

STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION

In Re:

Affiliation of Blue Cross and Blue)	
Shield of Vermont and Blue Cross)	Docket No. 23-014-I
Blue Shield of Michigan Mutual)	
Insurance Company)	

ORDER

Having fully reviewed and accepted the recommended Findings of Fact and Conclusions of Law of Jeannie Oliver, Esq., the appointed Hearing Officer, which are based on documentary evidence submitted and the testimony presented at the public hearing held on August 29, 2023:

IT IS HEREBY ORDERED that, subject to the following conditions, the proposed affiliation of BCBSVT with Blue Cross Blue Shield of Michigan Mutual Insurance Company (“BCBSM”), whereby BCBSM shall become the sole member of BCBSVT, is APPROVED.

1. BCBSVT will remain a nonprofit Vermont hospital and medical service corporation, located, operated, and managed in Vermont.
2. BCBSVT will continue to maintain its operations and separate corporate structure, and, for three years following the date of this Order, each of The Vermont Health Plan, LLC (“TVHP”), and Vermont Blue Advantage (“VBA”) will continue to maintain its operations and separate corporate structure.
3. For three years following the date of this Order, any proposed material changes (which, for the avoidance of doubt, shall not include those disclosed in the Applications or those effected in the ordinary course of business) to the current

business plans of BCBSVT, TVHP and VBA require prior notice to DFR.

4. Neither BCBSM nor BCBSVT shall, without the consent of DFR: (A) liquidate BCBSVT; (B) sell BCBSVT's assets, other than in compliance with Vermont statutes and regulations including but not limited to 8 V.S.A. §§ 4523, 4595, 3685; or (C) merge BCBSVT with any person or entity. Any such liquidation, sale, or merger must comply with applicable Vermont law and regulations.
5. BCBSVT's benefits, coverage decisions, and other matters that affect the quality of care for BCBSVT subscribers; its local medical provider network; and other market-facing matters which benefit from local knowledge and presence will remain locally managed.
6. Functions benefiting from local knowledge and presence will be maintained by BCBSVT, such as provider strategy, clinical operations, provider relations, customer service operations, regulatory relations, and other market-facing functions. BCBSVT's business will continue to operate in Vermont with a local presence, and BCBSVT's directors and executive officers will retain decision rights over many local matters.
7. Any intercompany agreements entered into between BCBSVT, TVHP and/or VBA, on the one hand, and BCBSM and its affiliates, on the other hand, including but not limited to agreements to obtain access to innovative technology and scale, will be submitted to DFR as required by 8 V.S.A. § 3685.
8. Following the Affiliation, at least three-quarters of the BCBSVT Board shall be composed of subscribers or members of the public, and subscribers shall comprise at least a majority of the BCBSVT Board.

9. All assets and reserves (capital and surplus) of BCBSVT will continue to be maintained and controlled by BCBSVT for the benefit of all Vermont subscribers.
10. In accordance with the terms and conditions of the Memorandum of Understanding as executed on September 27, 2023, there will be no layoffs or terminations of employees at BCBSVT and its subsidiaries, without the consent of the DFR, and such consent not to be unreasonably withheld.
11. No material medical provider network changes will be made as a result of the affiliation integration process.
12. Commencing with the first full quarter post-closing and continuing until the end of the Measurement Period (as defined in the Principal Transaction Agreement), BCBSVT shall file integration plan updates with DFR on a quarterly basis in a format reasonably acceptable to DFR. The information included in such integration plan updates shall be confidential and exempt from public disclosure as provided by Vermont law. After the Integration Period (as defined in the Principal Transaction Agreement) and until the end of the Measurement Period, the information and timing of this report can be changed by mutual agreement.
13. Subject to, and in accordance with, the terms and conditions of the Principal Transaction Agreement, if BCBSVT's actual cost savings during the three (3)-year period after the closing of the affiliation do not equal or exceed the ten million dollars (\$10,000,000) savings guarantee, then BCBSM will pay BCBSVT the difference between the actual savings and the guarantee.
14. BCBSVT will continue to work with the State of Vermont to maintain community-based programs serving its subscribers and the general population of Vermont.

15. The representations, disclosures and commitments made by BCBSM and BCBSVT set forth in the record of this proceeding and this Order are material to the issuance of this Order and have been relied upon by DFR in its determination to issue this Order.

This Order shall be enforceable to the fullest extent of the authority and power of DFR under the provisions of applicable Vermont laws and regulations and that failure to adhere to one or more of the conditions in this Order may result in DFR taking administrative action as it deems appropriate.

Dated at Montpelier, Vermont this 9th day of October, 2023.

**VERMONT DEPARTMENT OF
FINANCIAL REGULATION**



Kevin Garney, Commissioner