

ATTACHMENT 1

Responses to Requests for Additional Information from DFR

This tracker provides the responses from Blue Cross Blue Shield of Michigan Mutual Insurance Company (“BCBSM” or the “Applicant”) and Blue Cross and Blue Shield of Vermont (“BCBSVT”) to the questions posed in the letter, dated June 14, 2023, from the Vermont Department of Financial Regulation (the “DFR” or the “Department”) regarding the proposed affiliation of BCBSM and BCBSVT. Defined terms used in this tracker and not defined herein have the meanings ascribed to them in the as-filed version of the Vermont Form A dated May 15, 2023 (the “Form A”) or the as-filed version of the BCBSVT Chapter 123/125 Application dated May 15, 2023 (the “BCBSVT Application”), as applicable.

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ITEM 2 – Identity and Background of the Applicant		
1.	<p>Item 2(b)(2) provides a high-level overview of the cultural fit between the applicant and BCBSVT. It states, “the applicant and BCBSVT aspire to bring together two like-minded Blues systems plans to deliver innovative and affordable products in the Vermont market and create a differentiated healthcare experience for the members we each serve. <i>See</i> Form A, p. 10.</p> <p>Please provide more specific details regarding any potential impacts on BCBSVT’s operations and the way it treats members, subscribers and other stakeholders resulting from the affiliation and any material differences in the Applicant’s culture. For example, regarding operations will there be changes to BCBSVT’s risk tolerances in areas such as investments (as Bricktown works for better market returns), marketing and strategy?</p> <p>Regarding member, subscriber and other stakeholder treatment, will there be changes to BCBSVT’s claims adjudication and payment practices, addressing member complaints, etc.? Please provide specifics regarding all likely changes.</p>	<p>The cultures of the organizations align well. As non-profit health plans, the Applicant and BCBSVT share similar missions and a steadfast commitment to our local communities. The plans’ strategic aspirations complement each other, and the partnership provides an opportunity to build towards those shared goals together. The plans also have familiarity with each other through existing partnerships—NASCO and Vermont Blue Advantage—and a deeper partnership serves as a natural extension of these efforts and will support BCBSVT in delivering high quality, affordable, and accessible healthcare to its members and communities. Finally, the Applicant and BCBSVT believe our employees are at the core of all we do. The Applicant is recognized as a top employer and has received numerous recognitions from various associations such as Best and Brightest (Best and Brightest Companies to Work for in the Nation), Business Insurance (Best Places to Work), Disability:IN (Best Place to Work for Disability Inclusion), and the Michigan Veterans Affairs Agency (Silver Veteran Friendly Employer). The Applicant’s organizational values—reach out, embrace lean, act now, let’s talk, be aligned, be radical, and own it—further reenforce its culture and have fostered a mission-oriented, collaborative and team-based culture that aligns well with the mission, values and commitments of BCBSVT.</p> <p>As stated in Item 5 of the Form A, the Applicant intends for the Domestic Insurers to continue to maintain their separate corporate existence and substantially continue their operations as currently conducted. Please also refer to the parties’ responses, filed May 26, 2023, to the questions posed in the letter, dated April 7, 2023, from the DFR regarding the Letter of Intent between BCBSVT and BCBSM (the “<u>Form A Supplement Dated May 26, 2023</u>”), for additional information regarding the impact of the Proposed Affiliation on</p>

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		<p>various stakeholders, in particular, the response to Appendix A, Section 3, Question 6.</p> <p>Additionally, no immediate changes are planned in BCBSVT’s claims adjudication, payment practices, or process to address member complaints. The functions responsible for these services will continue to report to the current President and CEO. Over time, the Applicant and BCBSVT may integrate some tools, capabilities, and processes with the objective of improving the accuracy, experience, timeliness and efficiency of the supported services.</p> <p>With respect to Bricktown Capital, LLC (“<u>Bricktown</u>”), Bricktown is an SEC-registered investment advisor and provides services to BCBSM and its subsidiaries as stipulated by the investment policies and risk tolerance of each company. Bricktown has a focus on providing investment services to health plans and insurance companies, with over \$10 billion of assets under management. Services to BCBSM and subsidiaries are covered by formal intercompany investment advisory agreements. With this focus, Bricktown strives to provide cost competitive services and returns. The investment policy for BCBSVT will continue to be established and approved through existing BCBSVT governance processes, such as approval by the BCBSVT Finance Committee and Board, and subject to applicable Vermont laws and regulations. Please also refer to the response to Item 5, Question 4 below for additional information regarding the proposed intercompany agreement between Bricktown and BCBSVT.</p>
2.	<p>During the Letter of Intent phase of the application process, the Applicant presented to the DFR three areas (admin., market and strategic) of affiliation value and savings. We understand that a robust analysis was performed, which was reviewed by a third party. Please provide specific and broken-down details of the anticipated financial savings/value.</p>	<p>The details of the anticipated financial savings/value are reported in the Appendix of confidential (Supplemental) Exhibit 7 to the BCBSVT Application.</p>
3.	<p>To help the DFR better understand the specific areas where the Applicant will provide support to BCBSVT and how that specific support will ultimately drive cost savings to be BCBSVT, please revise Item 2(b)(2) to more fully detail the extent to which the parties have in fact identified those specific areas especially the specific areas where the applicant has committed to providing cost savings. If these areas have not yet been fully evaluated,</p>	<p>Post-Closing integration planning is still being formulated due to the prohibitions on integrating the businesses or the sharing of certain information prior to Closing under federal and state antitrust laws, including the HSR Act. The information referenced here is based on joint workshops between the Applicant and BCBSVT.</p>

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	<p>please so note and explain the current thinking on where the applicants support will be beneficial. In developing your response, please provide details in the following areas:</p> <ul style="list-style-type: none"> a. <u>Core Systems</u> – Currently, the plans share a common foundation across several core systems and vendors such as NASCO core administration solutions, pharmacy benefit management, customer relationship management, several information exchange vendors connecting payers and providers, outsourced data processing tools and data centers etc. <ul style="list-style-type: none"> i. Please provide an overview of all core systems identified as keys to integration and savings potential and those that are not essential, the core systems currently shared via NASCO, and those core systems not currently shared. ii. The Form A notes that over time BCBSVT will migrate to many, if not most, of the Applicant’s systems and technology (e.g., OneIT), and have its functions integrated within those systems. To the extent core systems are not currently shared, what is the plan for alignment and the anticipated benefits? In addressing this item, please include core systems that are not part of NASCO. b. <u>Claims Processing</u> - In the response document, the Applicant states that improvements in BCBSVT’s core claims processing system and new digital capabilities will, over time, improve providers’ servicing and make more efficient self-service options available to providers. <i>See</i> Response Document, App. A-1, Section 3, Q. 6. <ul style="list-style-type: none"> i. To the extent not addressed by Item (a) above, please review Item 2(b)(2) to explain what improvements are envisioned to be BCBSVT’s claims processing and how they will be accomplished. c. <u>Value-Based Care</u> - The Response Document states that over time BCBSVT will have access to more analytics 	<p>3.a.i. While the Applicant and BCBSVT share several core systems and platforms, the parties have not completed additional analysis since the Agreement was signed. An important next step is for the IT and Operations functions to partner with stakeholders from both plans to define specific needs, opportunities, goals and requirements for use of the systems moving forward. Those plans must then be reviewed with the Integration Office to assess timing and feasibility post-Closing. Examples of the common solutions/contracts include NASCO core administration solutions, customer relationship management, managed file transfer, analytics, payment integrity and device fulfillment and management.</p> <p>3.a.ii. Beyond the systems noted in the Form A, the Applicant has not reviewed the full stack of solutions at BCBSVT. When core systems vary, the IT and Operations functions will again coordinate with the appropriate business stakeholders to evaluate whether migrating to a common system is beneficial to both plans and then will coordinate with the Integration Office to assess when the migration should occur. For example, the Applicant and BCBSVT currently use different Human Resource systems. If a business decision is made to consolidate the administering of benefits and payroll to a common system, the Integration Office will assess when the migration should occur, given other priorities during the transition period.</p> <p>3.b. Relative to claims processing, specifically, the Applicant and BCBSVT have not had the opportunity to explore current service levels and specific capabilities, and therefore do not know the benefits BCBSVT will experience; however, early discussions have indicated potential new services that will benefit BCBSVT, as noted below.</p> <p>3.c.i. The Affiliation will not alter BCBSVT’s approach to supporting payment reform, including risk-sharing arrangements. Following the Affiliation, BCBSVT will continue to manage the Vermont network locally, including provider contracting, provider servicing, and the design and implementation of risk-sharing arrangements. BCBSVT currently deploys many strategies to ensure that providers entering into risk-sharing arrangements minimize the likelihood of challenging financial circumstances. None of these strategies will be disrupted by the Affiliation. On the contrary, we expect the Affiliation to improve BCBSVT’s ability to help providers safely enter into risk arrangements.</p>

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	<p>support tools that will enable providers to engage in more value-based contracting. <i>See</i> Response Document, App. A-1, Section 3, Q. 6. The Form A describes the Applicant’s risk sharing contracting with a significant percentage of its provider groups. VT will answer.</p> <ul style="list-style-type: none"> <li data-bbox="443 380 1045 558">i. If risk sharing arrangements are implemented in Vermont, how will the parties work to help ensure the provider groups have the financial acumen and capabilities to put a portion of their capital at risk in the event of poor member outcomes? <li data-bbox="443 565 1045 651">ii. Will this lead to provider market disruption and how do you plan to mitigate any negative impacts? <li data-bbox="443 657 1045 711">iii. How will this lead to positive outcomes for providers? <li data-bbox="443 717 1045 803">iv. How will this integrate with and impact BCBSVT’s participation in the All-Payer ACO model? 	<p>BCBSVT designs risk-sharing payment programs around well understood clinical dynamics where there are direct links between clinical transformation and the cost of care. These programs are designed with provider partners. In addition to designing around proven clinical cost-drivers, BCBSVT stages the transition to risk so that providers have adequate time to analyze and shift practice patterns before they take on meaningful risk. The goal of our payment reform programming including provider risk taking is to support meaningful clinical change that advances the goals of the Quintuple Aim by changing payment methodologies that provide perverse incentives. Risk sharing is a tool to support clinical change, not a goal. As noted above, the Affiliation will not interfere with BCBSVT’s approach and should support greater success for both providers and BCBSVT.</p> <p>The core claims system enhancements that BCBSVT will access through the Affiliation will make it easier for Vermont providers to manage risk arrangements. These enhancements include, but are not limited to, automating attribution in the claims system, configuring and administering capitation arrangements in the claims system, and enhancing the Remittance Advice to include more detailed information about claims affected by risk-sharing arrangements.</p> <p>3.c.ii. No. Provider risk-sharing arrangements are not anticipated to lead to market disruption. Please note, whenever a provider practice experiences duress related to any aspect of a BCBSVT risk-sharing program, our expert representatives meet with them to understand the challenge and work with the practice to eliminate the cause. This happens today and will continue to happen after the Affiliation.</p> <p>3.c.iii. Please see the response to 3.c.i above.</p> <p>3.c.iv. The considerations described in 3.c.i above generally apply to all the provider risk taking models, including the All-Payer Model ACO Model, although it remains to be seen how the All-Payer Model will incorporate Accountable Care Organization elements in its next iteration. Accessing the Applicant’s best practices and program outcomes, industry-leading data technology, and claims system enhancements will make it easier for BCBSVT to participate in future iterations of the All-Payer Model.</p>

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4.	How does the applicant envision these anticipated savings impacting premiums?	The parties anticipate that the cost savings generated by the Affiliation will reduce the amount by which BCBSVT would otherwise need to increase premiums in the future. The impact of cost savings, once realized, is expected to reduce BCBSVT's fixed costs to a level that can be supported by marketplace pricing, which is not currently the case. The Affiliation is expected to allow BCBSVT to avoid significant price increases to members that would otherwise be required to support necessary investments in technology and enable BCBSVT to more cost effectively serve its customers with strong, reliable operating capabilities and provide for new capabilities that would otherwise be cost prohibitive.
ITEM 3 – Identity and Background of Individuals Associated with the Applicant		
1.	Please confirm that the list of pre-closed BCBSVT board members in Exhibit 4 is accurate.	Exhibit D to the Form A sets forth a list of proposed post-Closing directors of BCBSVT, rather than a list of the pre-Closing directors of BCBSVT.
2.	Please identify any anticipated changes post-closing regarding BCBSVT board members. Please identify if the new board members are affiliated with the Applicant.	<p>As explained in greater detail below, the post-Closing BCBSVT Board will be reconstituted to consist of a total of twelve directors, including seven (7) individuals who currently are directors of BCBSVT and five (5) individuals who currently are directors or executive officers of BCBSM. Specifically:</p> <ul style="list-style-type: none"> • the following individuals who currently serve as directors on the BCBSVT Board will be removed from the post-Closing BCBSVT Board: Karin Chamberlain, Caroline Foster, Rebecca Towne, Eileen Peltier and Thomas Whalen; • the following individuals who currently serve as directors on the BCBSVT Board will continue to serve as directors on the post-Closing BCBSVT Board (collectively, the “<u>BCBSVT Appointees</u>”): Don C. George, Charles Smith, Scott A. Giles, John B. Kassel, Kate Williams, Jason S. Robart and Robert Miller; • the following individuals, who currently serve as directors and/or executive officers of BCBSM, will be appointed to the post-Closing BCBSVT Board (collectively, the “<u>BCBSM Appointees</u>”): Daniel Loepf (Director, President and CEO of BCBSM), Tricia Keith (Executive Vice President of BCBSM), Kenneth Dallafior (Executive Vice President of BCBSM), Linda Forte (Director of BCBSM), and Renee Axt (Director of BCBSM).
3.	Please confirm that the Officers of BCBSVT will not change post-close.	The Applicant has no plans or intentions to change the executive officers of BCBSVT post-Closing.

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4.	Please identify whether any member of the BCBSVT board will be on the Applicant’s board post-close, for example the President and CEO of BCBSVT?	None of the BCBSVT Appointees will serve on the Applicant’s board of directors post-Closing. Following the Closing, the following BCBSM Appointees will serve on both the BCBSVT Board and the Applicant’s board of directors: Daniel Loepp, Linda Forte and Renee Axt.
ITEM 4 – Nature, Scope and Amount of Consideration		
1(a)	Please provide a list of all “Close BCBSVT Subsidiaries” along with the rationale as why they were determined to be close subsidiaries. See PTA, § 1.1.	The “Close BCBSVT Subsidiaries” means each of the subsidiaries of BCBSVT, except for Comprehensive Benefits Administrator, LLC, Cobalt Benefits Group, LLC, EBPA, LLC and Blue Cross and Blue Shield Vermont Caring for Children Foundation, Inc. These entities were selected given their level of independence from BCBSVT in terms of business processes.
1(b)	Please provide justification as to why Comprehensive Benefits Administrator, LLC, Cobalt Benefits Group, LLC, EBPA, LLC, and Blue Cross and Blue Shield Vermont Caring for Children Foundation, Inc. are not considered “Close BCBSVT Subsidiaries”. See PTA, § 1.1.	As discussed in the response to Item 4, Question 1(a) above, these entities are not considered Close BCBSVT Subsidiaries given their level of independence from BCBSVT in terms of business processes.
1(c)	Please provide a copy of the Hart Scott Rodino filing made with the Federal Trade Commission and Department of Justice. In addition, please provide an update regarding the filing. See PTA, § 6.2(ii).	The parties have not yet submitted their respective confidential Hart Scott Rodino filings to the Federal Trade Commission and Department of Justice. The parties will notify the DFR when the filings are submitted to discuss the process for submitting the confidential filings to the DFR.
1(d)	Please define what is meant by “substantially all employees”. See PTA, § 6.8; see also infra Item 5,#3.	Under Section 6.8 of the Agreement, BCBSM covenants that it will not take any action that would prevent substantially all employees of the BCBSVT Entities (as defined in the Agreement) from maintaining their employment with BCBSVT for a period of time post-Closing. The “substantially all” employees standard was agreed in order to ensure that nearly all employees would continue to remain with the company, but provide for exceptions to give the business flexibility and also to account for employees who are terminated for cause or choose not to maintain their employment with BCBSVT on their own volition.
1(d)(i)	Pursuant to PTA, Section 6.8 the retention period for employees of BCBSVT is listed as one year. We would like to discuss an additional commitment to maintain jobs within Vermont for 3 years whether at BCBSVT or with the larger BCBSM enterprise.	The Applicant is open to discussing this question with DFR.
1(e)	The PTA states that the Integration Office shall provide each party with quarterly reporting on the status of the implementation of the Integration Plan and estimated Benchmark Measurement of Value Realized as of the applicable calendar year. DFR requires a copy of this quarterly report in addition to the required semi-annual reporting. See PTA, § 6.9(b).	The Applicant agrees to submit to DFR a copy of the quarterly report received from the Integration Office pursuant to Section 6.9(b) of the Agreement, subject to a satisfactory determination regarding any request for confidential treatment of such quarterly reports at the time of submission.

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1(f)	Please provide more detail on the Integration Plan and an estimated timeline of key and critical integration initiatives identified in the Plan. See PTA, Exhibit A	The parties are restricted under federal and state antitrust laws, including the HSR Act, from completing detailed integration planning or sharing certain information prior to the Closing. There are different phases to the integration planning as set forth in <u>Exhibit A</u> . Initial integration plans are part of Phase 1, and post-Closing integration planning and execution will continue in Phase 2 and Phase 2+ post-Closing as value opportunities surface during discovery as set forth in <u>Exhibit A</u> .
1(g)	The Applicant states that it agrees to use commercially reasonable efforts to reduce net transition costs through the creation of scale efficiencies with existing BCBSM vendors and shared services within the broader BCBSM enterprise. What is meant by “shared services within the broader enterprise”? PTA, § 6.10.	In Section 6.10 of the Agreement, the reference to “shared services within the broader BCBSM enterprise” means shared services between and among the entities in the BCBSM holding company system.
1(h)	Please provide a detailed list of both transition costs and enhancement costs, including estimated dollar values . See PTA, Section 6.11(a)-(c)	These amounts will not be known until the parties complete detailed integration planning post-Closing. As referenced above, the parties are restricted under federal and state antitrust laws, including the HSR Act, from completing detailed integration planning or sharing certain information prior to the Closing.
1(i)	The PTA states that this agreement (including the schedules and exhibits hereto) represents the entire understanding and agreement between the Parties. It appears that there are multiple schedules and exhibits omitted. Please submit all referenced schedules and exhibits. See PTA, § 10.4.	<p>The cover sheet to Exhibit B (Amended BCBSVT Articles of Incorporation) and Exhibit C (Amended BCBSVT Bylaws) each says, “To be attached,” but the form of the referenced document follows each cover sheet, so the referenced material is actually attached to the Agreement.</p> <p>Due to a clerical error, Schedule A (Schedule of Staggered Terms) to the form of the Amended BCBSVT Bylaws says “See attached,” but is not attached in the version of the Agreement that was filed with the Form A. The parties are currently developing the referenced Schedule A and will submit it to the DFR once it is in final form.</p> <p>Schedule 4.5(a) to the BCBSVT Disclosure Schedule references an attached organizational chart that is not attached. The referenced organizational chart is attached hereto as <u>Exhibit B</u>.</p>
1(j)	Please provide additional details on retention incentives . See PTA, Schedule 4.11(a)	The Retention Incentive Program was created to retain key leaders who were identified as vital to the sustainability, exploration and implementation of the Proposed Affiliation. The incentive is retention based and provides payment which is tied to continued employment for the previous year. The retention incentive was created for a limited period with payments in 2023 and 2024 for retained employment in 2022 and 2023. The incentive is calculated as a percentage of an employee’s base pay.

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1(k)	Please provide additional details regarding the subscriber settlement in the MDL litigation. <i>See</i> PTA, Schedule 4.13.	BCBSVT has made two payments in the MDL litigation subscriber settlement, one for \$1,224,002.45 made on December 20, 2020 and one for \$6,946,213.90 on September 7, 2022. These numbers were previously reported in BCBSVT’s December 31, 2020 annual statement filing and September 30, 2022 quarterly statement filing, respectively.
1(l)	Payments issue with Department of Vermont Health Access (DVHA)	BCBSVT has informed the Applicant that this was a dispute between the State of Vermont Department of Vermont Health Access (DVHA) and BCBSVT regarding financial liability for unpaid premiums for BCBSVT enrollees on the Vermont Health Connect (VHC) exchange for the 2017, 2018, 2019, 2020, and 2021 plan years. According to BCBSVT, it retained certain monies related to the Vermont Cost Share Reduction (VCSR) payments owed to DVHA for those plan years to offset losses from the premiums not collected and/or paid to BCBSVT by VHC’s billing vendor. DVHA also retained certain unallocated balances held by its billing vendor that were due to BCBSVT. The parties negotiated a resolution whereby BCBSVT retained a portion of the VCSR payments and released the remaining funds to resolve the outstanding dispute between the parties.
ITEM 5 – Future Plans of Insurer		
1.	The response document notes that functions that benefit from scale will become more integrated over time. Initial plans for integrating the information technology, corporate finance (i.e., tax, corporate insurance and investment services), pharmacy operations and procurement functions of BCBSVT with those of the applicant. <i>See</i> Form A, pp. 13-14. Please provide a list of those services that the parties anticipate will be integrated into the Applicant’s operations after the “transition period” and those services that are to remain “as is” within BCBSVT.	While no definitive plans exist to integrate additional functions after the transition period, further analysis will occur after the Closing. A potential focus area to explore is core payor operations (e.g., claims management, enrollment, billing, customer servicing and provider servicing) due to the overlap in platforms, capabilities and business processes. Integration may take a variety of forms, with a focus on standardizing tools and processes as opposed to shifting reporting relationships or integrating teams across the plans. The Applicant and BCBSVT share the belief that health care must remain local to deliver the greatest impact to our communities, and the structure of the Proposed Affiliation preserves BCBSVT’s ability to continue to operate as an organization of Vermonters serving Vermonters.
2.	The Applicant states that “the parties have agreed to rules of engagement and guiding principles for building an integration plan.” Form A, p.13. Please provide any written representations of the above referenced rules of engagement and guiding principles.	A copy of the rules of engagement and guiding principles is attached hereto as <u>Exhibit C</u> .
3.	The Applicant notes that no plans currently exist to make material staff reductions, or undertake any office closures, that would affect BCBSVT. <i>See</i> Form A, p. 12. The Response Document takes this a step further, noting there is no plan to reduce headcount at BCBSVT. It is hard to envision significant cost	The details of the areas of anticipated financial savings/value are reported in the Appendix of confidential (Supplemental) Exhibit 7 to the BCBSVT Application, and the parties believe the achievement of value outlined there can be accomplished without material reductions in staff. In fact, in Section 6.8(b) of the Agreement, the parties specifically acknowledge and agree that their

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	<p>savings and efficiencies being realized without some impact on BCBSVT employees. For example, the parties may determine that an effective strategy might be to transition certain employees from BCBSVT to the Applicant.</p> <p>To help us fully understand the likely impact on BCBSVT employees, please provide clarification on the plans for retaining those employees, particularly in the areas that may be integrated over time.</p>	<p>“current plans for achieving the expected Affiliation Value do not contemplate any reductions in force of employees of the BCBSVT Entities.” Further, Section 6.8(a) and (b) describe the process by which the parties will determine whether certain employees of the BCBSVT Entities should be transferred or rebadged to a BCBSM Entity, with such decisions requiring the mutual agreement of the President of BCBSVT and BCBSM. The parties intend to fully comply with their obligations related to employee matters as set forth in Section 6.8 of the Agreement.</p>
<p>4.</p>	<p>The Applicant states that all applicable agreements will be submitted for regulatory approval in advance of closing. Please provide drafts of all intercompany agreements between and the Applicant and any affiliates, and BCBSVT and explain the fees charge under those agreements if it is not on an actual-cost basis. <i>See</i> Form A, p. 14.</p>	<p>Subject to receipt of all required regulatory approvals, the following agreements are currently expected to be put in place between BCBSVT and any applicable subsidiaries (the “BCBSVT entities”), on the one hand, and BCBSM or its affiliates, on the other hand, as of the Closing:</p> <ol style="list-style-type: none"> 1. Inter-Company Services Agreement (and related Business Associate Agreement) pursuant to which BCBSM will provide a variety of services to the BCBSVT entities similar to what it provides its other subsidiaries. 2. Updated pricing Schedule (Schedule C) under the existing Control Plan Processing Agreement between BCBSVT and National Account Services Company (NASCO). 3. Master Intercompany Investment Advisory Agreement pursuant to which Bricktown will provide certain investment management and advisory services to the BCBSVT entities. 4. Insurance coverage from BCBSM’s captive insurer, Woodward Straits Insurance Company (WSIC), which will provide the primary layers of certain insurance coverages and certain deductible in-fill policies which will bring down the corporate deductible to BCBSVT’s existing deductibles. <p>A copy of the form of each of the above-listed agreements, along with the related confidential Form D Prior Notice of a Transaction, will be filed with the DFR under separate cover as soon as possible following the filing of these responses. The Form D filings will describe the fee charges under each applicable agreement.</p>

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5.	Please incorporate the entirety of Appendix A, from your Response Document into the Form A, enhanced as noted above.	Pursuant to our telephone conversation on June 29, 2023, our understanding is that the DFR accepts the Form A Supplement Dated May 26, 2023 as forming a part of the Form A evidentiary record in lieu of the Applicant incorporating this information in an amended and restated Form A filing.
Exhibits		
2	Principal Transaction Agreement: Please see questions above in Item 4.	Please refer to the responses to the questions above in Item 4.
2(a)	Bylaws: There appears to be a conflict between Section 302 of the Bylaws and the requirements of Title 11B. 11B V.S.A. § 8.08 states that “[i]f at the beginning of a director’s term on the board, the articles of incorporation or bylaws provide that the director may be removed for missing a specified number of board meetings, the board may remove the director for failing to attend the specified number of meetings. The director may be removed only if a majority of the directors then in office votes for the removal.” Pursuant to Section 302 of BCBSVT’s Bylaws, a Director will be removed automatically after missing the specified number of meetings. See Bylaws, § 302. Please update the Bylaws to resolve this conflict.	The applicable language has been revised to resolve this conflict in the revised draft of the BCBSVT Bylaws attached hereto as <u>Exhibit D-1</u> (clean copy) and <u>Exhibit D-2</u> (interim redline).
2(b)	Bylaws: Section 317 of the Bylaws states that “[e]ach Director shall comply with the Conflict of Interest Policy of the Corporation in effect from time to time.” Bylaws, § 317(a). Please clarify the meaning of “in effect from time to time” and considering amending to read “as amended from time to time.”	The applicable language has been revised to read “as amended from time to time” in the revised draft of the BCBSVT Bylaws attached hereto as <u>Exhibit D-1</u> (clean copy) and <u>Exhibit D-2</u> (interim redline).
2(c)	There seems to be a typo in the first sentence of Section 503: “The Corporation may, but shall not be required to have an use a corporate seal bearing the name of the Corporation.”	The corrected language, which reads, “The Corporation may, but shall not be required to, have and use a corporate seal bearing the name of the Corporation,” is reflected in the revised draft of the BCBSVT Bylaws attached hereto as <u>Exhibit D-1</u> (clean copy) and <u>Exhibit D-2</u> (interim redline).
2(d)	Please provide a redline of the Amended Bylaws reflecting all proposed changes.	A redline of the BCBSVT Bylaws, reflecting all proposed changes to the existing Bylaws of BCBSVT, is attached hereto as <u>Exhibit E</u> .
3	Articles of Incorporation: Please provide a definition for BCBSA.	The reference to “BCBSA” in Article V of the BCBSVT Articles has been revised to read “Blue Cross Blue Shield Association” in the revised draft of the BCBSVT Articles attached hereto as <u>Exhibit F-1</u> (clean copy) and <u>Exhibit F-2</u> (interim redline).
Miscellaneous		
1.	Several of the documents associated with the Form A filing have been stamped confidential. We would like to schedule a time to discuss these confidentiality requests in further detail.	The parties have separately resolved with DFR the confidentiality requests for certain documents associated with the Form A filing.

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2.	Please provide an update from all applicable rating agencies regarding their reaction to the proposed affiliation.	Copies of the press releases that AM Best issued on May 3, 2023, following the parties' announcement of the Proposed Affiliation are attached hereto as <u>Exhibit G</u> .
3.	Please provide the applicants 2022 assessment of internal controls related to its audited financial statements.	Response submitted confidentially under separate cover.
4.	Please advise us of the anticipated date the Applicant's 2022 annual report to members will be completed and provided to the DFR.	The Applicant's 2022 annual report to members was submitted to the DFR via email on May 25, 2023.
5.	As the DFR continues to evaluate the proposed affiliation, please continue to keep the Applicant's Form A filing current including but not limited to required financial statement filings.	The Applicant will continue to keep the Form A current, including but not limited to submitting the Applicant's additional quarterly financial statements as they become available.
6.	<p>The DFR has identified directors it would like to interview. Please provide a list of available interview times for the following directors:</p> <ul style="list-style-type: none"> • Daniel Loepp • Kenneth Dallafior • Renee Axt • Kate Williams • Jason Robart 	The parties are collecting the availability of these individuals for the requested interviews and will revert to the DFR with that information as soon as possible.
7.	The organizational chart included in BCBSVT Chapter 123/125 filing shows that the Chief Information Officer and Chief Financial Officer at BCBSVT will be reporting directly to executives at the Applicant. Please provide additional information on why these positions are reporting directly to the Applicant. What type of efficiencies are envisioned based on the new reporting structure? Will there be indirect reporting to BCBSVT President and Chief Executive Officer?	<p>After Closing, BCBSVT's President and CEO will report directly to BCBSM's Commercial business and maintain his relationship with the BCBSVT Board. The BCBSVT CFO and CIO will report directly to their corresponding BCBSM functions, while maintaining secondary reporting relationships to the BCBSVT President and CEO.</p> <p>At BCBSM, CFO and Controllers of subsidiary companies report to the CFO of the parent company. The parent company CFO is responsible for overseeing the financial operations of the entire organization, including its subsidiaries. Having the subsidiary CFO report to the Parent CFO aids the parent company in ensuring financial information is consistent across all entities, including consolidated financial forecasts, consolidated financial results and line of business reporting. Additionally, this structure allows for better communication between the parent company and its subsidiaries, which can help ensure that all entities are aligned with the overall goals and objectives of the organization. In summary, a direct relationship between the BCBSVT CFO and the BCBSM CFO is consistent with the overall finance organization design at BCBSM and facilitates important relationships underlying technology, process, and procedures.</p>

#	Question/Request for Additional Information	Response
		<p>For many of the same reasons, the CIO of BCBSVT will report directly to the CIO of BCBSM, but the degree of integration across the IT teams will be greater for several reasons. First, many aspects of BCBSM’s IT function are structured as shared services across corporate entities and lines of business. Shared services are traditionally supported by a single team versus multiple teams to drive consistency and efficiencies in delivery. Second, BCBSVT will increasingly adopt BCBSM systems and tools, which will expand the services available to BCBSVT’s customers, members, providers, and employees, while meaningfully reducing the cost for BCBSVT to deploy those services. The need for two distinct teams lessens as BCBSVT migrates to BCBSM systems and tools. Finally, a large share of the affiliation value is driven by the IT teams, and both plans believe the likelihood of achieving the affiliation value is highest if the CIOs have a direct reporting relationship and their teams are closely integrated.</p>
7(a).	Please provide details of any other reporting structure changes within the BCBSVT organization.	Except as set forth above, no other reporting structure changes are currently planned in connection with the Proposed Affiliation, and following the Closing, all other BCBSVT functions will continue reporting to BCBSVT’s President and CEO, rather than reporting directly to executives at the Applicant.
8(a)–(d).	BCBSVT Financial Projections: [QUESTIONS REDACTED]	Responses submitted confidentially under separate cover.
9.	Please clarify if there will be any changes expected after the affiliation to the ACA program, specifically the Risk Adjustment Program that would affect BCBSVT estimated recoveries.	No changes are anticipated on this front due to the Proposed Affiliation, and there are no plans to leave the ACA Program.
10.	Health and Wellness Partners, Incorporated Cell (“HWP”) is indirectly affected by the proposed affiliation. The DFR, Captive Division will require additional filings and/or notification. Have you had any communication with the Captive Division on their filing requirements or when do you expect to with them?	BCBSVT met with the DFR’s Captive Insurance Division (the “ <u>Captive Division</u> ”) on June 30, 2023 to discuss the effect of the Proposed Affiliation on Health & Wellness Partners, I.C. The Captive Division requested that BCBSVT file a letter describing the transaction, which the Captive Division expects to review alongside the materials filed as part of the Form A and BCBSVT Application.