



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

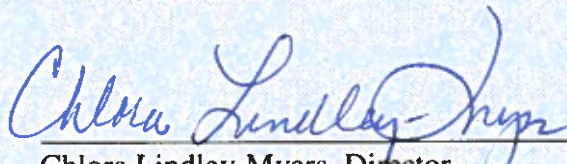
P.O. Box 690, Jefferson City, Mo. 65102-0690

**ORDER**

After full consideration and review of the report of the financial examination of Missouri Care, 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, subsequent events, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, financial statements, comments on financial statement items, examination changes and general comments and/or recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Missouri Care, Inc. as of December 31, 2017 be and is hereby ADOPTED as filed and for Missouri Care, 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 13<sup>th</sup> day of July, 2019.

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



REPORT OF THE  
FINANCIAL EXAMINATION OF  
**MISSOURI CARE, INC.**

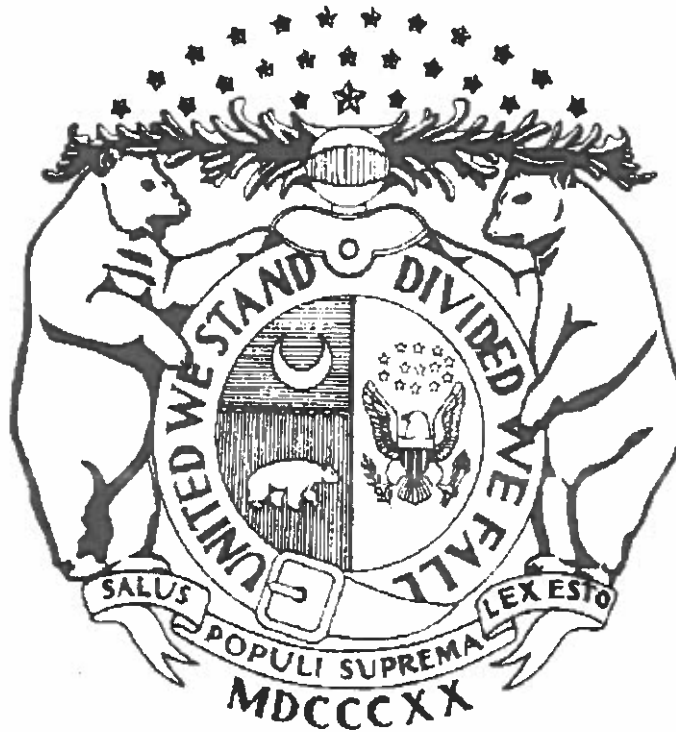
**FILED**

JUL 29 2019

DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

AS OF

DECEMBER 31, 2017



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS  
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Tampa, Florida  
April 10, 2019

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

**Missouri Care, Inc.**

hereinafter referred to as Missouri Care or the Company. Its administrative office is located at 8735 Henderson Road, Tampa, Florida, 33634, telephone number (813)206-2725. The examination began on October 29, 2018, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

We have performed a full scope single-state examination of Missouri Care. The last examination was completed as of December 31, 2015, and covered the period of January 1, 2012 through December 31, 2015. This examination covers the period of January 1, 2016 through December 31, 2017. This examination also included the 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 (DIFP) and 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.

This examination was coordinated with the examinations of other health insurance company subsidiaries of WellCare Health Plans, Inc. (WHP), referred to as the WellCare Group. Florida is the designated lead state for the WellCare Group. Along with Missouri, other states participating in the coordinated examination included Arizona, Connecticut, Georgia, Illinois, Nebraska, New Jersey, New York, Ohio and Oklahoma.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include 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 this examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements. The following key activities were identified during the examination: Investments, Pricing & Revenues, Claims Handling, Reserves, Related Party and Healthcare Accounts & Processes.

This examination report includes findings of fact and general information about the Company 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 separately communicated to other regulators and/or the Company.

The examiners relied upon information provided by the Company's independent auditor, Deloitte & Touche, LLP, of Tampa, Florida, for its audit covering the period from January 1, 2017 through December 31, 2017.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

## **SUBSEQUENT EVENTS**

The WellCare Group subsequently formed WellCare of Missouri Health Insurance Company (WellCare of Missouri). The Company was incorporated and licensed as an accident and health insurer in Missouri on February 11, 2019, and is a wholly-owned subsidiary of Missouri Care's direct parent, The WellCare Management Group, Inc. WellCare of Missouri plans to write Medicare Advantage – Preferred Provider Organization business in Missouri beginning in 2020.

On March 26, 2019, WellCare Health Plans, Inc. entered into an Agreement and Plan of Merger (the "Merger Agreement") with Centene Corporation ("Centene"), Wellington Merger Sub I, Inc. ("Merger Sub I") and Wellington Merger Sub II, Inc. ("Merger Sub II"). Pursuant to the Merger Agreement, and subject to the terms and conditions thereof, Centene will acquire all of the outstanding shares of the Company through a series of transactions in which (i) Merger Sub I will merge with and into the Company ("First Merger"), with the Company surviving as a direct,

wholly owned subsidiary of Centene and (ii) immediately after the effective time of the First Merger, the Company will merge with and into Merger Sub II, with Merger Sub II continuing as the surviving corporation. Subject to the terms and conditions set forth in the Merger Agreement, the Company's stockholders will receive cash and shares of Centene. Completion of the transaction remains subject to certain closing conditions and regulatory approvals.

## **COMPANY HISTORY**

### **General**

Missouri Care L.C. was organized as a not-for-profit, limited liability company on September 2, 1997. It was issued a Certificate of Authority to be licensed as a Health Maintenance Organization (HMO) on November 4, 1997 by the DIFP.

Effective February 1, 2007, certain assets and liabilities of Missouri Care L.C. were purchased by Schaller Anderson Acquisition Inc. on behalf of Schaller Anderson, Inc. (SAI), an Arizona corporation, including the right to use the name of Missouri Care. Subsequently thereafter, SAI was purchased by Aetna, Inc. (Aetna) effective July 31, 2007. On December 31, 2009, SAI was merged into Aetna Health Holdings, LLC, (AHH), with AHH as the surviving entity. The Company operated as a subsidiary of AHH with Aetna as the ultimate controlling parent.

On March 31, 2013, all of the outstanding common stock of Missouri Care was acquired by The WellCare Management Group, Inc. (WMGI), a New York Corporation and wholly-owned subsidiary of WellCare Health Plans, Inc. (WellCare), a Delaware corporation. The Company operates as a subsidiary of WMGI with WellCare as the ultimate controlling parent.

### **Dividends and Capital Contributions**

No stockholder dividends were declared or paid during the period under examination.

The Company received capital contributions from parent WMGI of \$2 million and \$37 million in 2016 and 2017, respectively.

### **Mergers and Acquisitions**

There were no mergers or acquisitions involving the Company during the examination period.

## MANAGEMENT AND CONTROL

### Board of Directors

The management of the Company is vested in a Board of Directors that are elected by the Company's shareholder. The Company's Bylaws specify that the number of directors shall be not less than four. The Board of Directors appointed and serving, as of December 31, 2017, were as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
David T. Reynolds	Deerfield, IL	Senior Vice President, and Division President WellCare Health Plans, Inc.
Michael T. Meyer	Lutz, FL	Vice President and Corporate Controller WellCare Health Plans, Inc.
Andrew L. Asher	Odessa, FL	Executive Vice President and Chief Financial Officer WellCare Health Plans, Inc.
Anat Hakim	Jupiter, FL	Senior Vice President, General Counsel and Secretary WellCare Health Plans, Inc.

Effective September 30, 2018, David T. Reynolds was removed from the Board of Directors and replaced by Louis Gianquinto, Jr.

### Committees

The Bylaws grant the Board of Directors authority to establish one or more committees of the Board and appoint the members. Each committee shall have two or more members. The Company currently has one Board committee, which is the Audit Committee. As of December 31, 2017, the members of the Audit Committee were Andrew L. Asher and Michael T. Meyer.

### Officers

The officers elected and serving, as of December 31, 2017, were as follows:

<u>Name</u>	<u>Office</u>
David T. Reynolds	President
Michael T. Meyer	Chief Financial Officer, Assistant Treasurer, Vice President & Corporate Controller
Michael W. Haber	Secretary & Vice President
Tammy L. Meyer	Assistant Secretary and Vice President
Goran Jankovic	Treasurer and Vice President

Effective September 30, 2018, David T. Reynolds was removed as President and replaced by Louis Gianquinto, Jr. On December 31, 2018, Michael T. Meyer was appointed Chief Accounting Officer, and Stephanie A. Williams was appointed Chief Financial Officer and Vice President.



### **Corporate Records**

A review was made of the Articles of Incorporation and Bylaws for the examination period. There were no amendments to the Articles of Incorporation or Bylaws during the examination period.

The minutes of the Board of Directors' meetings, written consents in lieu of meetings, sole shareholder written consents, and committee meetings were reviewed for proper approval of corporate transactions. In general, the minutes and written consents appear to properly reflect and approve the Company's major transactions and events for the period under examination.

### **Holding Company, Subsidiaries and Affiliates**

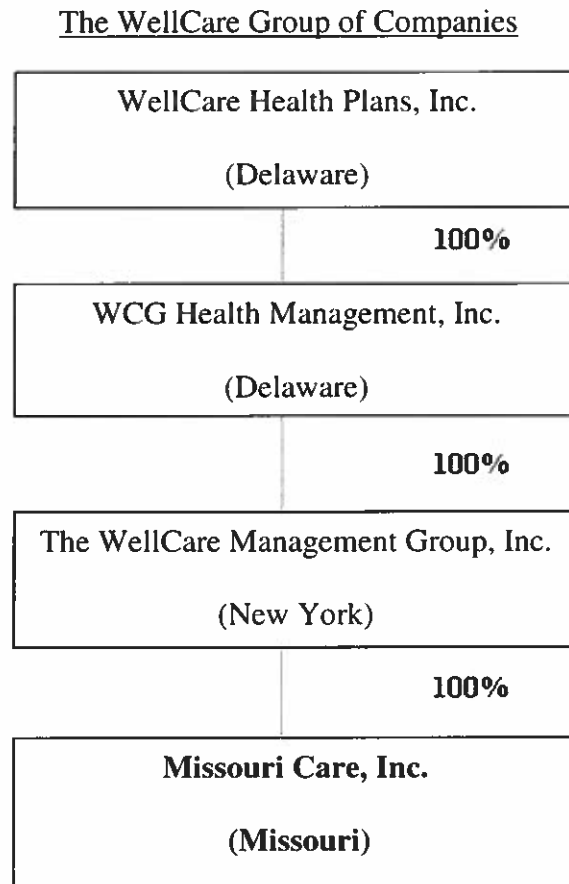
The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). Missouri Care is a member of the WellCare Group of companies (WellCare Group). An Insurance Holding Company System Registration Statement was filed by Missouri Care for each year of the examination period. Missouri Care is directly owned 100% by WellCare Management Group, Inc., which in turn is 100% owned by WCG Health Management, Inc., which is 100% owned by the ultimate parent, WellCare Health Plans, Inc.

WellCare is a publicly traded holding company, which reported total assets of \$8.4 billion and stockholder equity of \$2.4 billion as of December 31, 2017. WellCare reported net income of \$373.7 million in 2017 and \$242.1 million in 2016.

Through its numerous insurance subsidiaries, WellCare focuses exclusively on government-sponsored managed care services, primarily through Medicaid, Medicare Advantage and Medicare Prescription Drug Plan to approximately 4.4 million members in all fifty states. The WellCare Group operates Medicaid health plans in twelve states, including Missouri. In 2017, Medicaid business accounted for 62% of total membership and 63% of total premium revenue for the WellCare Group.

**Organizational Chart**

The following organizational chart depicts the stream-lined ownership and holding company structure of Missouri Care, as of December 31, 2017.

**Intercompany Transactions**

The Company's intercompany agreements that were in effect, as of December 31, 2017, and subsequent periods are outlined below.

1. **Type:** Income Tax Allocation Agreement
- Parties:** WellCare Health Plans, Inc. and Subsidiaries
- Effective:** March 31, 2013
- Terms:** WellCare and subsidiaries, including Missouri Care, agree to file a consolidated federal income tax return. The Company's income tax liability each year will be the amount of income taxes that Missouri Care would have paid on a stand-alone, separate return basis. Missouri Care agrees to pay amounts due to WellCare within 30 days after receiving notice. Refunds due to Missouri Care are due within 30 days after determination by WellCare that such amounts due exist.

- 2. Type:** Capital Maintenance Agreement  
**Parties:** WellCare and Missouri Care  
**Effective:** March 13, 2013  
**Terms:** WellCare agrees to ensure that Missouri Care has capital and surplus in the amount equal to at least 200% of risk-based capital (RBC) and to monitor the RBC periodically to ensure the required amount is maintained. WellCare further agrees to make any capital contributions necessary for Missouri Care to maintain capital and surplus at the minimum 200% RBC level at all times.
- 3. Type:** Management Services Agreement  
**Parties:** Comprehensive Health Management, Inc. (CHMI) and Missouri Care  
**Effective:** January 1, 2014  
**Terms:** CHMI agrees to provide, supervise and manage the day-to-day operations of Missouri Care by providing certain services. These services include, but are not limited to accounting and financial services, human resource, claims processing, risk management, actuarial services, legal services, governmental relations and regulatory affairs, health care quality improvement activities, advertising of products, product marketing, records management and retention, provider network management, and procurement and management of facilities. Missouri Care agrees to reimburse CHMI for all directly allocable costs incurred and to pay an amount equal to 5.6% of gross premium revenue for indirect costs. Amounts due under the agreement are payable within 30 days of the end of the month in which the fees are incurred. In the event that charges by CHMI would cause Missouri Care to fall below the DIFP statutory capital reserve requirements for any period, CHMI agrees not to impose the charges for that period. The agreement was amended effective January 1, 2018, with the indirect cost charge for Medicaid gross premium revenue revised to 8.1%

### **TERRITORY AND PLAN OF OPERATION**

Missouri Care is licensed only in the State of Missouri under Chapter 354 RSMo, as it relates to Health Maintenance Organizations. The Company's only product is Medicaid business contracted through the MO HealthNet Managed Care program, which is administered by the MO HealthNet division of the Missouri Department of Social Services. The Company is currently operating under a renewed contract with MO HealthNet that became effective on May 1, 2017, with the initial term expiring on June 30, 2018. The contract has four additional one-year renewal options, and was renewed for period from July 1, 2018 through June 30, 2019.

The current contract expanded the coverage area from a 54-county area to statewide, which includes all 114 counties and the City of St. Louis. Missouri Care is one of three health insurers contracted to provide managed care services for the MO HealthNet Managed Care program and derives all of its premium revenue from its participation in the contract. The underlying rates for

the premium revenue are subject to negotiation with and approval by the State of Missouri with funding approved each legislative session. Future contract renewals are contingent upon the continuation of the MO HealthNet Managed Care program and the Company's ability and desire to retain its status as a carrier under the program.

### GROWTH OF COMPANY

The following table shows the primary sources of the Company's growth and the financial results during the examination period.

	2017	2016
Total Admitted Assets	\$ 207,577,353	\$ 87,647,926
Total Liabilities	113,476,295	45,069,605
Paid in and Contributed Surplus	74,999,000	37,999,000
Capital and Surplus	94,101,058	42,578,321
Net Premium Income	651,061,243	349,455,171
Net Investment Income	669,724	220,232
Benefits and Expenses	627,473,977	340,363,024
Net Income	15,412,588	3,529,960

The growth in 2017 is largely attributable to the statewide expansion in the 2017 contract, described above in the "Territory and Plan of Operation" section of this report.

### REINSURANCE

#### General

The Company's premium activity on a direct written, assumed and ceded basis, for the period under examination, is detailed below:

	2017	2016
Direct Business	\$ 651,201,580	\$ 349,539,581
Reinsurance Assumed	0	0
Reinsurance Ceded:		
Affiliates	0	0
Non-affiliates	(140,337)	(84,410)
Net Premiums Written	\$ 651,061,243	\$ 349,455,171

The increase in direct written premium from 2016 to 2017 was the result of a 136% increase in membership due to the new statewide contract effective May 2017. Total membership was 285,577 at December 31, 2017, compared to 120,967 at December 31, 2016.

**Assumed**

The Company does not assume any business.

**Ceded**

Missouri Care's reinsurance program is designed to protect against the risk from large dollar claims. The Company has an excess of loss reinsurance agreement, effective January 1, 2017, through January 1, 2018, with PartnerRe America Insurance Company (PartnerRe). Under the terms of the agreement, Missouri Care has a retention of \$2.75 million per member, and PartnerRe agrees to indemnify the Company for losses in excess of the retention at a rate of 90% for reinsurance claims received by March 1, 2018, and at a rate of 50% for reinsurance claims received after that date. The contract includes a \$2 million per member reinsurance limit and no aggregate limit for the contract period. The Company entered into a similar agreement with PartnerRe for calendar year 2019, with the only significant difference being an increase in the per member limit to \$5 million.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

**FINANCIAL STATEMENTS**

The following financial statements, present the financial condition of Missouri Care for the period ending December 31, 2017. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the Comments on Financial Statement Items. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the Comments on Financial Statement Items section. These differences were determined to be immaterial concerning their effect on the financial statements, and therefore, were only communicated to the Company and noted in the workpapers for each key activity.

## Assets as of December 31, 2017

	Assets	Non- Admitted Assets	Net Admitted Assets
Bonds	\$ 1,066,772	\$ 0	\$ 1,066,772
Cash and Short-Term Investments	94,742,378	0	94,742,378
Investment Income Due and Accrued	115,130	0	115,130
Uncollected Premiums & Agents' Balances	106,502,606	0	106,502,606
Net Deferred Tax Asset	1,102,483	0	1,102,483
Health Care and Other Receivables	761,059	761,059	0
Aggregate Write-ins	4,077,263	29,279	4,047,984
<b>TOTAL ASSETS</b>	<b>\$208,367,691</b>	<b>\$ 790,338</b>	<b>\$207,577,353</b>

## Liabilities, Capital and Surplus as of December 31, 2017

Claims Unpaid	\$ 95,932,260
Unpaid Claims Adjustment Expenses	623,437
General Expenses Due or Accrued	13,476,027
Current Federal and Foreign Income Tax Payable	2,341,084
Amounts Due to Parent, Subsidiaries and Affiliates	384,956
Aggregate Write-ins	718,531
<b>TOTAL LIABILITIES</b>	<b>\$113,476,295</b>
Aggregate Write-ins for Special Surplus Funds	12,995,000
Common Capital Stock	1,000
Gross Paid in and Contributed Surplus	74,999,000
Unassigned Funds (Surplus)	6,106,058
<b>Total Capital and Surplus</b>	<b>\$ 94,101,058</b>
<b>TOTAL LIABILITIES, CAPITAL AND SURPLUS</b>	<b>\$207,577,353</b>

## Statement of Revenue and Expenses For the Year Ended December 31, 2017

<b>Member Months</b>	<b>2,828,598</b>
Net Premium Income	<u>\$651,061,243</u>
<b>Total Revenues</b>	<b>\$651,061,243</b>
Hospital/Medical Benefits	\$489,662,376
Other Professional Services	14,914,143
Emergency Room and Out-of-Area	70,489,292
Prescription Drugs	23,572
Claims Adjustment Expenses	8,418,743
General Administrative Expenses	<u>43,965,851</u>
<b>Total Underwriting Deductions</b>	<b><u>\$627,473,977</u></b>
<b>Net Underwriting Gain</b>	<b>\$ 23,587,266</b>
Net Investment Gain	669,724
Federal Income Tax	<u>8,844,402</u>
<b>Net Income (Loss)</b>	<b><u>\$ 15,412,588</u></b>

## Reconciliation of Surplus Changes from January 1, 2016 to December 31, 2017

	2016	2017
Capital and Surplus, Beginning of Year	\$34,535,060	\$42,578,321
Net Income	3,529,960	15,412,588
Change in Net Deferred Income Tax	(390,911)	(119,092)
Change in Non-Admitted Assets	2,904,212	(770,759)
Surplus Paid In	<u>2,000,000</u>	<u>37,000,000</u>
Change in Capital and Surplus for the Year	<u>\$ 8,043,261</u>	<u>\$51,522,737</u>
<b>Capital and Surplus, End of Year</b>	<b><u>\$42,578,321</u></b>	<b><u>\$94,101,058</u></b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**EXAMINATION CHANGES**

None.

**GENERAL COMMENTS AND/OR RECOMMENDATIONS**

None.




**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Missouri Care, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Lisa Li, CPA, CFE, and Brian Hammann, CPA, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination. Karen E. Elsom, FSA, MAAA, of Lewis & Ellis, Inc., also participated as a consulting actuary.


**VERIFICATION**

State of Missouri            )  
  )  
County of                    )

I, Shannon W. Schmoeger, 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 Missouri Hospital Plan 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.

  
\_\_\_\_\_  
Shannon W. Schmoeger, CFE, ARe  
Examiner-In-Charge  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

Sworn to and subscribed before me this 18<sup>th</sup> day of June, 2019

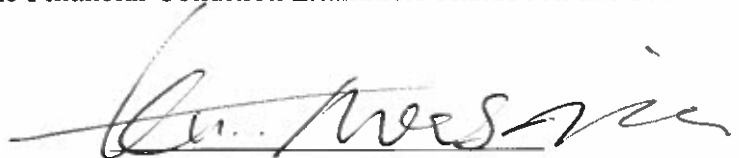
My commission expires: March 30, 2023   
\_\_\_\_\_  
Notary Public



HAILEY LUEBBERT  
My Commission Expires  
March 30, 2023  
Osage County  
Commission #1563498

**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.

A handwritten signature in black ink, appearing to read "Levi N. Nwasoria", is written over a horizontal line.

Levi N. Nwasoria, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial  
Institutions and Professional Registration