STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Blue Advantage Plus of Kansas City, Inc. for the period ended December 31, 2012

ORDER

After full consideration and review of the report of the financial examination of Blue Advantage Plus of Kansas City, Inc. for the period ended December 31, 2012, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, 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, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Blue Advantage Plus of Kansas City, Inc. as of December 31, 2012, be and is hereby ADOPTED as filed and for Blue Advantage Plus of Kansas City, Inc. to tak e 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) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) 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 23rd day of December, 2013.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE

FINANCIAL EXAMINATION OF

Blue Advantage Plus of Kansas City, Inc.

AS OF

DECEMBER 31, 2012

FILED

JAN 0 2 2014

DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Kansas City, MO
November 3, 2013

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Director Huff:

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

Blue Advantage Plus of Kansas City, Inc.

hereinafter referred to as BA+ or as the Company. Its main administrative office is located at 2301 Main Street, Kansas City, MO 64108. The fieldwork for this examination began on December 3, 2012, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a full scope financial examination of Blue Advantage Plus of Kansas City, Inc. The last examination of the Company was also performed by the DIFP as of December 31, 2007. This current examination covers the period of January 1, 2008 through December 31, 2012.

This examination was performed concurrently with the examination of the Company's parent, Blue Cross and Blue Shield of Kansas City (BCBSKC) and its other affiliates: Good Health HMO, Inc. (Good Health) and Missouri Valley Life and Health Insurance Company (Missouri Valley).

The examination also includes the material transactions and/or events occurring subsequent to December 31, 2012.

Procedures

This examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, inherent risks within the Company, system controls, and procedures used to mitigate those risks. This examination also included assessing

the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions.

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. The key activities identified in the examination of BA+ were as follows:

- Investments
- Premiums
- Taxes
- Claims Handling
- Reserving
- Expenses
- Related Parties
- Provider Relations

Reliance Upon Others

The examination relied upon information provided by the Company and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources. The examiners also relied upon information supplied by the Company's independent auditor, Ernst & Young, LLP of Kansas City, Missouri for its audit covering the period from January 1, 2011 through December 31, 2011 and Blue Cross and Blue Shield of Kansas City's Internal Audit Department. Information relied upon included fraud risk analysis; process narratives; control testing for investments, premiums, claims, and taxes.

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

There were no significant subsequent events noted from December 31, 2012 through the date of this report.

CORPORATE HISTORY

General

Blue Advantage Plus of Kansas City, Inc. was incorporated under the general business laws of the State of Missouri on April 18, 2005. The Company received a certificate of authority to operate as a Health Maintenance Organization pursuant to Chapter 354 (Health Services Corporations--Health Maintenance Organizations) on June 17, 2005. On June 30, 2005 the Company registered its name of Blue Advantage Plus.

BA+ is a wholly owned subsidiary of Blue Cross and Blue Shield of Kansas City which is dually licensed as a Health Maintenance Organization and a Health Services Corporation in the State of Missouri.

Capital Contributions

In 2010, the Company received a capital contribution of $5,000,000 from its parent, BCBSKC. No additional capital contributions were received during the period under examination.

Dividends

No dividends were declared or paid during the examination period.

Mergers and Acquisition

There were no mergers significant to BA+ during the period under examination.

CORPORATE RECORDS

The Company's Articles of Consolidation and Incorporation and its Bylaws were reviewed for the period under examination. Neither the Articles of Consolidation and Incorporation, nor the Bylaws were amended during the examination period.

The minutes, for both the Board of Directors and shareholders, were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

Board of Directors

The management of the Company is vested in a Board of Directors. The Company's Articles of Incorporation and Bylaws specify that the number of directors may be increased or decreased by future action of the Board. As of December 31, 2012 there were six directors serving on the Board. The Directors elected and serving as of December 31, 2012, were as follows:

Name	Residential Address	Principal Occupation and Business Affiliations
Brian M. Burns	Mission Hills, KS	President, BA+ and Chief Health Services Executive, BCBSKC
Kevin P. Sparks	Olathe, KS	President, Missouri Valley and Chief Strategy Officer and Group Executive, BCBSKC
Danette K. Wilson	Kansas City, MO	President and CEO, Good Health and Group Executive of External Operations & Chief Marketing Officer, BCBSKC
Richard J. Kastner	Leawood, KS	Secretary, Group Executive and General Counsel, BCBSKC
Bryan R. Camerlinck	Overland Park, KS	Treasurer and Group Executive, Financial & Internal Operations and Chief Financial Officer, BCBSKC
Nancy M. Creasy	Lee's Summit, MO	Senior Vice President of Operations & Chief Services Executive, BCBSKC

Committees

The Company does not have any committees and utilizes the committees of its parent Blue Cross and Blue Shield of Kansas City to manage the operations of the business.

Officers

The Board of Directors annually elects various Company officers, as required by the Bylaws. The President and Chief Executive Officer will supervise the day to day operations of the Company as directed by the Board of Directors. The senior officers elected and serving as of December 31, 2012, were as follows:

Brian M. Burns	President
Richard J. Kastner	Secretary
Thomas E. Nightingale	Actuary
Bryan R. Camerlinck	Treasurer

Holding Company, Affiliates, and Subsidiaries

Blue Advantage Plus of Kansas City, Inc. is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by BA+'s parent, BCBSKC, on behalf of itself, BA+, and its other subsidiaries for each year of the examination period.

BA+ is 100% owned by BCBSKC, which is a not-for-profit, health care insurer that is domiciled in the State of Missouri. BCBSKC has no stockholders or other ownership. BA+ is ultimately controlled by the Board of Directors of BCBSKC.

BCBSKC has several subsidiaries that all have businesses involved in or related to the health care industry. These subsidiaries are described as follows:

- Good Health HMO, Inc. d/b/a Blue Care, Inc., Blue Advantage Plus of Kansas City, Inc., and Missouri Valley Life and Health Insurance Company are Missouri domiciled insurers. BCBSKC owns 100% interest in these Missouri domiciled subsidiaries.

- Financial Associates Midwest, Inc. (FAM) is a brokerage company specializing in group and individual health products, life, dental, disability, and retirement annuities. BCBSKC owns 100% interest in FAM.

- Capri Holding Company, LLC (Capri) is a holding company for Topaz Shared Services, LLC. BCBSKC owns 100% interest in Capri.

- Topaz Shared Services, LLC (Topaz) is a joint effort between the Company and Blue Cross and Blue Shield of North Carolina to collaborate in providing information technology services and resources for claims processing, enrollment, and billing for individual and small group markets. BCBSKC owns 50% interest in Topaz.

- Cobalt Ventures, LLC (Cobalt) is a holding company and directly holds BCBSKC's interest in its non-insurance subsidiaries. The entities held are NDBH Holding Company LLC, The EPOCH Group, LC, Preferred Health Professionals LLC, CompAlliance, LLC, and Cobalt Talon LLC. BCBSKC owns 100% interest in Cobalt Ventures, LLC.

- The EPOCH Group, LC (EPOCH) provides administrative services for third-party employers that have self-funded health insurance programs. Cobalt owns 99% interest in EPOCH and Good Health owns the remaining 1% interest.

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- Preferred Health Professionals, LLC (PHP) provides network rental and medical management services for groups and third-party administrators. BCBSKC owns 100% interest in PHP.

- The Astra Group, Inc. (Astra) is a human resources outsourcing provider that offers services such as employee administration, compliance and risk management, audits and reporting, recruiting and hiring, custom policies and best practices, performance management, training and development, benefit packages, and payroll and tax administration. BCBSKC owns 55% interest in Astra.

- Cobalt Talon, LLC (Cobalt Talon) is involved in professional, technical, and scientific services. It provides analytic services to the health care industry by offering business intelligence through customized software service solutions. BCBSKC owns 50% interest in Cobalt Talon.

- NDBH Holding Company, LLC (NDBH HoldCo) is a holding company that owns NDBH. BCBSKC owns 65% interest in NDBH HoldCo.

- New Directions Behavioral Health, LLC (NDBH) manages behavioral health benefits and operates and employee assistance programs. BCBSKC owns 99% interest in NDBH.

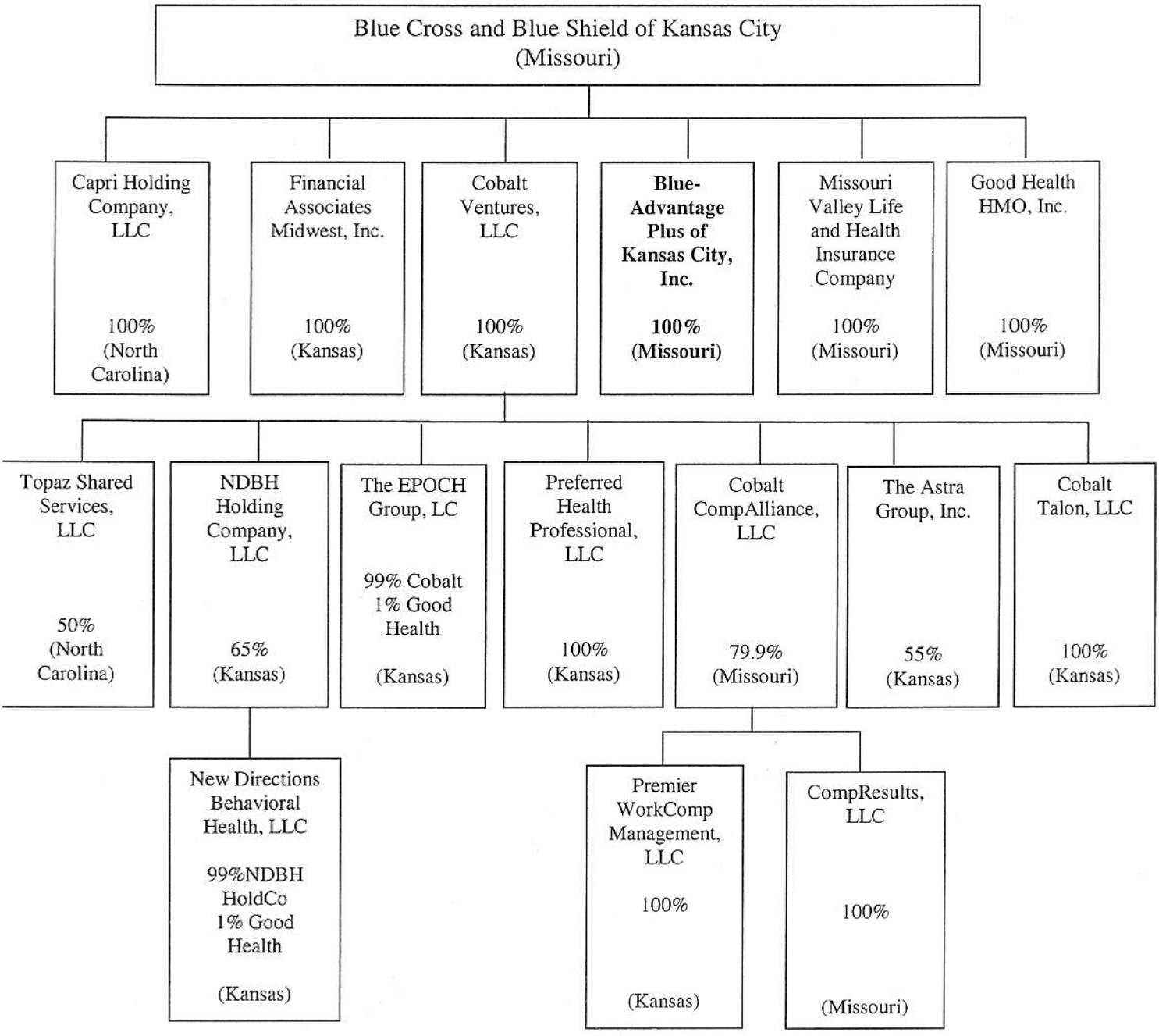
- Cobalt CompAlliance, LLC (CompAlliance) is a holding company for Premier WorkComp Management, LLC and CompResults, LLC. BCBSKC owns 79.9% interest in CompAlliance.

- Premier WorkComp Management, LLC (PWC) is a PPO network used exclusively for the treatment of work-related injuries and illnesses. BCBSKC owns 100% interest in PWC.

- CompResults, LLC (CompResults) is a PPO network used exclusively to bring workers' compensation cost containment solutions to employers and payers. BCBSKC owns 100% interest in CompResults.

Organizational Chart

The following organizational chart depicts BA+'s ownership and holding company system, as of December 31, 2012:



Intercompany Transactions

The Company's intercompany agreements in effect, as of December 31, 2012, are outlined below.

1. **Type:** Agreement for the Sharing of Federal Income Taxes and Filing of a Consolidated Tax Return
   Affiliates: BCBSKC, Good Health, Missouri Valley, Capri, and FAM
   Effective: March 19, 2012
   Terms: BCBSKC will file a consolidated federal tax return for itself and its subsidiaries. The tax liability for each subsidiary shall be based upon each subsidiary's taxable income or loss as reflected in the consolidated financial statements. Each subsidiary will pay its federal income taxes to BCBSKC. BCBSKC will collect and remit any tax refunds to the subsidiaries.

   This agreement replaced an agreement effective January 3, 2008. The only difference between the two is the addition of Capri and FAM.

2. **Type:** Administrative Services Agreement
   Affiliate: BCBSKC
   Effective: August 1, 2006
   Terms: BCBSKC agrees to provide the following administrative services: accounting, budgeting, personnel, payroll, office space, utilities, maintenance, claims processing, purchasing, legal, actuarial, underwriting, cash management, investment, marketing, data processing, and other services. BA+ will pay BCBSKC the actual expenses incurred for the services provided.

3. **Type:** Ancillary Provider Agreement
   Affiliates: BCBSKC, NDBH, Good Health, Missouri Valley
   Effective: January 1, 2006, amended June 1, 2006, amended effective October 1, 2007 and amended June 1, 2008
   Terms: NDBH agrees to manage and/or arrange for the provision of behavioral health and substance abuse services for BCBSKC's members and the members of BCBSKC's subsidiaries. NDBH will provide for the credentialing reviews of the providers. BCBSKC will pay NDBH a capitation payment each month that is determined by the per member per month rates specified in the agreement. The rates vary between products sold by BCBSKC and its subsidiaries.

   The June 1, 2008 amendment requires NDBH to provide employee assistance program services to small group accounts, as identified by BCBSKC on a monthly basis, under similar terms and conditions as the large group accounts included in the Agreement.

   The October 1, 2007 amendment, changes fees relating to employee assistance program services. Additionally, the amendment includes a provision to renegotiate rates to ensure that the affiliated insurers have the most favorable HMO or PPO rates of those charged to other customers of NDBH for the same or similar services.

The June 1, 2006 amendment, removes claims processing services, revises the rates, and adds a risk sharing arrangement for certain HMO products.

4. **Type:** Agreement for the Management of Intercompany Payables and Receivables
   Affiliates: BCBSKC, Good Health and Missouri Valley
   Effective: August 1, 2006, restated effective March 1, 2009
   Terms: BCBSKC shall pay the payables and collect the receivables for its subsidiaries. Separate accounting records will be maintained for the transactions for each subsidiary. Transfers of funds to or from the subsidiaries will be made to minimize uninvested cash balances and to minimize the receivable or payable balance with each subsidiary. BCBSKC shall settle all intercompany payables and receivables within ninety days following receipt by BCBSKC.

   BCBSKC shall pool and retain the consolidated funds resulting from these transactions and invest the pooled funds. BCBSKC shall pay interest or receive interest each month from the subsidiaries based on the intercompany balance of each subsidiary. The interest rate shall be the applicable federal rate determined by the most recently published Internal Revenue Service Revenue Ruling.

   The agreement was restated to remove the specific exclusion for the Missouri Valley direct enrollment PPO, to change the duration of the agreement to extend to December 31, 2009 with automatic renewals for subsequent one year terms, and includes a specific exclusion for Missouri Medicaid payments that are directly deposited into a BA+ bank account.

5. **Type:** Guarantor Agreement
   Affiliates: BCBSKC
   Effective: July 1, 2005
   Terms: In the event of the insolvency of BA+, BCBSKC agrees to provide BA+ whatever guarantee or coverage that is necessary to meet all applicable requirements of its business as a state-qualified HMO. This coverage will provide for the continuation of covered benefits to BA+'s members and pay provider expenses, as defined in the agreement.

6. **Type:** Professional Services Agreement
   Affiliates: BCBSKC, Good Health, Missouri Valley and Cobalt Talon
   Effective: June 1, 2012
   Terms: Under the terms of the Agreement, Cobalt Talon will provide contract labor services as set forth for each service specified in a SOW.

7. **Type:** Services Agreement
   Affiliates: NDBH, BCBSKC, Good Health and Missouri Valley
   Effective: March 1, 2010
   Terms: Under the terms of the Agreement, BCBSKC shall be responsible for receiving, processing, and adjudicating claims for NDBH for HMO members in accordance with Exhibit Two of NDBH's Ancillary Provider Agreement per agreement #3 above.

Intercompany Receipts and Payments

The following table summarizes the (receipts) and payments made during the examination period, between BA+ and its affiliates.

	2012	2011	2010	2009	2008
Agreement For Sharing Federal Income Taxes					
Paid (Received) to/from BCBSKC	$5,243,513	($83,087)	($2,612,454)	$3,641,734	($502,566)
Administrative Services Agreement					
Paid to BCBSKC	4,731,743	7,076,959	8,781,864	11,527,391	11,534,459
Ancillary Provider Network Agreement					
Paid to BCBSKC for Services Provided by NDBH	1,735,555	3,157,014	1,992,055	1,900,319	1,783,609
Agreement for the Management of Intercompany Payables/Receivables					
Paid to BCBSKC	5,330	1,844	6,076	24,853	128,052
Guarantor Agreement					
Capital Contribution to BA+	0	0	(5,000,000)	0	0
Net amount paid or (received)	**$11,716,141**	**$10,152,730**	**$3,167,541**	**$17,094,297**	**$12,943,554**

FIDELITY BOND AND OTHER INSURANCE COVERAGES

Blue Advantage Plus of Kansas City, Inc. is a named insured, along with BCBSKC and other identified subsidiaries, on a financial institution bond with a liability limit of $10,000,000 and a single loss deductible of $150,000. This coverage complies with the suggested minimum amount of fidelity bond, according to NAIC guidelines.

The Company is also a named insured on the following insurance policies: Commercial Property, Commercial General Liability, Business Auto, Commercial Umbrella Liability, Excess Liability, Financial Institution Electronic and Computer Crime, Fiduciary Liability, Worker's Compensation, Directors' and Officers' and Errors and Omissions.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

BA+ does not have any direct employees. All of the operational and administrative functions of BA+ are performed by the employees of the ultimate parent, BCBSKC. The Company is allocated a percentage of the benefit costs for BCBSKC employees, pursuant to an Administrative Service Agreement.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

BA+ was organized on June 30, 2005 in accordance with Missouri law at Chapter 354 as it relates to Health Maintenance Organizations. The Company's service territory consists of 13 counties in Missouri.

The Company underwrites Medicaid and Children's Healthcare Initiative Program (CHIP) through a contract with the State of Missouri Division of Social Services – Missouri HealthNet Division (DSS). This contract defines the premium rates that DSS will pay the HMO for providing service to Medicaid recipients. The Company's initial contract with DSS was July 1, 2005 and periodically the contract is renewed. The contract for 2012 was not renewed because the Company was unable to expand its service area as required by a condition set forth by DSS. As a result, the Company has been in run-off status as of July 1, 2012. The Company expects to eventually merge into its parent, BCBSKC.

BA+ does not utilize any brokers or agents and does not have any direct solicitation for membership, which is in compliance with the Medicaid contract with the State of Missouri. The Company obtains members one of two ways, either a Medicaid eligible individual will select BA+ over its competitors or members will be automatically assigned to BA+ by the Missouri Department of Medical Services.

GROWTH OF THE COMPANY AND LOSS EXPERIENCE

Growth of the Company

The Company was formed to underwrite Medicaid and CHIP business only through its contract with the DSS. The Company was informed in February of 2012 that it was not awarded the new Medicaid contract effective July 1, 2012. Subsequent to the expiration of the Medicaid contract, the Company has been executing a solvent run-off of its book of business.

The table below summarizes the Company's growth in total admitted assets, total liabilities, total capital and surplus, total revenues, net underwriting gain/(loss), and net income/(loss) for the period under examination:

	2012	2011	2010	2009	2008
Total Admitted Assets	$25,800,878	$34,778,261	$32,089,137	$24,195,738	$24,877,362
Total Liabilities	1,269,437	12,112,304	20,451,572	12,397,206	13,838,799
Total Capital and Surplus	24,531,442	22,665,957	11,637,565	11,798,532	11,038,564
Total Revenues	45,354,968	88,024,144	87,414,930	86,754,126	84,659,063
Net Underwriting Gain	2,194,304	15,658,603	(9,289,461)	584,541	3,771,199
Net Income	1,986,516	11,009,737	(5,803,935)	822,820	2,842,822

Loss Experience

The Company's medical loss ratio has been historically high in relation to industry averages. In 2009 and 2010, the medical loss ratio increased due to the recognition and reporting of a premium deficiency reserve. In 2011, the Company received higher reimbursement rates from DSS, renegotiated provider contracts to decrease costs, and released the premium deficiency reserve which improved the medical loss ratio results in 2011. The medical loss ratio results in 2012 were indicative of a Company executing a solvent run-off of its book of business.

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

Year	Total Revenues	Total Hospital and Medical Benefits	Medical Loss Ratio
2012	$45,354,968	$38,756,802	85.5%
2011	88,024,144	65,282,448	74.2%
2010	87,414,930	88,125,063	100.8%
2009	86,754,126	74,408,692	85.8%
2008	84,659,063	69,193,384	81.7%

REINSURANCE

General

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

	2012	2011	2010	2009	2008
Direct Business	$45,497,553	$88,356,937	$87,736,873	$87,127,017	$84,878,080
Reinsurance Ceded:					
Affiliates	0	0	(321,943)	(372,891)	(219,017)
Non-affiliates	(142,585)	(332,793)	0	0	0
Net Premiums Written	**$45,354,968**	**$88,024,144**	**$87,414,930**	**$86,754,126**	**$84,659,063**

Assumed

The Company does not assume any business.

Ceded

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.

BCBSKC together with BA+ and Good Health are reinsured by an excess of loss agreement, effective January 1, 2012, and terminating on December 31, 2012, with BCS Insurance Company (BCS). BCS is domiciled in the State of Ohio and is licensed as a property and casualty company with an accident and health line in the State of Missouri.

Services reinsured are those provided to Individual Child Only Commercial PPO, Other than Individual Child Only Commercial PPO (including Individual Group PPO, Stop Loss, Major Medical, and traditional coverages, including TPA processed business, identified as Preferred Care and Preferred Care Blue), Commercial HMO, Commercial Point-of-Service, and Medicaid members.

The Company's specific retention is $500,000 per covered individual per contract period for Individual Child Only Commercial PPO members, $1 million for Other than Individual Child Commercial PPO and Commercial HMO/POS members, and $875,000 for Medicaid members. The Agreement includes corridor retention of $880,000 for Commercial HMO/POS members and $1 million for other than individual child only PPO members and an excess retention of 0%. The reinsurer will reimburse for claims up to a maximum of $1.5 million per covered individual for each aggregate period for individual child only Commercial PPO, a maximum of $1 million for other than individual child only Commercial PPO and Commercial HMO/POS members, and a maximum of $1,125,000 for Medicaid members.

ACCOUNTS AND RECORDS

Policy management, claims management, and producer management utilize Facets from TriZetto, a Sybase application. Financial reporting and reinsurance management utilize the PeopleSoft software application, a Microsoft SQL-based application. Investment and fund management are handled through SunGard iWorks, which is a web-based Microsoft SQL application that is updated by SunGard.

The Company's financial statements for all years in the examination period were audited by the Certified Public Accounting firm of Ernst & Young, LLP of Kansas City, Missouri. The actuarial opinion regarding the Company's loss reserves, actuarial liabilities, and related items for all years in the examination period was issued by Darrell D. Knapp, FSA, MAAA, of Ernst & Young, LLP, of Kansas City, Missouri.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2012, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with RSMo Section 354.410 (Certificate issued, when--annual deposits, requirements, capital account, amount, contents). The Company's required deposit was $600,000. The funds on deposit were as follows:

Description	Par Value	Fair Value	Book/Adjusted Carrying Value
Missouri State Bonds	$ 602,000	$ 604,540	$ 604,511

Deposits with Other States

The Company does not have any funds on deposit with other states.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Blue Advantage Plus of Kansas City, Inc. for the period ending December 31, 2012. 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". 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 activity.

Assets

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$ 22,936,747	$ -	$ 22,936,747
Cash, Cash Equivalents and Short-term Investments	2,766,579	-	2,766,579
Investment Income Due and Accrued	94,922	-	94,922
Net Deferred Tax Asset	99,353	99,353	-
Receivable from Parent, Subsidiaries and Affiliates	2,630	-	2,630
Other Assets Non-Admitted	148,911	148,911	-
TOTAL ASSETS	**$ 26,049,142**	**$ 248,264**	**$ 25,800,878**

Liabilities, Surplus and Other Funds

Claims Unpaid	$ 127,892
Unpaid Claims Adjustment Expenses	4,770
General Expenses Due or Accrued	16,900
Current Federal and Foreign Income Tax Payable and Interest Thereon	316,088
Amounts Due to Parent, Subsidiaries and Affiliates	734,593
Aggregate Write-ins for Other Liabilities	
State Income Tax Payable	43,274
Uncashed Checks Pending Escheatment	19,165
Capitation Payable to the State of Missouri	6,755
TOTAL LIABILITIES	$ 1,269,437
Common Capital Stock	10,000
Gross Paid In and Contributed Surplus	22,190,000
Unassigned Funds (Surplus)	2,331,442
TOTAL SURPLUS	$ 24,531,442
TOTAL LIABILITIES AND SURPLUS	**$ 25,800,879**

Statement of Income

Net Premium Income	45,354,968
Hospital/Medical Benefits	31,607,799
Emergency Room and Out-of-Area	7,149,003
Claims Adjustment Expenses	1,717,653
General Administrative Expenses	2,686,209
Total Underwriting Deductions	$43,160,664
Net Underwriting Gain	$ 2,194,304
Net Investment Income Earned	431,263
Net Realized Capital Gains or (Losses) less tax	257,253
Net Investment Gains or Losses	$ 688,516
Intercompany Interest	(4,937)
Net Income or (Loss) Before Taxes	$ 2,877,883
Federal and Foreign Income Taxes Incurred	891,367
NET INCOME	**$ 1,986,516**

Capital and Surplus Account

Capital and Surplus, December 31, 2011	$ 22,665,957
Net Income	1,986,516
Change in Net Unrealized Capital Gains and (Losses)	1,211
Change in Net Deferred Income Tax	3,947
Change in Non-Admitted Assets	(126,189)
Net Change in Capital and Surplus	$ 1,865,485
Capital and Surplus at December 31, 2012	**$ 24,531,442**

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENT ITEMS

None

SUMMARY OF RECOMMENDATIONS

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Blue Advantage Plus of Kansas City, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Leslie Nehring, CPA, CFE; Scott Rennick, CFE; Steve Koonse, CFE; Sara McNeely; Emily Turek; and Laura Church examiners for the DIFP, participated in this examination. Kimberly Dobbs, CFE, Information System Examiner for the DIFP performed a review of the information system environment.

VERIFICATION

State of Missouri)
County of Jackson)

I, Levi N. Nwasoria, CPA, CFE, 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 Blue Advantage Plus of Kansas City, Inc., 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.

Levi N. Nwasoria, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 5th day of November, 2013.

My commission expires: Nov. 18, 2014

Karen S. Rohrer
Notary Public

KAREN S. ROHRER
Notary Public - Notary Seal
STATE OF MISSOURI
County of Boone
My Commission Expires 11/18/2014
Commission # 10452155

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 DIFP and statutes of the State of Missouri prevailed.

Mark A. Nance, CFE, CPA
Audit Manager
Missouri Department of Insurance, Financial Institutions and Professional Registration