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[REDACTED]
ATTORNEYS AT LAW
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DIRECTOR
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June 15, 2000

VIA FEDERAL EXPRESS

Michael B. Verne, Esq.
Federal Trade Commission
Premerger Notification Office
Mail Drop - Room H-301
6th Street and Pennsylvania Avenue, N.W.
Washington, DC 20580

Re: HSR Filing Question

Dear Mike:

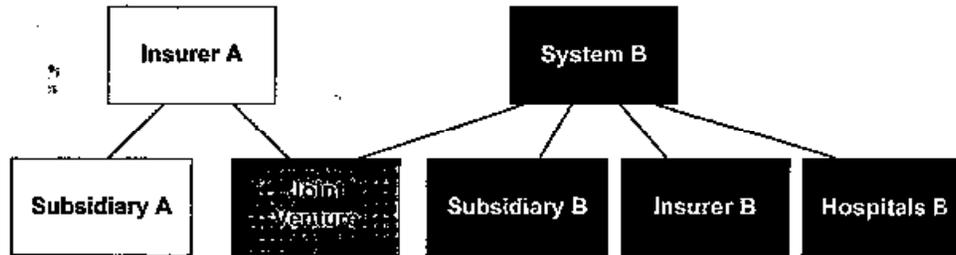
I am writing to confirm that a transaction proposed by our client does not require a filing under the Hart-Scott-Rodino Act.

Overview of Entities

As indicated in the diagram below, Insurer A, which is a health insurer, owns Subsidiary A, which is a health maintenance organization ("HMO"). System B owns Insurer B (which operates an HMO and PPO), Subsidiary B (a third-party administrator ("TPA")), and a number of hospitals ("Hospitals B"). Subsidiary B provides TPA services to Insurer B. Both Insurer A and System B have assets and annual net sales in excess of \$100 million. Insurer A and System B have proposed a multi-part transaction, which includes among other things, the formation of a joint venture.

[REDACTED]

Diagram



Description of Transaction

First, Subsidiary A will purchase some of the HMO membership (i.e., enrollees) of Insurer B. The purchase price is \$2 million, which represents fair market value.

Second, Subsidiary A will purchase 51% of the stock of Subsidiary B. The purchase price will be \$1 million, which represents fair market value. Subsidiary B does not have annual net sales or total assets of \$25 million or more. } 802-20

Third, Insurer A and Insurer B will form a joint venture to coordinate the administration of the insurance business sold from Insurer B to Subsidiary A and certain other insurance business of Insurer A and Subsidiary A. The joint venture itself is expected to hold few if any assets -- its assets will certainly be less than \$1 million. The profits or losses of the business in the joint venture will be divided in agreed proportions, subject to change under certain circumstances, with 50% to 60% going to Insurer A and 40% to 50% to Insurer B. Upon termination of the joint venture, Insurer B will also receive 50% of the value of any membership that may be added to the joint venture business during its term. } JV is NOT A \$10 mm pension.

In addition, Hospitals B have agreed to amend Insurer A's hospital contract with Hospitals B to include a most favored nation ("MFN") clause. The MFN clause generally provides that during the term of the joint venture, and for up to two years thereafter, rates charged to Insurer A and Subsidiary A, including rates applicable to business in the joint venture, will be 5% better than the rates given to any other insurer by Hospitals B.



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The benefits to the parties are summarized below:

<u>Insurer A and Subsidiary A get:</u>	<u>Insurer B gets:</u>
Certain enrollees of Insurer B	\$2 million
51% of the stock of Subsidiary B	\$1 million
5% MFN from Hospitals B	up to 50% of the profits of all business in the joint venture and, upon termination of the joint venture, 50% of the fair market value of the membership of Insurer A and Subsidiary A then included in the joint venture, net of membership in place at the time of its formation.

Conclusion

It is our conclusion that no filing is required because the financial thresholds that would trigger a filing requirement are not met. After you have had a chance to review this letter, please call me at [REDACTED] let me know whether you agree. Thanks in advance for your help.

Sincerely,

[REDACTED]

AGREE - NO FILING IS REQUIRED.

B. Michael Verne

6/20/00

[REDACTED]