STATE OF CONNECTICUT
INSURANCE DEPARTMENT

Health Net Acquisition Decision Summary and Commissioner Sullivan's Statement

December 4, 2009

Commissioner Thomas R. Sullivan's Statement

As Insurance Commissioner, the ability of policyholders to have access to reliable health insurance coverage is one of my primary goals. A year ago, Health Net announced it was initiating a strategic review of its Northeast business options, including leaving the state. If Health Net did not partner with another company, Heath Net policyholders would have been left to secure replacement coverage on their own without the benefit of UnitedHealthcare's commitment to offer each policyholder renewal coverage.

When UnitedHealthcare submitted its application to the Department to purchase the names of Health Net policyholders so they could be the first to offer them renewal coverage, I applied the law – which requires approval of the transaction unless the Applicant cannot meet the standards the legislature has enacted – in a manner that benefits current Health Net policyholders. The Connecticut Insurance Department will continue its strong regulatory oversight over Health Net during the transition period. If Health Net policyholders are not happy with either the level of coverage or price of the products offered through UnitedHealthcare, they are free to choose any other product offered by any licensed insurance carrier.

In my view, the approval of this transaction strengthens, not weakens, consumer choice and security. I am happy to learn that my colleague in New Jersey agrees and anxiously await the decisions of the New York Departments of Insurance and Public Health as well as the federal government.

Summary

- UnitedHealth group is acquiring renewal rights for group policies only.
- Health Net writes group commercial regulated by the State Insurance Department and Medicare Advantage (which is federally regulated) policies in Connecticut.
- The Connecticut Insurance Department is still responsible for regulating Health Net.
- Health Net will retain control of the Domestic Health Care Center and operating license during the transition.

- There is a two-year transition period. As policyholders come up for renewal, UnitedHealth group will have renewal rights. Employers still have the choice to find a competitive insurer.

- Health Net currently meets the minimum, capital / surplus and risked based capital requirements necessary to maintain its license and operate as a health care center.

- HealthNet physician networks stay in place for the duration of the transition.

- For rural areas, the overlap of physician networks is well into the 90% range in every county in Connecticut for primary care providers and obstetrics and gynecology physicians.

- Membership data as of 2007

Company	**Members**
Aetna	303,534
Anthem	1,500,000
CIGNA	170,392
Connecticare	236,761
HealthNet	112,000
UnitedHealth Group	345,418

- Health Net has conducted a strategic analysis and determined that they would likely be leaving the Connecticut market if they found no purchaser.
    - policyholders benefit from the acquisition by a financially strong entity.

- Health Net is required to maintain sufficient levels of employment to ensure stringent service levels outlined in the service agreement.

Commissioner is requiring the following:

- For 2 years, starting within 6 months from the closing date of the transaction, the applicant (UHC) must file semiannually with our department:
    - Including, by not limited to, any change to the business of Health Net:
        - Employment levels, changes in offices of Health Net, changes in locations of operations in Connecticut.

        - Any non-compliance with regards to the service standards.
        - Charitable contributions made to Connecticut entities.
        - Notice of any statutory compliance or regulatory actions taken by other states against application and Health Net.

- Must file with the department for prior review and approval any and all policy holder, member, and provider communications concerning the transition activities of commercial business.

- Must provide purchase price, final purchase adjustments, disagreements per purchase price.

The Commissioner's Order requires the following with regard to Health Net's data security breach:

- UHC and Health Net must cooperate fully with the Insurance Department and Attorney General in the investigation of Health Net's data breach, and

    - must take prompt action to remediate the practices to ensure that proper measures are in place concerning the handling of personal health, financial, and identity information.

- Must cooperate fully with remediating any injuries sustained by the members and providers whose information was impacted by the data breach and in providing against future injuries.

- Must file with the department for prior review and approval any and all policyholder, member, and provider communications concerning the breach.