

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

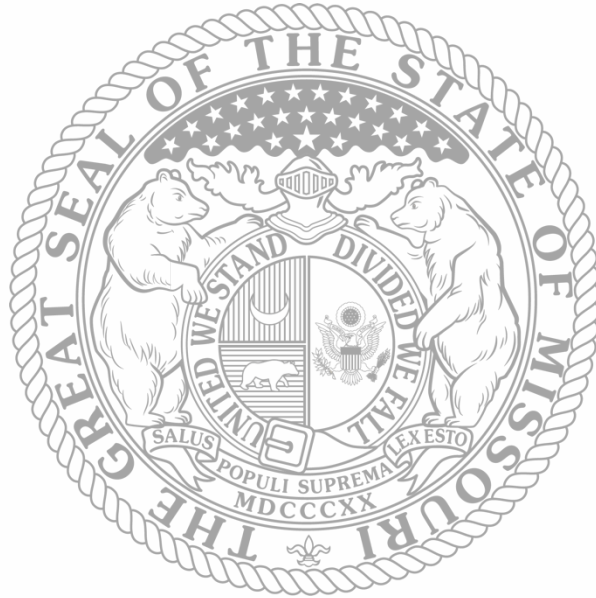
After full consideration and review of the report of the financial examination of Missouri Medicare Select, LLC for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance 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 finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Missouri Medicare Select, LLC as of December 31, 2019 be and is hereby ADOPTED as filed and for Missouri Medicare Select, LLC 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 14th day of June, 2021.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

MISSOURI MEDICARE SELECT, LLC

AS OF
DECEMBER 31, 2019

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Saint Louis, MO
May 13, 2021

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

Director Lindley-Myers:

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

Missouri Medicare Select, LLC (NAIC #15757)

hereinafter referred to as such, as MMS, or as the Company. Its administrative office is located at 201 Jordan Road, Suite 200, Franklin, TN 37067, telephone number 615.565.3654. The fieldwork for this examination began on January 13, 2021, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Missouri Medicare Select, LLC. This is the first examination of the Company by the Department. The examination covers the period of January 7, 2015, through December 31, 2019, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

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 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 the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to MMS included Investments, Underwriting, Claims and Reserving, Health Care Items and Uninsured Plans, Related Parties and Capital and Surplus. The examination also included a review and evaluation of information technology general controls.

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 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 are separately communicated to other regulators and/or the Company.

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.

COMPANY HISTORY

General

MMS organized on January 7, 2015, as a limited liability company. On April 30, 2015, MMS was licensed as a health maintenance organization (HMO). MMS was part of an insurance holding company system owned by MO Select, LLC and AllyAlign Health, Inc. Ownership percentages were 60% and 40%, respectively. The ultimate controlling person in the insurance holding company system was Murray Forman with 65% ownership of MO Select, LLC.

On December 14, 2018, American Health Advantage of Missouri, LLC (AHAMO) acquired MMS. American Health Companies, Inc., JCT Family Limited Partnership and Lierman Investment Company, LLC co-owned AHAMO, a Delaware limited liability company, with ownership percentages of 70%, 15% and 15%, respectively. Following the acquisition, JCT Family Limited Partnership and Lierman Investment Company, LLC increased their ownership percentages to 22.5% each. American Health Companies, Inc. decreased its ownership percentage to 55%.

Mergers, Acquisitions, and Major Corporate Events

In 2019, Lutheran Family Services acquired a 7% ownership interest in AHAMO. The ownership percentages of the other co-owners were adjusted to the following: American Health Companies, LLC (52.5%); JCT Family Limited Partnership (20.7%); and Lierman Investment Company, LLC (19.8%). In January 2019, American Health Companies, Inc. had reorganized as American Health Companies, LLC.

As detailed more fully in Subsequent Events below, in 2020, MFO AHP SUB LLC sought to acquire American Health Companies, Inc. in order to gain control of MMS. The acquisition was approved in March 2021. During the acquisition process, MMS was converted into American Health Plan of Missouri, Inc., changing its name and organizational structure. The conversion was effective February 24, 2021.

Dividends and Capital Contributions

There were no dividends paid during the current examination period.

The following capital contributions were received during the current examination period.

Year	Amount
2015	\$ 1,353,068
2016	0
2017	1,010,660
2018	595,280
2019	1,325,000
Total	\$ 4,284,008

Surplus Notes

On January 1, 2016, MMS issued a surplus note in the amount of \$270,000 to AllyAlign Health, Inc., a co-owner at that time. The surplus note was reduced by \$105,338 in 2017 and by \$164,662 in 2018 as the Department approved converting the note to contributed surplus. There were no surplus notes issued or outstanding at December 31, 2019.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that are appointed by American Health Advantage of MO, LLC, the Company's sole owner. The Company's sole owner determines the size of the Board. The Board of Directors appointed and serving as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Michael Bailey Franklin, TN	President and Chief Executive Officer American Health Companies, Inc.
Jeffrey Bogle Franklin, TN	Chief Financial Officer American Health Companies, Inc.
Robin Bradley Franklin, TN	Chief Operating Officer American Health Companies, Inc.
Mark Lierman St. Louis, MO	Partner Stonebridge Senior Living
Randall Bloom Kansas City, MO	President and Chief Operating Officer Tutera Group, Inc.
Paul Ogier St. Louis, MO	Chief Financial Officer Lutheran Senior Services

Senior Officers

The officers elected and serving, as of December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Michael Bailey	President and Chief Executive Officer
Jeffrey Bogle	Treasurer and Chief Financial Officer
Robin Bradley	Secretary and Chief Operating Officer

Principal Committees

There are no committees. The Board of Directors serves as the Company's Audit Committee.

Corporate Records

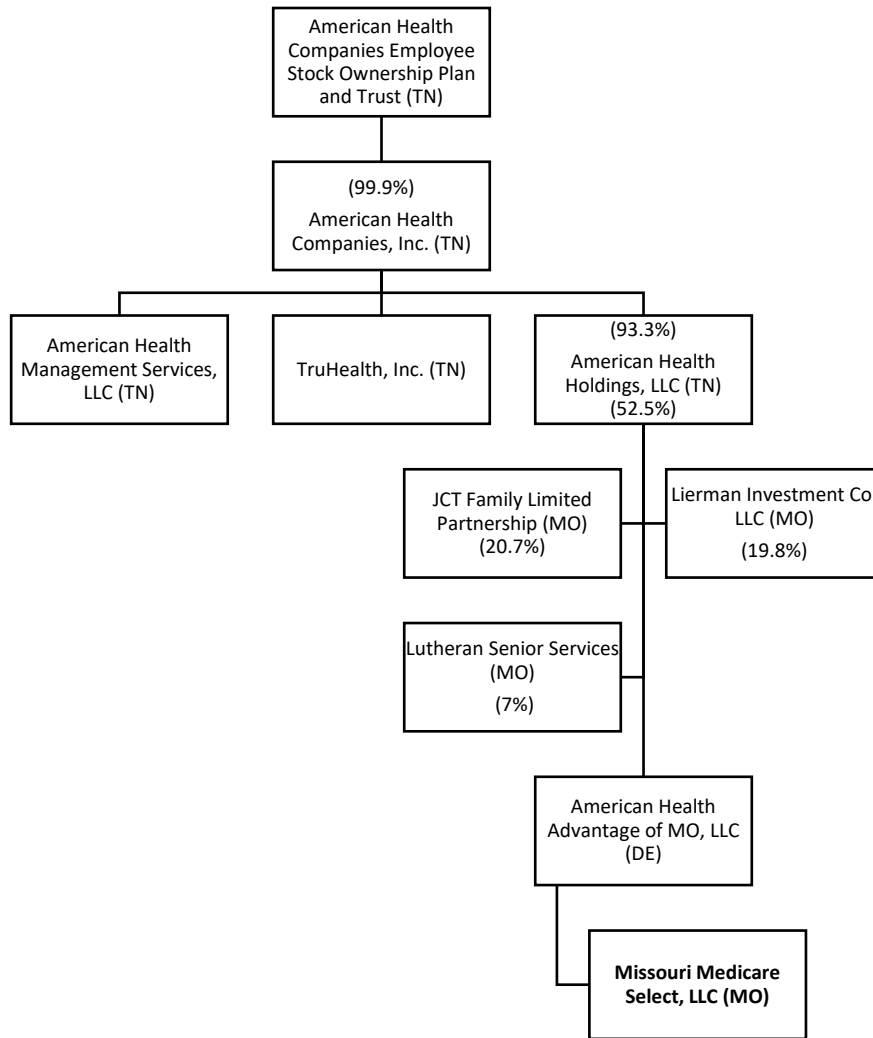
The Company's Operating Agreement was reviewed. There were no revisions to the document during the current examination period. The minutes of the Board of Director's meetings were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

MMS is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). MMS is wholly-owned by its immediate parent, American Health Advantage of MO, LLC, which is co-owned by American Health Holdings, LLC (52.5%), JCT Family Limited Partnership (20.7%), Lierman Investment Company, LLC (19.8%) and Lutheran Family Services (7.0%). The ultimate controlling entity in the holding company system is American Health Companies Employee Stock Ownership Plan and Trust.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2019. All subsidiaries shown are wholly-owned unless otherwise noted.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2019. A brief description of these agreements are as follows:

Management Agreement: Under an agreement that became effective December 8, 2018, American Health Management Services manages the day-to-day operations of MMS.

Care Management Services Agreement: Under an agreement that became effective January 1, 2019, TruHealth, Inc.'s mid-level practitioners and case managers provide care management and care coordination services to the Company.

TERRITORY AND PLAN OF OPERATION

At year-end 2019, the Company was licensed only in Missouri.

MMS offers a single product, Medicare Institutional Special Needs Program (I-SNP), which covers Medicare patients residing in long-term care facilities who require an institutional level of care.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The Company was unable to generate an underwriting gain or net income during the current examination period.

The table below summarizes the Company's growth for the period under examination:

(\$000s omitted)

Year	Total Assets	Net Premiums Earned	Underwriting Gain (Loss)	Net Income (Loss)	Capital and Surplus	Ratio of Net Premiums to Surplus
2015	\$ 1,175	\$ 0	\$ (180)	\$ (179)	\$ 1,174	0.00
2016	1,667	4,883	(78)	(78)	874	5.58
2017	1,611	4,436	(1,005)	(999)	756	5.95
2018	1,114	1,968	(505)	(496)	674	2.97
2019	1,611	2,290	(1,075)	(1,063)	977	2.34

The Company has improved its medical loss ratio over the past three years. Revenues for 2019 reflect only eight months of activity. As part of the transition in ownership that occurred in December 2018, the Company stopped writing premiums. The Company began writing premiums again in May 2019.

The table below summarizes the Company's total revenues, incurred hospital and medical expenses, and medical loss ratios for the period under examination:

(\$000s omitted)

Year	Total Revenues	Total Hospital and Medical Benefits	Medical Loss Ratio
2015	\$ 0	\$ 0	0.0%
2016	4,883	4,400	90.1%
2017	4,499	4,797	106.6%
2018	2,002	1,984	99.1%
2019	2,290	1,973	86.2%

REINSURANCE

General

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

(\$000s omitted)

Premium Type	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 0	\$ 4,932	\$ 4,483	\$ 1,979	\$ 2,299
Reinsurance Ceded:					
Non-Affiliates	0	49	47	11	9
Net Premiums Written	\$ 0	\$ 4,883	\$ 4,436	\$ 1,968	\$ 2,290

Assumed Reinsurance

The Company did not assume any premiums during the period under examination.

Ceded Reinsurance

The Company was party to an excess of loss agreement with PartnerRe American Insurance Company (PartnerRe) at December 31, 2019. The agreement was effective from May 1, 2019, through May 1, 2020. Under the agreement, PartnerRe provided coverage for 90% of amounts in excess of a \$175,000 per person deductible. The agreement had a limit of \$2,000,000 per covered person.

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 contract.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, LBMC, PC, in Brentwood, TN, performed the statutory audit of the Company for the years 2015 through 2019. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, internal control testing, information systems review, fraud review, confirmations of investment account balances and testing of financial statement account balances.

Actuarial Opinion

The Company's actuarial opinion regarding reserves and other actuarial items was issued by Kelly Backes, FSA, MAAA, for 2016 and 2017, by Eric Goetsch, FSA, MAAA for 2018 and by Matthew Chamblee, FSA, MAAA for 2019. Kelly Backes, Eric Goetsch and Matthew Chamblee are employed by Milliman, Inc. in Brookfield, WI (Backes and Goetsch) and in Tampa, FL (Chamblee).

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 Missouri Medicare Select, LLC for the period ending December 31, 2019. 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 financial statements. 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." 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 individual key activity.

ASSETS

As of December 31, 2019

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 477,989	\$ 0	\$ 477,989
Cash, Cash Equivalents, and Short- Term Investments	1,084,272	0	1,084,272
Investment Income Due and Accrued	2,689	0	2,689
Premiums and Considerations: Uncollected Premiums and Agents' Balances in the Course of Collection	31,423	0	31,423
Health Care and Other Amounts Receivable	15,869	1,239	14,630
TOTAL ASSETS	\$ 1,612,242	\$ 1,239	\$ 1,611,003

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2019

Claims Unpaid	\$ 495,284
Unpaid Claims Adjustment Expenses	22,743
General Expenses Due or Accrued	50,529
Liability for Amounts Held Under Uninsured Plans	65,045
TOTAL LIABILITIES	\$ 633,601
Gross Paid-In and Contributed Surplus	4,284,008
Unassigned Funds (Surplus)	(3,306,606)
TOTAL CAPITAL AND SURPLUS	\$ 977,402
TOTAL LIABILITIES AND SURPLUS	\$ 1,611,003

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2019

Net Premium Income	\$ 2,289,699
Total Revenue	\$ 2,289,699
Hospital/Medical Benefits	1,820,366
Prescription Drugs	152,984
Claims Adjustment Expenses	115,847
General Administrative Expenses	1,275,359
Total Underwriting Deductions	\$ 3,364,555
Net Underwriting Gain (Loss)	\$ (1,074,856)
Net Investment Income Earned	11,854
Net Investment Gain (Loss)	\$ 11,854
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	\$ (1,063,002)
NET INCOME (LOSS)	\$ (1,063,002)

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 7, 2015 to December 31, 2019

(\$000's omitted)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Capital and Surplus, Beginning of Year	\$ 0	\$ 1,175	\$ 874	\$ 756	\$ 674
Net Income (Loss)	(179)	(78)	(999)	(496)	(1,063)
Change in Nonadmitted Assets	0	0	(27)	(16)	42
Change in Surplus Notes	0	270	(105)	(165)	0
Capital Changes:					
Paid In	1,353	0	0	0	0
Surplus Adjustments:					
Paid In	0	0	1,011	595	1,325
Aggregate Write-Ins for Gains (Losses) in Surplus	0	(492)	2	0	0
Net Change in Capital and Surplus	1,175	(300)	(119)	(82)	304
Capital and Surplus, End of Year	\$ 1,175	\$ 874	\$ 756	\$ 674	\$ 978

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review of Missouri Medicare Select, LLC noted that the COVID pandemic unfavorably impacted the Company's enrollment growth and profitability in 2020. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on Missouri Medicare Select, LLC and will take necessary action if a solvency concern arises.

During 2020, American Health Advantage of MO, LLC made a series of capital contributions to the Company totaling \$1.125 million. The Department approved each contribution.

In October 2020, the Department received a Form A Statement proposing the acquisition of control of American Health Companies, Inc. by MFO AHP SUB LLC, an entity ultimately owned by Mark Mitchell (.1%) and various trusts (99.9%) of which Mark Mitchell is trustee. By acquiring control of American Health Companies, Inc., MFO AHP SUB LLC would acquire control of MMS. On March 26, 2021, the Department approved the acquisition.

During the acquisition process, MMS converted from a limited liability company to a corporation and changed its name to American Health Plan of Missouri, Inc. The Missouri Secretary of State issued a Certificate of Conversion dated February 25, 2021.

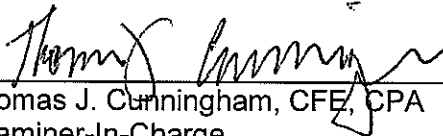
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Missouri Medicare Select, LLC during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Justin Lamb, examiner for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Saint Louis)

I, Thomas J. Cunningham, CFE, CPA, 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 Medicare Select, LLC, 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, CFE, CPA
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 20th day of May, 2021.

My commission expires: 12-08-23 
Notary Public

KIMBERLY WUELLING
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: December 08, 2023
Commission Number: 15992480

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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.

Michael R. Shadowens

Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance