Board Appointees, Directors of the Corporation shall be elected by the Sole Member from a list of candidates nominated by the Governance and Nominating

Committee and submitted to the Sole Member by the Board, and shall serve until their successors are elected and qualified. The initial terms of all Directors, other than the Member Board Appointees that are Public Directors, shall be for a term as set forth on Schedule A. In the event of a vacancy on the Board (whether due to termination, resignation or otherwise) prior to the expiration of the term applicable to such Director, then such vacancy shall be filled in accordance with Section 305 for the remainder of the applicable term. The persons who are Directors as of the Effective Date, their initial term length and the number of remaining terms, as applicable, are set forth on Schedule A.

(b) Following the initial terms, as set forth above, all Directors, other than the Member Board Appointees and the Chief Executive Officer or President, as applicable, shall be elected for three (3) year terms unless a shorter term is specified at the time of election. No Director shall be eligible for election or service for more than four (4) terms. Notwithstanding the foregoing, the Directors serving immediately prior to the Effective Date shall be eligible for election or service for five (5) terms. Unless otherwise approved by the Board and the Sole Member, the term limits as set forth above shall remain in effect indefinitely, but in any event for a period of no less than five (5) years following the Effective Date. The terms and years served by any individual who was a Director at or prior to the Effective Date shall count toward the limitations of this section.

304. Voting.

Each Director shall have one (1) vote. An affirmative vote of a majority of the Board shall be required for all actions except as otherwise provided for herein.

305. Vacancies.

Any vacancy on the Board (whether due to termination, resignation, expiration of term, death or otherwise) shall be filled by BCBSM; provided, that with respect to a vacancy of a Director other than a Member Board Appointee, the Board, based on the recommendation of the Governance and Nominating Committee, shall nominate one or more individuals to fill such vacancy, which nominees shall be submitted to the Sole Member for approval.

306. Meetings; Chairpersons and Vice Chairpersons.

(a) Meetings of the Board shall be upon the call of the Chairperson, the Chief Executive Officer or President, as applicable, or a majority of the Directors. Regular meetings of the Board shall be held according to a schedule established by the Board.

(b) Meetings of any committee shall be called by the Chairperson of the Board, the Chief Executive Officer or President, as applicable, the Chairperson of that committee or by a majority of the members of such committee.

(c) Notice of the time, place and purposes of all meetings of the Board or committees shall be given at least five (5) days before the meeting to each member of the Board or applicable committees either in person, by mail, by electronic mail or by telephone by the Secretary at the Director's last known mailing or electronic mail address or telephone number, as applicable as kept by the Secretary, except as provided herein. In the case of any meeting called

by the Chief Executive Officer or President, as applicable, or Chairperson, notice of the meeting may be given by that person, who shall be deemed to be secretary for that purpose, in which case notice shall be simultaneously filed with the Secretary. If a meeting is called by the majority of the Directors, they shall file notice of the meeting with the Secretary at least five (5) days before the meeting, and the Secretary shall provide at least three (3) days' notice to the entire Board or the committee as provided herein. Meetings may be within or without the State of Vermont.

(d) When in attendance, the Chairperson shall preside at all meetings of the Board and its Executive Committee. When the Chairperson is not present, the Vice-Chairperson shall serve. If neither the Chairperson nor Vice-Chairperson is present, a moderator shall be chosen from among those present.

(e) The Chairperson and Vice-Chairperson shall be elected from among the Public Directors at the annual meeting of Directors, subject to the consent of the Sole Member.

307. Waiver of Notice.

A Director may waive in writing notice of any meeting of the Board or of one of its committees, either before or after the meeting. Attendance of a Director at a meeting shall constitute waiver of notice of that meeting unless such Director attends for the express purpose of objecting to the transaction of business because the meeting was not lawfully called or convened, and the Director voices such objection at the meeting, and does not vote in or otherwise participate in the meeting.

308. Quorum.

(a) Board of Directors Meetings.

A quorum for the transaction of business by the Board shall consist of a majority of Directors then holding office, including at least two (2) Member Board Appointees, at least one of whom is an officer of BCBSM (to the extent that an officer of BCBSM is serving on the Board at such time), exclusive of recused or disqualified Directors. If such BCBSM officer is not present at the meeting of the Board, then the applicable meeting will be postponed; provided that if such BCBSM officer fails to be present at the next meeting of the Board notwithstanding delivery of notice in accordance with Section 306(c), then such BCBSM officer will be deemed to be present for the purposes of determining whether the quorum requirements are satisfied.

(b) Committee Meetings.

A quorum for the transaction of business by the committees shall consist of a majority of Directors on such committee, exclusive of recused or disqualified Directors.

309. Committees.

(a) Standing Committees.

The standing committees shall include the following committees, and such other committees as are established by the Board from time to time:

- (1) **Executive and Compensation Committee**
- (2) **Audit Committee**
- (3) **Governance and Nominating Committee**
- (4) **Finance Committee**

To the extent consistent with these Bylaws, the members of the standing committees, and their Chairpersons, shall be nominated from among the current Directors and appointed by the Chairperson of the Board, subject to the prior written approval of the Sole Member. In addition to the approval of the Sole Member as described in the immediately preceding sentence, all committee appointees shall be subject to approval by the Board. In making such appointments, the Chairperson shall give due consideration to the interests, education, experience and expertise of appointees. Each committee shall include at least one (1) Member Board Appointee. The Chairperson shall appoint such committee members, and their Chairpersons, as soon as practicable after the annual meeting of the Board. Standing committees may make their own rules, consistent with these Bylaws, for the holding and conduct of their meetings. Vacancies shall be filled by the Chairperson of the Board, subject to approval by the Sole Member.

(b) **Other Committees.**

The Chairperson of the Board may, from time to time, with the approval of the Board, form other committees with such responsibilities and authority as may be delegated by the Board and appoint current Directors as members and Chairpersons thereof, subject to the prior written approval of the Sole Member.

(c) The committees shall keep and maintain minutes of their meetings and shall, from time to time but in any event no less than annually, submit such minutes to the Board along with such other materials or reports requested by the Board.

310. Executive and Compensation Committee.

(a) **Number and qualifications.**

The Executive and Compensation Committee shall consist of no fewer than four (4) Directors including the Chairperson or Vice-Chairperson of the Board. Provider Directors shall not comprise a majority of the Executive Committee. The Chairperson of the Board shall serve as Chairperson of the Executive and Compensation Committee.

(b) **Powers and duties.**

The Executive and Compensation Committee may, between regular meetings of the Board, act in the stead of the Board if circumstances arise which must be resolved prior to the next regularly scheduled Board meeting and with respect to which it is not reasonable to attempt to schedule a special Board meeting either in person or through remote telecommunications. The foregoing authority shall be exercised in rare circumstances, and only when the Chairperson or Vice-Chairperson of the Board reasonably determines that it will be impossible to obtain a quorum

of the Board in a timely manner. Said authority shall include general authority to manage the affairs of the Corporation including authority to authorize purchases, sales, offers, conveyances, transfers, bank deposits, and negotiable instruments; and to settle claims for and against the Corporation. Excepted from this authority are the following: any transaction involving all or substantially all of the assets of the Corporation; amendment of the Articles of Incorporation or these Bylaws; election of officers or Directors; and any other matter expressly reserved to the full Board by law or Board resolution.

The Executive and Compensation Committee shall have the authority to review compensation for all officers and Directors and to recommend for approval to the Board compensation of Directors and all officers, including the Chief Executive Officer or President, as applicable. The Executive and Compensation Committee shall: conduct periodic performance evaluations of the Chief Executive Officer or President, as applicable; review and approve the incentive compensation plan for the Corporation; and periodically review the performance of the qualified pension plans of the Corporation.

The Executive and Compensation Committee shall report its actions at the next meeting of the Board.

311. Audit Committee.

(a) Number and qualifications.

The Audit Directors shall consist of no less than three (3) members. At least one (1) member of the Audit Committee must have relevant financial experience. Provider Directors shall not comprise a majority of the Audit Committee.

(b) Powers and duties.

The Audit Committee shall assist the Board in fulfilling its responsibility to oversee management's conduct of the financial reporting process. In so doing it shall evaluate and recommend the retention, compensation, and if necessary, replacement of the independent financial audit firm, and shall review the annual independent audit. It shall review the internal audit work plan, and shall monitor results of the plan and corrective actions, if any. It shall also oversee legal compliance and ethics programs of the Corporation.

312. Governance and Nominating Committee.

(a) Number and Qualifications.

The Governance and Nominating Committee shall consist of not more than six (6) nor fewer than four (4) members. Provider Directors shall not comprise a majority of the Governance and Nominating Committee.

(b) **Powers and duties.**

Annually or as otherwise directed by the Board, the Governance and Nominating Committee shall nominate one or more qualified persons for the positions of Chairperson and Vice-Chairperson, and for each vacancy on the Board to be approved by the Sole Member. The Governance and Nominating Committee shall also nominate qualified persons to represent the Corporation on the boards of other entities that may be affiliated with the Corporation. The Governance and Nominating Committee shall have the power to consider, and to propose to the Board for its approval, amendments or revisions to the Bylaws. Each nomination or recommendation by the Governance and Nominating Committee shall be subject to approval by Board and the Sole Member to the extent required herein.

313. **Finance Committee.**

(a) **Number and Qualifications.**

The Finance Committee shall consist of a minimum of three (3) members. The Chairperson of the Audit Committee, or another Director designated by said Chairperson, shall be included as a member of the Finance Committee.

(b) **Powers and duties.**

The Finance Committee shall advise and assist the Board with respect to the financial and investment policies and objectives of the Corporation. The Finance Committee's primary duties and responsibilities are to: (i) monitor the Corporation's investment policies and performance; (ii) review and evaluate proposed capital projects and other major investments; (iii) review the annual financial forecast and administrative expense budget, and any subsequent changes proposed by management, and (iv) periodically review the Corporation's financial results to date compared with the results forecasted in the approved business plan.

314. **Advisory Committees.**

The Chairperson, Chief Executive Officer or President, as applicable, or Chairperson of a standing committee may, from time to time, with the approval of the Board, form one or more Advisory Committees, which shall be distinct from the Board committees authorized by Sections 309 to 313 of these Bylaws and shall be charged with advising the Corporation on matters of concern to it. Members of the Board may sit on Advisory Committees, but members of the Advisory Committees need not be Directors. Upon invitation, Advisory Committees or members thereof may attend meetings of the Board but will not be entitled to vote at such meetings. The voting prohibition will not apply to a Director who is a member of the Advisory Committee.

315. **Informal Action.**

If all of the Directors, or all the members of any committee thereof, consent in writing to any action taken or to be taken by the Corporation and the written consent is inserted in the minute book of the Corporation, the action shall be as valid as though it had been authorized at a meeting of the Board.

316. Telephonic Meetings.

The Board or any committee thereof, may hold a meeting by means of video, telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting. Any Director may request participation in any meeting (including any meeting scheduled as an in person meeting) by remote attendance.

317. Conflict of Interest.

(a) Conflict of Interest Policy.

Each Director shall comply with the Conflict of Interest Policy of the Corporation in effect from time to time. Each Director shall file a signed Conflict of Interest Statement, in the form last approved by the Board, with the Corporate Secretary concurrent with being seated on the Board and prior to May 1 of each year.

(b) Recusal by Director.

At any time that it becomes apparent to a Director that a matter is coming, or is likely to come, under consideration by the Board in which she/he/they has an interest which is, or may be, or may create the appearance of a conflict with the interests of the Corporation, such Director will disclose such actual or potential conflict to the Board and provide all information reasonably requested by the Board in connection with such actual or potential conflict and will absent her/him/themself during any Board consideration or take such other actions as are appropriate given the nature of the actual or potential conflict and the potential Board action.

A Director shall also recuse him/her/themself at any point when a conflict of interest exists with respect to such Director in accordance with the terms of the Conflict of Interest Policy.

(c) Recusal of Director by Chairperson.

If it becomes apparent that a matter is coming, or is likely to come, under consideration by the Board in which a Director has an interest which is, or may be, in conflict with the interests of the Corporation and the Director fails or refuses to act consistently with subsection (b) above, then the Chairperson or acting Chairperson may require such Director to absent her/him/themself or to take other appropriate action.

Chapter 4

OFFICERS

401. Officers.

The officers of the Corporation shall be the Chief Executive Officer or President, as applicable, one or more Vice-Presidents, a Treasurer, a Secretary, and an Assistant Secretary.

402. **Qualifications of Officers.**

Officers of the Corporation need not be members of the Board.

403. **Chief Executive Officer or President.**

The Chief Executive Officer of the Corporation as of the Effective Date shall be the President and Chief Executive Officer until his retirement, resignation or termination. From and after such retirement, resignation or termination, as applicable, the Corporation shall no longer have a Chief Executive Officer. The Corporation's principal officer shall thereafter be its President. The Board may remove the Chief Executive Officer or President, as applicable, by the affirmative vote of a majority of Directors then in office, subject to the written consent of the Sole Member. The Sole Member may remove the Chief Executive Officer or President as applicable, by delivering written notice thereof to the Board with concurrent notice to the Chief Executive Officer or President. The Sole Member and the Board shall cooperate to determine the appropriate process for determining the requirements of any candidate to become the President and identifying candidates for President. Once determined, the Board will nominate a candidate to become the President, which candidate will be subject to the approval of the Sole Member.

The Chief Executive Officer or President, as applicable, shall be responsible for the Corporation's general management with the power to make and execute contracts in the ordinary course of business and to delegate such authority. In the name of the Corporation, and as and when authorized by the Board, the Chief Executive Officer or President, as applicable, shall execute all deeds, mortgages, bonds, and other similar obligations or instruments. The Chief Executive Officer or President, as applicable, shall report to the Chief Executive Officer of BCBSM or his or her or their designee and to the Board.

404. **Vice-Presidents.**

From time to time, the Chief Executive Officer or President, as applicable, may appoint "Acting Vice-Presidents" who shall be confirmed by the Board as "Vice-Presidents." They shall exercise the powers delegated to them by the Chief Executive Officer or President, as applicable, or by the Board at the pleasure of the Chief Executive Officer or President, as applicable. They shall serve at the pleasure of the Chief Executive Officer or President, as applicable, and may be removed with or without cause.

405. **Treasurer.**

The Treasurer shall have the general supervision over the care and custody of the funds and securities of the Corporation and shall deposit the same or cause the same to be deposited in the name of the Corporation in such banks, trust companies, investment accounts, and safe deposit companies as the Board designates; shall keep or cause to be kept full and accurate accounts of all receipts and disbursements of the Corporation; and shall render or cause to render financial statements of the Corporation requested by the Board.

406. Secretary and Assistant Secretary.

The Secretary shall be responsible for the keeping of minutes of all meetings and the notice thereof; and shall be responsible for the custody of the corporate records and seal, as applicable. When neither the Secretary nor the Assistant Secretary is present at any meeting, a Secretary pro tem shall keep minutes of the meeting and promptly forward those minutes to the Secretary who shall insert them in the corporate record book. The Secretary shall keep a record of all Directors of the Corporation, designate therein whether they are Public Directors, keep their current mailing addresses and record the date of their election. The Secretary shall make the records of the Corporation available for inspection to Directors. The Secretary and Assistant Secretary will be responsible for the performance of all duties usually incident to the office of Secretary and such duties as may, from time to time, be assigned by the Board or the Chief Executive Officer or President, as applicable. The Assistant Secretary will be responsible for the performance of such duties as may, from time to time, be assigned by the Chief Executive Officer or President, as applicable, or the Secretary, and shall have full power to act as the Secretary in the event that the Secretary is absent or unavailable.

Chapter 5

GENERAL PROVISIONS

501. Bonds.

The Board, at the expense of the Corporation, shall require the Treasurer and may require any other officer or employee to provide the Corporation with fidelity bonds in an amount, in such form, and with such surety as the Board demands.

502. Negotiable Instruments.

All checks, drafts, bills of exchange, notes or other obligations or orders for the payment of monies shall be signed by signature (including electronic signature or facsimile thereof) in the name of the Corporation by such officer or officers, person or persons as the Board may designate.

503. Seal.

The Corporation may, but shall not be required to have an use a corporate seal bearing the name of the Corporation and any such other information which the Corporation may, from time to time, decide to include in the same.

504. Fiscal Year.

The fiscal year of the Corporation shall end on December 31 unless otherwise ordered by the Board.

505. Principal Place of Business.

The principal office of the Corporation shall be located in the Town of Berlin, Vermont or in such other place as the Board shall determine.

506. Indemnification of Directors, Officers.

Each Director and officer serving as such shall be indemnified by the Corporation against any and all claims and liabilities, including all legal fees in defense thereof, resulting because of (a) service as a Director or officer, (b) by reason of any action taken or alleged to have been taken, omitted, or neglected in the role of Director or officer, (c) service as a director or officer of another entity at the request or direction of the Corporation, or (d) by reason of any action taken or alleged to have been taken, omitted, or neglected in the role as director or officer of another entity pursuant to Section 506(c), in each case, except those arising out of willful misconduct or gross negligence; provided, however, that in any dispute between the Corporation and its Directors or its officers in which an officer or Director was or is a party defendant or is threatened to be made a party defendant to any threatened, pending or completed action, suit, or proceeding, by reason of the fact that such individual is or was a Director or officer or is or was a director or officer of another entity at the request or direction of the Corporation, the Corporation shall indemnify him/her/them against expenses (including legal fees) incurred in defense only if such officer or Director ultimately prevails in such action, suit, or proceeding.

507. Amendments.

Subject to the prior written approval of the Sole Member, these Bylaws may be amended at any meeting of the Board by a two-thirds (2/3) vote of those present at any meeting duly warned, by fifteen (15) days written notice, for that purpose, or by unanimous written consent of the Board.

These Amended and Restated Bylaws were adopted by the Board of Directors of the Corporation at a duly warned meeting held on and [●], at which the Board agreed and approved of these Bylaws replacing all prior Bylaws of the Corporation in their entirety.

BLUE CROSS AND BLUE SHIELD OF
VERMONT

By: _____
Name:
Title:

SCHEDULE A

Schedule of Staggered Terms

[SEE ATTACHED].

4876-6111-3173, v. 16.1

Exhibit 4

PROPOSED BOARD MEMBERS

Name	Title
Daniel Loepp	Director
Tricia Keith	Director
Kenneth Dallafior	Director
Linda Forte	Director
Renee Axt	Director
Don C. George	Director
Charles Smith	Director
Scott A. Giles	Director
John B. Kassel	Director
Kate Williams	Director
Jason S. Robart	Director
Robert Miller	Director

Exhibit 5

ORGANIZATIONAL STRUCTURE AND OPERATING MODEL

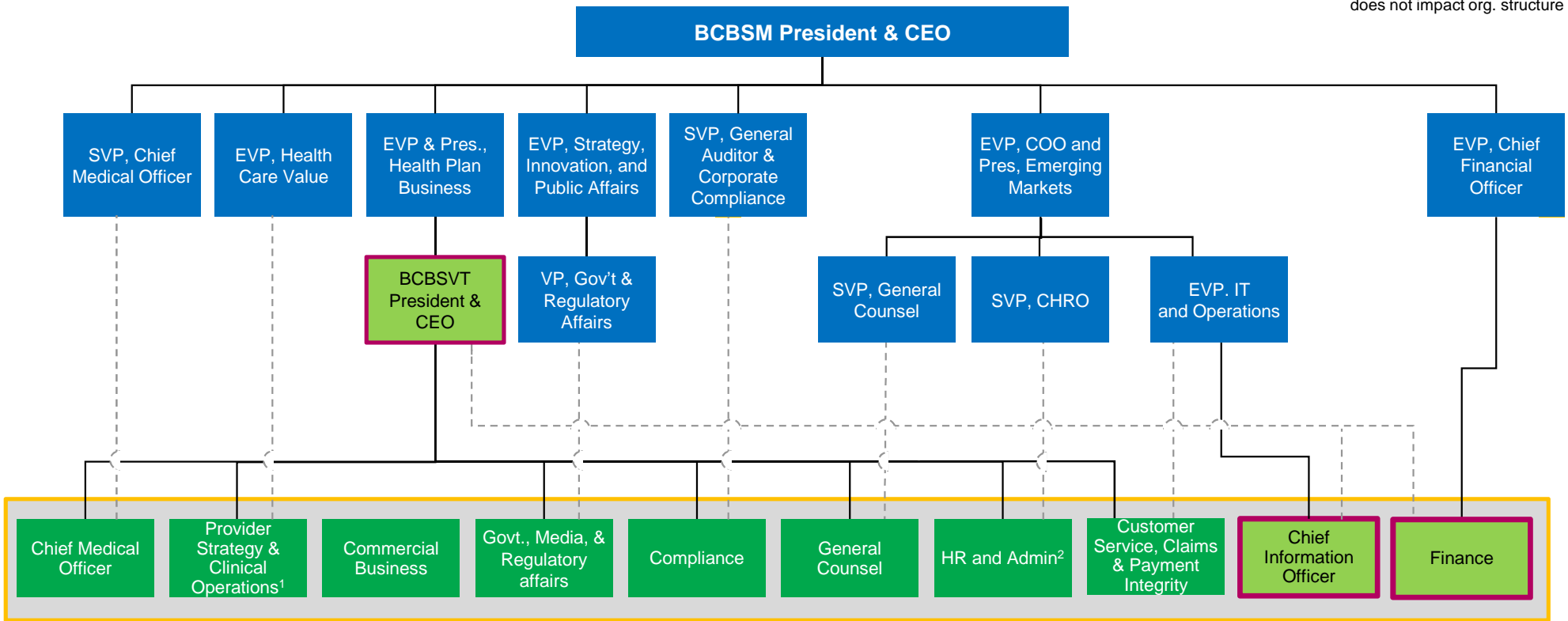
[See Attached.]

Overview of anticipated Day 1 joint organizational structure



NOT EXHAUSTIVE, PENDING DETAILED INTEGRATION PLANNING

- Subject to change pending changes in BCBSVT organizational structure
- Day 1 changes to solid line reporting
- BCBSM BCBSM
- BCBSVT with solid line reporting to BCBSM BCBSVT with solid line reporting to BCBSM
- BCBSVT with solid line reporting to BCBSVT BCBSVT with solid line reporting to BCBSVT
- Solid-line reporting
- Alignment as required
- Dotted-line visual overlap; does not impact org. structure



1. Preliminary perspective includes oversight over BCBSVT Network Strategy, BCBSVT Provider Engagement, BCBSVT Provider Enablement, BCBSVT VBC design; 2 Includes Facilities, Mail, and Document Management