



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

After full consideration and review of the report of the financial examination of HMO Missouri, Inc. for the period ended December 31, 2017 together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, company history, corporate records, management and control, territory and plan of operation, reinsurance, accounts and records, financial statements, examination changes, comments on financial statements, subsequent events, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of HMO Missouri, Inc. as of December 31, 2017 be and is hereby ADOPTED as filed and for HMO Missouri, Inc. to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 17th day of July, 2019.

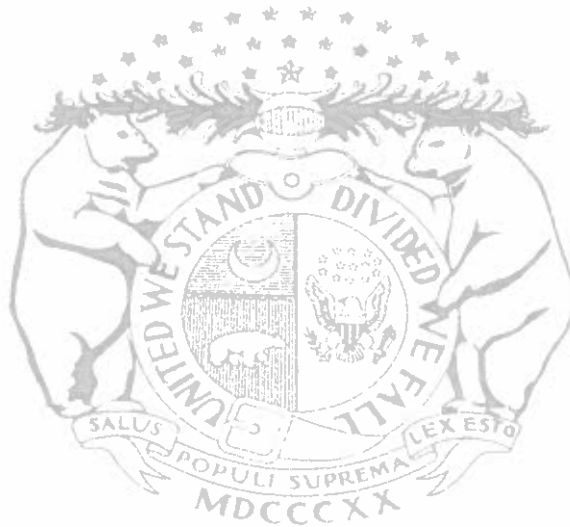


Chlora Lindley-Myers
Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION
HMO MISSOURI, INC.

AS OF DECEMBER 31, 2017

FILED
JUL 29 2019
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

Table of Contents

SCOPE OF EXAMINATION.....	1
Period Covered.....	1
Procedures.....	1
SUMMARY OF SIGNIFICANT FINDINGS.....	2
COMPANY HISTORY	2
General.....	2
Dividends	3
Acquisitions, Mergers and Major Corporate Events.....	3
CORPORATE RECORDS	3
MANAGEMENT AND CONTROL	4
Board of Directors.....	4
Officers	4
Committees	4
Holding Company, Subsidiaries and Affiliates	4
Organizational Chart.....	5
Affiliated Transactions.....	5
TERRITORY AND PLAN OF OPERATIONS.....	7
REINSURANCE.....	8
General.....	8
ACCOUNTS AND RECORDS.....	8
Independent Accountant	8
Actuarial Opinion.....	8
FINANCIAL STATEMENTS	8
ASSETS	9
LIABILITIES, CAPITAL AND SURPLUS.....	10
STATEMENT OF REVENUES AND EXPENSES	11
RECONCILIATION OF SURPLUS	12
EXAMINATION CHANGES	12
COMMENTS ON FINANCIAL STATEMENTS	12
SUBSEQUENT EVENTS	12
SUMMARY OF RECOMMENDATIONS	12
ACKNOWLEDGMENT.....	13

VERIFICATION..... 13
SUPERVISION..... 14

May 9, 2019
St. Louis, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 510
Jefferson City, MO 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

HMO MISSOURI, INC.

hereinafter also referred to as “HMO MO” or the “Company.” The Company’s main office is located at 1831 Chestnut Street, St. Louis, MO 63103; phone number (314) 923-4444. Examination fieldwork began on March 5, 2018, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of HMO MO. The last examination of HMO MO was completed as of December 31, 2013. This examination covers the period from January 1, 2014 through December 31, 2017. This examination also includes material transactions or events occurring subsequent to December 31, 2017.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook), except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (Department) or statutes of the state of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This includes assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements. Key activities identified were Investments, Premiums and Underwriting, Claims and Reserves, Capital and Surplus, General Expenses, Taxes, Related Parties, Other Assets and Other Liabilities.

This examination was conducted as part of a coordinated examination of the Anthem, Inc. Group, which consists of 57 insurance companies domiciled in numerous states. The Indiana Department of Insurance is the lead regulator for the group. The examination was also conducted concurrently with the examinations of the Company's Missouri domiciled affiliates, HealthLink HMO, Inc. and Healthy Alliance Life Insurance Company.

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to other regulators or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings resulting from the examination.

COMPANY HISTORY

General

HMO Missouri, Inc., a wholly-owned subsidiary of BlueCross and BlueShield of Missouri, Inc. (BCBSMO), incorporated on May 28, 1987 and began operating in January 1988. In 1994, BCBSMO reorganized. The reorganization included the formation and initial public offering of RightCHOICE Managed Care, Inc. (RightCHOICE). Following a settlement with the Department in 1998 related to the reorganization, BCBSMO was dissolved and its health maintenance organization business was assumed by the Company.

On January 31, 2002, RightCHOICE completed a merger with WellPoint Health Networks, Inc. (WellPoint) and RWP Acquisition Corporation (RWP), a wholly-owned subsidiary of WellPoint. Under the terms of the merger agreement, RightCHOICE merged into RWP which became the surviving entity. RWP subsequently changed its name to RightCHOICE Managed Care, Inc. The Department had approved the merger on January 16, 2002. On March 8, 2004, the Department approved the acquisition of WellPoint by Anthem effective November 30, 2004.

Dividends

The following dividends were paid during the current examination period. The dividends paid in 2014 and 2017 were deemed extraordinary and were approved by the Department. The remaining dividends were deemed ordinary with no approval required.

<u>Year</u>	<u>Amount</u>
2014	\$ 20,000,000
2015	800,000
2016	800,000
2017	<u>25,000,000</u>
Total	<u>\$ 46,600,000</u>

Acquisitions, Mergers and Major Corporate Events

In February 2015, Anthem announced that it had been targeted in a sophisticated cyber-attack. Attackers gained unauthorized access to certain of Anthem's information technology systems, obtaining personal information related to subscribers and employees. In December 2016, the NAIC concluded a multi-state targeted market conduct and financial examination regarding the cyber-attack. No fines or penalties were imposed as a result of the examination. Following the filing of actions in various federal and state courts, in June 2015 the Judicial Panel on Multidistrict Litigation entered an order transferring the consolidated matter to the U.S. District Court for the Northern District of California. In August 2017, the U.S. District Court for the Northern District of California issued an order of preliminary approval for a settlement agreed to by Anthem and the plaintiffs. The settlement included a total payment of \$115 million and certain non-monetary relief.

In July 2015, Anthem and Cigna Corporation (Cigna) announced that they had entered into a merger agreement under which Anthem would acquire all outstanding shares of Cigna. In July 2016, the U.S. Department of Justice, along with certain state attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia (District Court) seeking to block the merger. In April 2017, the U.S. Circuit Court of Appeals for the District of Columbia affirmed the ruling of the District Court blocking the merger. In May 2017, after the Delaware Court of Chancery denied Anthem's motion to enjoin Cigna from terminating the merger agreement, Anthem delivered notice to Cigna terminating the merger agreement.

CORPORATE RECORDS

The Articles of Incorporation and the Bylaws were reviewed. There were no changes to the Articles of Incorporation or the Bylaws during the current examination period.

The minutes of the meetings of the shareholder and the Board of Directors were reviewed. The minutes appeared to properly support the approval of major corporate transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

Management of the Company is vested in a Board of Directors consisting of three members. The directors elected and serving at year-end 2017 were as follows:

<u>Name and Address</u>	<u>Affiliation</u>
Catherine Irene Keleghan St. Louis, MO	Vice President and Counsel Anthem, Inc.
Ronald William Penczek Indianapolis, IN	Senior Vice President and Chief Accounting Officer Anthem, Inc.
Amadou Yattassaye St. Louis, MO	President and Chief Executive Officer HMO Missouri, Inc.

Officers

Officers of the Company elected and serving were as follows:

<u>Name</u>	<u>Office</u>
Amadou Yattassaye	President and Chief Executive Officer
Kathleen Susan Kiefer	Vice President and Secretary
Vincent Edward Scher	Vice President and Treasurer
Jennifer Lynn Forsythe	Assistant Secretary
Eric Kenneth Noble	Assistant Treasurer

Committees

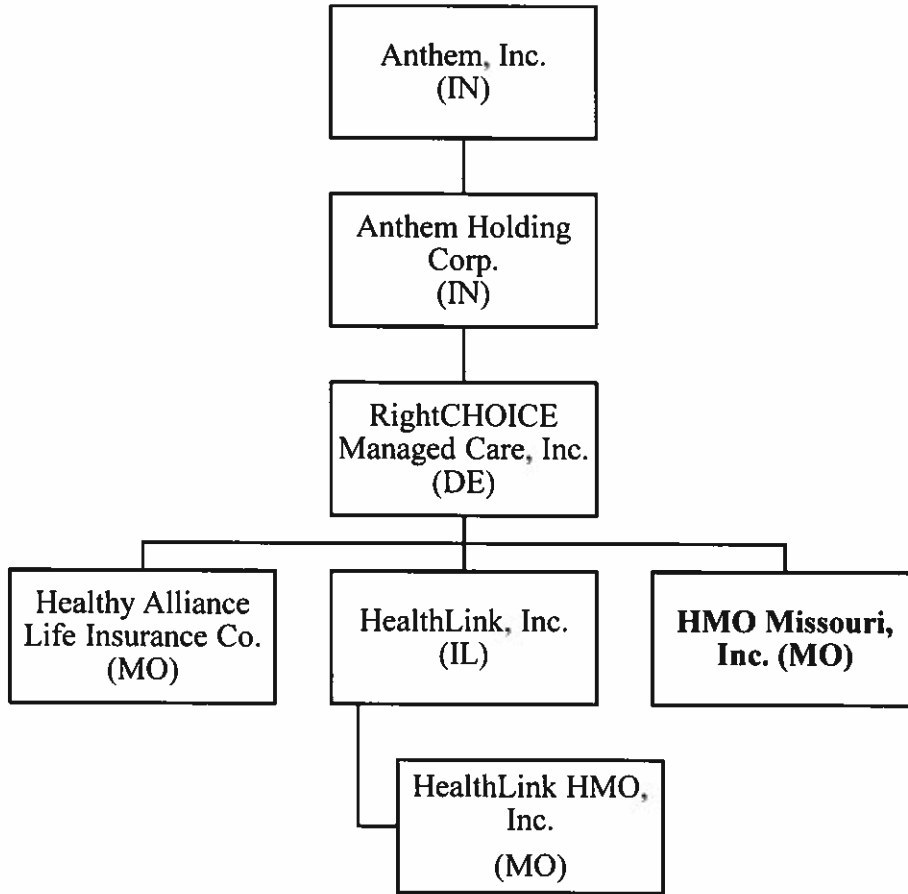
There are no committees of the Company's Board of Directors. However, the parent, Anthem, Inc., has committees that review and approve transactions that are applicable to all insurers in the Anthem Inc. Group, including HMO MO. The following committees of the Anthem, Inc. Board of Directors were active, as of December 31, 2017: Audit Committee, Compensation Committee, and Governance Committee.

Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined by Section 382.010 RSMo (Definitions). RightCHOICE is the Company's immediate parent. The ultimate controlling entity in the insurance holding company system is Anthem, a publicly-held corporation headquartered in Indianapolis, Indiana. Anthem's common stock trades on the New York Stock Exchange. Per Anthem's 2017 proxy statement, no individual owned ten percent or more of its common stock.

Organizational Chart

The following is an abridged organizational chart depicting the insurance holding company system at year-end 2017. All subsidiaries are wholly-owned unless otherwise noted.



Affiliated Transactions

As of December 31, 2017, the Company was party to the following intercompany agreements.

Guarantee and Conversion Agreement

Parties: The Company and Anthem

Effective: November 30, 2004

Terms: Anthem guarantees the obligation of the Company. In the event that the Company ceases operations, Anthem or one of its licensed affiliates will provide coverage to the Company’s policyholders without consideration of health status. The Agreement remains in effect until terminated. The Department must be given thirty days prior written notice of termination. There were no fees associated with the Agreement during the current examination period.

Amended and Restated Master Administrative Service Agreement

- Parties: Anthem and its subsidiaries including the Company, Healthy Alliance Life Insurance Company (Healthy Alliance), and HealthLink HMO, Inc. (HealthLink)
- Effective: January 1, 2003
- Terms: RightCHOICE and its Missouri domestic insurance subsidiaries, including the Company, Healthy Alliance and HealthLink receive and provide administrative services to each other, as well as to Anthem and its subsidiaries. Employees of Anthem and its subsidiaries provide administrative services on behalf of the Company. Service fees are based on direct cost, if determinable. If direct cost is not determinable, an appropriate allocation methodology is used.

Stop-Loss Coverage Agreement

- Parties: The Company and Healthy Alliance
- Effective: April 11, 2002
- Terms: Healthy Alliance will provide stop loss coverage to certain administrative services only clients of the Company as required under the administrative services agreements between HMO MO and plan sponsors. Rates for the stop-loss coverage are based on the underwriting principles used by Healthy Alliance in setting premiums for similar products.

Out of Network Agreement

- Parties: The Company and Healthy Alliance
- Effective: January 15, 1997
- Terms: Healthy Alliance agrees to provide out of network coverage to enrollees of HMO MO choosing an out of network or point-of-service option. HMO MO is to pay Healthy Alliance a per member per month (PMPM) amount determined quarterly on the basis of underwriting and actuarial standards and guidelines utilized by the parties. The PMPM amount is multiplied by the total number of enrolled members on the fifteenth day of the month for which payment is being made to determine the amount payable to Healthy Alliance.

Consolidated Federal Income Tax Agreement

- Parties: Anthem and its subsidiaries, including the Company, Healthy Alliance and HealthLink
- Effective: December 31, 2005
- Terms: This agreement establishes a method for allocating the consolidated tax liability of the affiliated group among its members, for reimbursing the parent for payment, for compensating any party for use of its tax losses or tax credits, and for allocating and paying any refund arising from a carryback of losses or tax credits. Payments are made no earlier than ten days before, and no later than thirty days after, the dates on which such payments would be due to the federal government if separate returns had been filed. The Company incurred \$4.65 million in federal income tax expense in 2017.

Cash Concentration Agreement

- Parties: Anthem and its subsidiaries, including the Company, Healthy Alliance and HealthLink
- Effective: October 1, 2009
- Terms: The Agreement establishes the designation of a Cash Manager; defined as “Anthem or any Affiliate handling the receipt or disbursement of funds on behalf of one or more Affiliates.” The Cash Manager accepts the receipt of premiums, administrative expense reimbursements and other revenue and makes benefits, payroll, general administrative expense and other accounts payable payments on behalf of Affiliates. Intercompany payables and receivables are established to record the transaction. Cash Managers are reimbursed for the direct and indirect costs, including overhead, associated with the Agreement.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed in Missouri as a health maintenance organization (HMO) under Section 354 RSMo (Health Services Corporations, Health Maintenance Organizations, Prepaid Dental Plans). The Company is also licensed in Illinois. In 2017, the Company reported premium and enrollment data for Missouri only.

Products underwritten by HMO MO are marketed as BlueCHOICE HMO and BlueCHOICE POS Plus. The Company markets to groups and individuals, including seniors.

As a Blue Cross Blue Shield licensee, the Company participates in the Federal Employees’ Program (FEP) and the BlueCard program. FEP is a nationwide contract with the Federal Office of Personnel Management to provide health benefits to federal employees and their dependents. The BlueCard program allows members travelling or residing in another Blue Cross Blue Shield Plan’s service area to access needed health care services through local Blue Cross Blue Shield Plan providers.

REINSURANCE

General

The Company did not assume or cede any reinsurance during the examination period.

ACCOUNTS AND RECORDS

Independent Accountant

For the period under examination, the Company's financial statements were audited by the certified public accounting firm Ernst & Young LLP. The 2017 audit workpapers were reviewed and used in the course of the examination as deemed appropriate.

Actuarial Opinion

On May 31 2016, an Anthem employee, Keith McDaniel, FSA, MAAA, was appointed to review and certify the claims-related reserves and other actuarial items. Mr. McDaniel found the claims-related reserves and other actuarial items to be adequately stated.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2017. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the Annual Statement.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

ASSETS
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 64,515,671	\$ -	\$ 64,515,671
Cash and cash equivalents	114,952	-	114,952
Investment income due and accrued	513,516	-	513,516
Uncollected premiums and agents' balances	2,789,989	20,427	2,769,562
Deferred premiums	3,831,493	-	3,831,493
Accrued retrospective premiums	685,013	-	685,013
Amounts receivable relating to uninsured plans	864,970	61,664	803,306
Current federal income tax	374,225	-	374,225
Net deferred tax asset	767,380	3,984	763,396
Health care and other amounts receivable	2,950,768	1,342,775	1,607,993
FEP assets held by agents	3,000,240	-	3,000,240
Prepaid expenses	972,081	972,081	-
Other assets	1,019	1,019	-
Total Assets	\$ 81,381,317	\$ 2,401,950	\$ 78,979,367

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2017

Claims unpaid	\$ 12,829,983
Accrued medical incentive pool and bonus amounts	810,447
Unpaid claims adjustment expenses	390,102
Aggregate health policy reserves	7,216,550
Aggregate health claim reserves	9,716
Premiums received in advance	817,359
General expenses due or accrued	1,163,555
Amounts withheld or retained for the account of others	522,884
Remittances and items not allocated	239,022
Amounts due to parent, subsidiaries and affiliates	23,135,136
Liability for amounts held under uninsured plans	1,469,825
Other liabilities	425,125
Escheatable funds	197,518
Other premium liability	38,423
Total Liabilities	\$ 49,265,645
Estimated ACA health insurer fee	5,038,428
Common capital stock	300,000
Unassigned funds (surplus)	24,375,294
Total Capital and Surplus	\$ 29,713,722
Total Liabilities, Capital and Surplus	\$ 78,979,367

STATEMENT OF REVENUES AND EXPENSES

For the year ending December 31, 2017

Member months	332,969
Net premium income	\$ 185,015,813
Change in unearned premium reserves and reserve for rate credits	<u>(2,930,355)</u>
Total revenues	\$ 182,085,458
Hospital/medical benefits	97,774,008
Other professional services	11,258,513
Emergency room and out-of-area	4,718,993
Prescription drugs	33,282,460
Incentive pool, withhold adjustments and bonus amounts	<u>2,914,315</u>
Total hospital and medical	\$ 149,948,289
Claims adjustment expenses	6,710,284
General administrative expenses	<u>13,370,880</u>
Total underwriting deductions	\$ 170,029,453
Net underwriting gain	\$ 12,056,005
Net investment income earned	1,361,245
Net realized capital gains	<u>33,306</u>
Net investment gains	\$ 1,394,551
Net loss from agents' balances charged off	(8,065)
Other income	(6,222)
Net income (pre-tax)	13,436,269
Federal and foreign income taxes incurred	<u>4,650,266</u>
Net income	<u>\$ 8,786,003</u>

RECONCILIATION OF SURPLUS

As of December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Capital and surplus prior reporting year	\$ 45,156,479	\$ 38,251,974	\$ 29,730,427	\$ 39,290,367
Net income	8,786,003	8,815,113	9,899,969	10,378,682
Change in net unrealized capital gains	208	(2,414)	13,965	(13,965)
Change in net deferred income tax	(1,066,083)	482,072	358,253	(169,162)
Change in nonadmitted assets	1,837,115	(1,590,266)	(950,640)	244,505
Dividends to stockholders	<u>(25,000,000)</u>	<u>(800,000)</u>	<u>(800,000)</u>	<u>(20,000,000)</u>
Net change in capital and surplus	(15,442,757)	6,904,505	8,521,547	(9,559,940)
Capital and surplus end of reporting year	<u>\$ 29,713,722</u>	<u>\$ 45,156,479</u>	<u>\$ 38,251,974</u>	<u>\$ 29,730,427</u>

EXAMINATION CHANGES

There were no examination changes resulting from the examination.

COMMENTS ON FINANCIAL STATEMENTS

There were no comments on financial statements resulting from the examination.

SUBSEQUENT EVENTS

There were no events occurring subsequent to December 31, 2017, requiring recognition or disclosure.

SUMMARY OF RECOMMENDATIONS

There were no recommendations resulting from the examination.

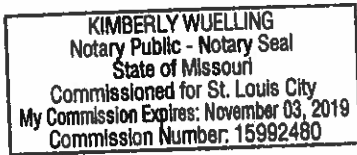
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and staff of HMO Missouri, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, CFE, AES, CPA; Doug Daniels, CFE, CPA; Ken Tang, CFE; and, Amy Snyder, CFE, CPA, MA, CGMA; examiners for the Department, participated in this examination.

VERIFICATION

State of Missouri)
)
County of St. Louis)

I, Thomas J. Cunningham, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Thomas J. Cunningham
Thomas J. Cunningham, CFE, CPA
Examiner-in-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 24th day of June

My commission expires:
11-03-2019

Kimberly Wuehling
Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Michael Shadowens, CFE
Assistant Chief Financial Examiner, St. Louis
Missouri Department of Insurance, Financial
Institutions and Professional Registration