

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION OF)	
CONTROL OF MAGELLAN BEHAVIORAL)	ORDER APPROVING
HEALTH OF NEW JERSEY, LLC, AN)	ACQUISITION SUBJECT TO
INDIRECT SUBSIDIARY OF MAGELLAN)	CONDITIONS
HEALTH, INC., BY CENTENE)	
CORPORATION)	

I have read the Hearing Officer’s report dated May 12, 2021 regarding the above-captioned matter, and I concur with the recommendation contained therein. Accordingly, pursuant to N.J.S.A. 17:27A-2, I hereby approve the proposal of Centene Corporation (“Centene” or “the Applicant”) to acquire control of Magellan Behavioral Health of New Jersey, LLC (“Magellan BH”) subject to the following conditions:

1. Magellan BH shall continue to comply with the requirements of N.J.S.A. 17:48H-1 to -35; N.J.S.A. 17:27A-1 to -14; N.J.A.C. 11:22-4.1 to -4.14 and N.J.A.C. 11:2-39A.1 to -39A.15; including submission of Quarterly and Annual Financial Statements and an annual Risk-Based Capital Report, and consents to application of proceedings pursuant to Life and Health Insurers Rehabilitation and Liquidation Act, N.J.S.A. 17B:32-31 to -92 if the financial condition warrants institution of delinquency proceedings in this State.

2. **NO USE OF NEW JERSEY FUNDS FOR ACQUISITION.** Upon consummation of the transaction, Centene shall: (a) **Assets:** not dispose of or otherwise use assets of Magellan BH and/or any other subsidiaries of Centene, if any, that are licensed, authorized or certified by the New Jersey Department of Banking and Insurance (“Department”) to transact

business in New Jersey (collectively, the “Centene Insurers in NJ”) for the purpose of repaying any debt incurred, to finance the transaction, use no part of the assets of Magellan BH or Centene Insurers in NJ, if any, to pay, reimburse, or otherwise fund both the cash financing portion of the transaction and the debt related to the financing of the transaction except, with respect to this clause as approved or otherwise permitted by the relevant agency with regulatory authority; (b) **Costs:** not pass onto Magellan BH, Centene Insurers in NJ, if any, or New Jersey insureds any acquisition costs or other consideration, including without limitation executive compensation paid to or accrued for the benefit of any executive officers of Centene in connection with, or triggered by, the transaction; (c) **Rates:** not seek premium rate increases applicable to New Jersey insureds that are intended to be used, or are used, to pay for the cost of the transaction. Centene shall take steps to ensure that premiums and cost-sharing obligations payable (including copayments and deductibles) by New Jersey insureds for products offered by Centene Insurers in NJ, if any, shall not increase as a result of costs incurred in financing, analyzing and/or consummating the Proposed Acquisition of Control (“Acquisition Costs”). (Such Acquisition Costs include, but are not limited to, attorneys' and investment bankers' fees, loan expenses, travel expenses, due diligence expenses, execution compensation expenses, of any form, and expenses related to current or future acquisitions by Centene/Magellan BH); (d) **No Dividends:** refrain from declaring and/or paying any dividends (ordinary or extraordinary), without the express prior approval of the Commissioner of Banking and Insurance (“Commissioner”) for a period of three (3) years from the consummation of the transaction. Centene shall not make Magellan BH declare or pay dividends, make other distributions of cash or property or in any other way upstream any funds or property to their shareholders or any shareholders of Centene Insurers in NJ, if any, without the express prior approval of the Commissioner for a period of three (3)

years.

3. **MAINTAIN RBC.** For a period of five (5) years from the consummation of the transaction, Centene shall cause Magellan BH to maintain a minimum Authorized Control Level Risk Based Capital (RBC) level of 300% at all times.

4. **MAINTAIN PRODUCTS, SERVICES AREA, NETWORKS.** Centene agrees that, for a period of three (3) years from consummation of the transaction: Magellan BH shall use reasonable efforts to maintain its current networks of providers without material changes, except to the extent such changes are otherwise approved by the Department or required by the Centers for Medicare and Medicaid Services. Nothing herein shall preclude the Centene Insurers in NJ from offering new products with different networks or from entering new markets in New Jersey, such as the individual and small employer markets.

5. **NEW JERSEY BUSINESS.** Centene and the Centene Insurers in NJ shall be committed to seeking opportunities to write new business in New Jersey. During the three (3) year period from the consummation of the transaction, Centene and the Centene Insurers in NJ will make reasonable efforts to enter into New Jersey's individual health coverage market, including the issuance of business through any established exchange, and will report to the Department annually regarding such efforts.

6. **NO MATERIAL CHANGE TO BUSINESS.** (a) Upon the consummation of the transaction, Centene shall refrain from the following actions: (i) liquidating Magellan BH; (ii) selling any material portion of the assets of Magellan BH; (iii) merging Magellan BH with any other person or persons; or (iv) making any other material change with regard to business, corporate structure, management or general plan of operations of Magellan BH, all without the express prior approval of the Commissioner. (b) Except to the extent authorized or required

by a regulatory authority with applicable jurisdiction, upon the consummation of the transaction, Centene shall refrain from the following actions: (i) liquidating the Centene Insurers in NJ; (ii) selling any material portion of the assets of the Centene Insurers in NJ; (iii) merging the Centene Insurers in NJ with any other person or persons; and (iv) making any other material change specific to the New Jersey business of the Centene Insurers in NJ

7. Magellan BH will maintain any service agreement necessary to conduct its business in New Jersey by retaining its existing management team and without any reduction of current staffing levels within the state, so as to conduct its business, for a minimum of three (3) years from the consummation of the transaction.

8. **CYBERSECURITY.** The parties shall provide the Department with confidential access to its cybersecurity plan for review as a part of the state examination pursuant to N.J.S.A. 17:27A-5 and N.J.S.A. 17:27A-6, commencing in 2022. The parties shall provide notice to the Department when and if a cybersecurity breach takes place and shall work with the Department to protect New Jersey policyholders if they are affected. The parties shall take no action to oppose regulation and/or legislation regarding cybersecurity, the same as or substantially similar to, the Insurance Data Security Model Law adopted by the National Association of Insurance Commissioners (“NAIC”). The parties shall commit to serving as a resource to the Department and providing constructive input and expertise to the Department with respect thereto.

9. **COMPLIANCE WITH OTHER NEW JERSEY REGULATIONS.** Centene will ensure that Magellan BH and the Centene Insurers in NJ fully comply with New Jersey formulary regulations at N.J.A.C. 11:22-5.9, which includes a prohibition on closed formularies, and the regulations governing the Individual Health Coverage Program (“IHC”) and Small Employer Health Benefits Program (“SEH”), if applicable.

10. TAX SHARING AGREEMENTS TO BE FILED AS MATERIAL MODIFICATIONS. After the closing date of the Acquisition, if any of the parties to the transaction desire to amend, change, terminate or replace its tax sharing agreements, as previously filed with and approved by the Department, Centene\Magellan BH, if applicable, shall file any changes to those tax sharing agreements as a Notice of Material Modification in accordance with the standards set forth at N.J.S.A. 17:27A-3, N.J.S.A. 17:27A-4, N.J.A.C. 11:1-35.3, and N.J.A.C. 11:1-35.7, N.J.A.C. 11:1-35.10.

11. NO PUSH-DOWN OF GOODWILL FROM CENTENE AND MAGELLAN BH. Centene and Magellan BH shall not use any form of push-down accounting methods that result in the transfer or allocation of any of Centene's or Magellan BH's goodwill, including goodwill related to this Acquisition.

12. Centene shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place.

13. Centene shall provide the Department with written details of the final allocated purchase price after all adjustments used to complete the acquisition.

14. Centene shall provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to N.J.S.A. 17:27A-1 to -14 and N.J.A.C. 11:1-35.1 to 35.14.

15. Magellan BH shall continue to maintain its books and records in its current approved New Jersey locations and shall make all such items available for inspection by the Commissioner at any time.

16. Centene shall assume Magellan BH's debt and it shall not be the responsibility of Centene Insurers in NJ to service such debt.

17. Centene and Magellan BH will comply with all provisions of the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008, 42 U.S.C. 18031(j), and all regulations and guidance issued thereunder including 45 C.F.R. Parts 146 and 147 and 45 C.F.R. 156.115(a)(3) as well as all New Jersey laws relating to mental health and substance use disorder benefits, including but not limited to P.L. 2019, c.58, P.L. 2017, c.28, and P.L. 2009, c.115.

18. The Applicant represents that, except as disclosed in the Form A filing, none of the individuals who will exercise control subsequent to this acquisition, directly or indirectly, over Magellan BH., or its subsidiaries have been found guilty of, or have pleaded guilty or nolo contendere to, a felony or a misdemeanor, other than a civil traffic offense.

19. The Applicant represents that the Acquiring Party currently does not have, nor does the Acquiring Party currently contemplates, any plans or proposals to liquidate Magellan BH, sell any of Magellan BH's assets, merge or consolidate Magellan BH with any person or persons, cause Magellan BH to declare a dividend or any other distribution, or make any other material change in Magellan BH's business operations or corporate structure or management

20. Centene agrees to provide complete Third-Party Verifications following NAIC and Department guidelines, for all officers and directors listed in Exhibit C, as of May 10, 2021, of the Form A Statement dated January 8, 2021 for any such officers and directors for which such Third-Party Verifications have not yet been provided within 90 days of approval of this Form A filing, unless the Commissioner grants an extension for good cause shown.

21. If the Department determines that any individual for whom the Applicant is

required to submit background information as part of this Application is unacceptable under New Jersey Law, the Applicant or its representatives, and Magellan BH shall remove the individuals in question within 30 days of notice and replace them with a person or persons acceptable to the Department, or shall undertake such other corrective action as directed by the Department. Failure to act would render the acquisition hazardous or prejudicial to the insurance buying public, pursuant to N.J.S.A. 17:27A-2(d)(1)(vii) Accordingly, the Department may take administrative action as it deems appropriate upon the Certificates of Authority of the Domestic Insurers pursuant to applicable law.

22. If the proposed acquisition is not consummated within ninety (90) days of the date of this Order and Centene intends to consummate the proposed acquisition, Centene shall submit to the Commissioner a statement requesting an extension and shall include (i) the reason for Centene's inability to consummate the proposed acquisition; (ii) any material changes in the information contained in the application; and (iii) the current financial statements of Centene and Magellan BH. Any and all extensions shall be with the written approval of the Commissioner.



5/14/2021
Date

Marlene Caride
Commissioner

jd Magellan by Centene acquisition order/orders