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Transaction Statement & Major Transaction Determination

DATE: March 12, 2021

RE: DMHC Licensees: Human Affairs International of California (HAI-CA) (933 0292) and Magellan Health Services of California, Inc. – Employer Services (MHSC) (933 0102)
Material Modification eFiling Nos. 20210178 and 20210179
Change of Control filed January 12, 2021

SUBJECT: DMHC finds the acquisition of HAI-CA and MHSC’s indirect parent, Magellan Health, Inc. (Magellan) by Centene, Inc. (Centene) to be a “major transaction or agreement” under Health and Safety Code section 1399.65.

This document constitutes the Department of Managed Health Care’s (DMHC or Department) Transaction or Agreement Statement (Transaction Statement) pursuant to Health and Safety Code section 1399.65, subdivision (d),¹ and the Major Transaction or Agreement Determination (Transaction Determination) pursuant to Section 1399.65, subdivision (g)(2), for the above captioned Change of Control Notices of Material Modification.

I. TRANSACTION STATEMENT

The Department conducted a review pursuant to Section 1399.65, subdivision (d), and determined a material amount of assets was subject to purchase, acquisition, or control.

Section 1399.65, subdivision (d), provides in pertinent part:

“If the director determines a material amount of assets of a health care service plan is subject to purchase, acquisition, or control, the director shall prepare a statement describing the proposed transaction or agreement subject to [section 1399.65] subdivision (a) and make it available to the public.”

Section 1399.65 does not define the term “material” in the phrase “material amount of assets.”

¹ All further statutory references are to the Health and Safety Code unless otherwise indicated.

On January 12, 2021, DMHC licensees HAI-CA and MHSC each filed Notices of Material Modification, Filing Nos. 20210178 and 20210179, respectively, (collectively “the Notices”). The Notices propose a change of control through the acquisition of the HAI-CA and MHSC’s (collectively, Plans) indirect parent, Magellan Health, Inc. (Magellan) by Centene, Inc. (Centene) through its subsidiary, Mayflower Merger Sub, Inc. The change of control includes a base purchase price of \$2.2 billion.

HAI-CA is a specialized health care service plan, licensed under the Knox-Keene Health Care Service Plan Act of 1975, as amended,² to arrange for the provision of mental health/substance use disorder services throughout California. MHSC is a specialized health care service plan, licensed under the Act to arrange for both exempt and non-exempt employee assistance plans (EAPs) throughout California. Centene is the entity parent of seven DMHC licensed health plans, including Health Net of California, Inc., Health Net Community Solutions, Inc., California Health and Wellness Plan, WellCare of California, Inc., Managed Health Network, Envolve Vision, Inc., and WellCare Prescription Insurance, Inc. Magellan Health, Inc. is the entity parent for two DMHC licensed health plans – HAI-CA and MHSC.

Following the transaction, Centene will directly own 100% of the issued and outstanding shares of capital stock of Magellan. As a result of the transaction, Centene will be the ultimate parent, and indirectly own 100% of the issued and outstanding shares of capital stock of the Plans.

Accordingly, the Department determined a material amount of assets of the Plans are subject to purchase, acquisition, or control, and therefore this Transaction Statement is required.

II. MAJOR TRANSACTION DETERMINATION

The Department conducted a review pursuant to Section 1399.65, subdivision (g)(1), and determined that the change of control is a “major transaction or agreement.”

Section 1399.65, subdivision (g)(1), in pertinent part, provides:

“[M]ajor transaction or agreement” means a transaction or agreement that meets any of the following criteria: [¶] (A) Affects a significant number of enrollees. [¶] (B) Involves a material amount of assets. [¶] (C) Adversely affects either the subscribers or enrollees or the stability of the health care delivery system because of the entity’s market position, including, but not limited to, the entity’s market exit from a market segment or the entity’s dominance of a market segment.”

[Original quotation and punctuation marks].

Section 1399.65, subdivision (g)(2), provides, “[t]he Director shall, upon request make available to the public his or her determination of whether a transaction or agreement meets the criteria set forth in this subdivision.”

² Sections 1340 et seq., hereinafter “the Act.”

In determining whether the transaction meets the definition of “major transaction or agreement,” the Department reviewed the specific facts of the case in light of criteria in subdivision (g)(1)(A) through (C).

Upon due consideration, the Department determined that the specific facts of this change of control meet criteria set out in Section 1399.65, subdivision (g)(1). Accordingly, the change of control proposed through the Notices is a major transaction or agreement, and a public meeting and independent analysis is required as set forth in Section 1399.65, subdivisions (a)(4) and (c).